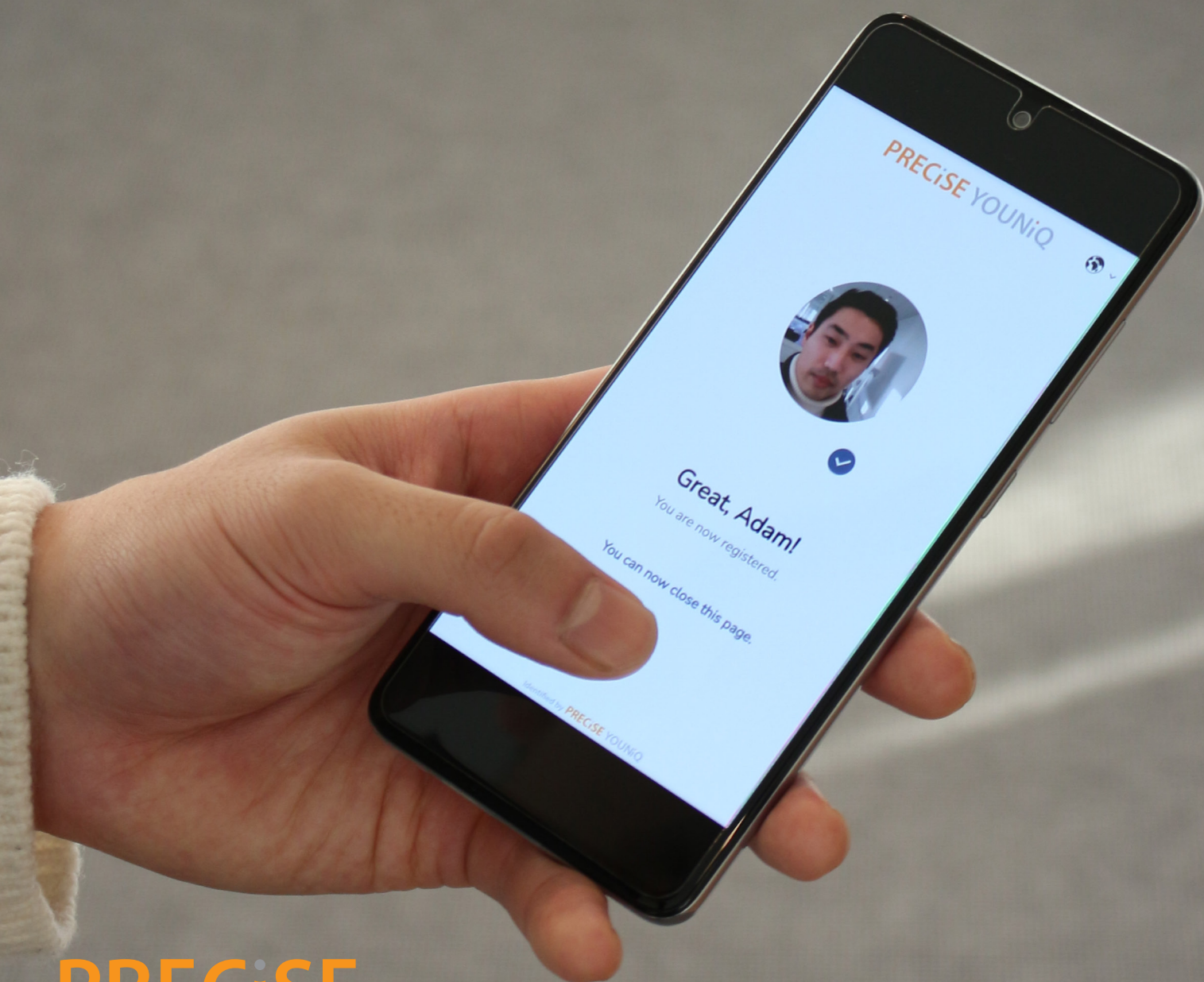


PRECISE BIOMETRICS ANNUAL REPORT

2021

YOU are the key™



A close-up photograph of a person's hand holding a key near a door lock. The lock has a circular camera lens. The background is blurred, showing a window with greenery outside.

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.

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THE YEAR IN BRIEF

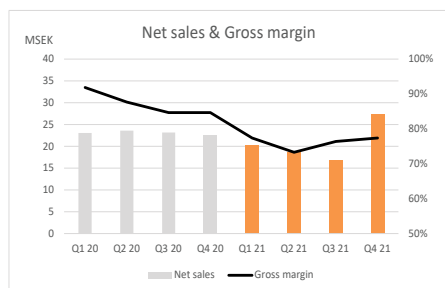
In 2021, all product areas were strengthened, driven by commercial progress in Digital Identity and Algo. The investments made in Digital Identity were fruitful, and the first installations were carried out in the USA, Norway and Germany, among other places, at the same time as several strategic partnerships were entered into, which contributed to stronger sales channels. In December, the acquisition of EastCoast Solutions was completed, which enables the acceleration of Digital Identity and access to a solid customer base and a stronger range of products within physical access. Precise sees great potential for additional sales by expanding the EastCoast Solutions product range with biometric-based products. In line with the ongoing widening of application areas within Algo, Precise signed two new commercial licensing agreements in December with two players in the automotive industry. This is a completely new vertical for Precise with the potential for more areas of application in the long term, even outside the automotive industry.

2021 was an eventful year, in which the company continued to accelerate within Digital Identity, while at the same time expanding the areas of application within Algo. Combined with the commercial success, the negative effects caused by the semiconductor shortage in Algo were mitigated.

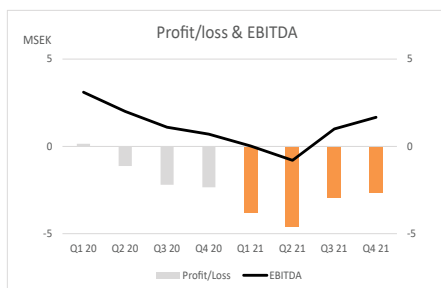
THE YEAR IN FIGURES

83.3 (92.3)	NET TURNOVER	111.9 (122.2)	AVERAGE EQUITY, MSEK
76.3 (84.2)	GROSS MARGIN %	53.1 (74.6)	SOLIDITY %
1.9 (6.9)	EBITDA, MSEK	-1.5 (21.8)	CASH FLOW FROM CURRENT OPERATIONS, MSEK
54.4 (63.1)	WORKING CAPITAL, MSEK		

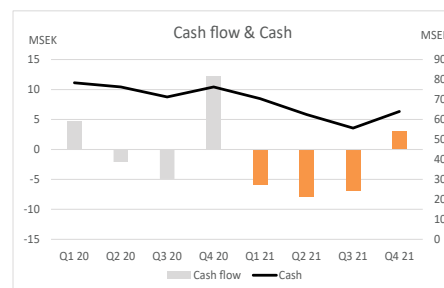
NET SALES & GROSS MARGIN



OPERATING PROFIT/LOSS



CASH FLOW FROM CURRENT OPERATIONS





ACCELERATING THE DIGITAL IDENTITY PRODUCT AREA THROUGH THE ACQUISITION OF EASTCOAST SOLUTIONS



CONTINUED COMMERCIALIZATION OF YOUINIQ WITHIN ACCESS WITH SEVERAL COMMERCIAL AGREEMENTS IN PLACE



FIRST INSTALLATIONS OF YOUINIQ IN US AND GERMANY



INTEGRATION OF PRECISE'S FINGERPRINT TECHNOLOGY IN THE NEXT GENERATION OF ULTRASOUND-BASED FINGERPRINT SENSORS FROM QUALCOMM – SUCCESSFUL IMPLEMENTATION IN THE MEIZU 18 SMARTPHONE



PRECISE SIGNED COMMERCIAL LICENSING AGREEMENTS WITH TWO ORIGINAL DESIGN MANUFACTURERS (ODMS) TO PROVIDE FINGERPRINT TECHNOLOGY, PRECISE BIOMATCH, TO THE AUTOMOTIVE INDUSTRY.

PRECISE IN BRIEF

Precise is a global supplier of identification software. The company offers products in various areas of application that enable users – using their own biometrics – to identify themselves in a convenient and secure way. Whoever you are, wherever you are and whatever you are doing, you must always have access to your digital identity.

Precise's products are used millions of times every day by people all over the world. Identification is at the heart of Precise, and with a passion for innovation, the company works continuously to create new products that meet users' needs.

Precise has two product areas: Digital Identity and Algo and operates from its offices in Sweden, Potsdam NY, USA and Shanghai, China. The Precise share is listed on the Nasdaq Stockholm (PREC). For more information, visit www.precisebiometrics.com

CHAIRMAN OF THE BOARD HAS THE FLOOR



In 2021, we continued to strengthen all product areas. The investments made in Digital Identity and the acquisition of EastCoast Solutions have borne fruit and are building a strong foundation for the future. In Algo, a successful expansion was implemented, where we are now also supplying fingerprint technology to the automotive industry. These overall successes mitigated the negative effects of the semiconductor shortage among our Algo customers.

In Digital Identity, we continued to further develop YOUNiQ and expand our partner network with the addition of partners such as ASSA ABLOY and RCO, which are key building blocks to strengthen the business. At the same time, we increased the number of installations and thus the proportion of recurring revenues. As an additional part of our strategy to strengthen the Digital Identity product area, we acquired EastCoast Solutions, a leading supplier of visitor management systems, in December. The acquisition strengthens our position and expertise in secure and convenient access solutions, while at the same time broadening our revenue streams with a larger base of recurring revenues. Precise and EastCoast have a very good fit when it comes to customers and corporate culture. The solutions of both companies are based on the same technical platform, and it is easy to assemble the solutions. Together with EastCoast, we see opportunities to develop our sales channels and offerings to a large addressable market with growing demand. At the time of writing, we have already announced the first solution jointly developed by Precise and EastCoast.

In Algo, our customers' volumes were affected by the semiconductor shortage, which had a negative impact on royalty revenues for Precise. By gradually broadening the product area to new verticals and continuing to focus on strategic partnerships, we secured continued business in the product area. Precise's fingerprint technology was implemented during the year in Qualcomm's latest sensors, which can be found in mobile phones from Meizu, Sharp and Vivo, among others. This gives them one of the market's fastest fingerprint matchers and advantages such as two-finger matching and simple One Touch registration. At the same time, the sales team continued to develop existing and new customers, and in December we made a breakthrough in the automotive industry. At the end of the year, commercial licensing agreements were signed with two players in the automotive

industry. A Precise solution will already be available in series-produced cars in the upper price segment this autumn. After the end of the year, we also entered into a partnership with Infineon to deliver fingerprint technology to the automotive industry, which is a new vertical for Precise. The entry is the result of hard and dedicated work that will pay dividends over time, as the product life span is significantly longer in the automotive industry than in the existing applications for our Algo solutions.

It is clear that the digitization of our societies has been accelerated as a result of the pandemic, which has created increased demand for the type of products that are the core of Precise's business. Among other things, a pilot project was launched in January 2022 for Algeco, where YOUNiQ was integrated with systems for remote control of energy and heating to save energy. All these innovations contribute to more sustainable solutions and Precise is now an even stronger company than a year ago.

We have broadened our revenue streams, application areas and partnerships, which means a more resilient business model while at the same time satisfying several needs in society. By gradually broadening Algo with new applications based on fingerprint recognition and continuing to focus on growth in Digital Identity, we are securing a business that is profitable in the long term.

The Board of Directors looks forward to Patrick Höjjer starting as CEO of Precise on June 1, 2022. Patrick brings documented experience of growth in SaaS companies and has exactly the business understanding required to drive Precise through the next phase. Fredrik Sjöholm is appointed interim CEO until Patrick starts.

Torgny Hellström, Chairman of the Board



"We have broadened our revenue streams, application areas and partnerships, which means a more resilient business model while meeting several needs in society."

Fra left: Torgny Hellström, Chairman & Fredrik Sjöholm, CEO

THE BUSINESS

VISION

Precise's vision is convenient and secure identification, for everyone, everywhere, where you are the key. 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.

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. The company's revenue sources are based on license revenues, royalties and other income.

PRODUCT AREAS

Precise focuses its activities in two product areas, Digital Identity and Algo, with the aim of diversifying and taking advantage of driving trends in the market. On January 1, 2022, Digital Identity and Algo are two product areas.

DIGITAL IDENTITY & ALGO

Digital Identity

The products offered by Precise are convenient and secure alternatives to identification in various areas of application. Precise is developing products that combine different biometric modalities and can be adapted to different areas of application. Examples of application areas are physical access and visitor systems.

Algo

In the Algo product area, Precise licenses its leading fingerprint software 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 cards and vehicles.



Identification – physical access and visitor systems



Identification – fingerprint

PRODUCT PORTFOLIO

The company currently offers the following products: BioMatch® for Mobile, Card and Car, BioLive® and YOUNIQ™ and EastCoast Visit through the subsidiary EastCoast Solutions.

The company works actively and strategically with patents, pattern protection and trade marks 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, trade marks and registered patterns.

REVENUE MODEL

Precise's revenues are distributed in the main revenue streams: license revenues, royalties per sold product and other revenues. 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. Precise aims, through strategic partnerships, to create growth and expand the company's offering in all product areas. This work is focused on innovation in order to constantly develop products and broaden the range by means of adaptation to more areas of application. 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. The user becomes his or her own unique key via his or her biometrics.

Growth is planned primarily to come from Digital Identity and specifically within the physical access application area. The company has three main focus areas that are considered of particular strategic importance in order to further increase the leading position in the market and to lay a stable foundation for long-term, sustainable growth.

PRODUCT DEVELOPMENT

Product development is and always has been the main focus for Precise, and we strive constantly to improve our 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 December 2021, Precise has great opportunities to grow by applying the software distribution model SaaS (Software-as-a-Service). By subscribing to a service, customers no longer need to maintain the hardware or other resources that were previously required and can instead access the software via a client program or a web browser. 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. SaaS has a marginal impact in 2021, but is expected to increase significantly in importance 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.

EastCoast Solutions – a leading supplier of visitor management systems – was acquired in 2021. The acquisition of EastCoast Solutions strengthened Precise's position in existing markets and increased the proportion of recurring revenues, as well as resources in business and product development.

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 an individual's personal attributes (e.g., fingerprint, 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

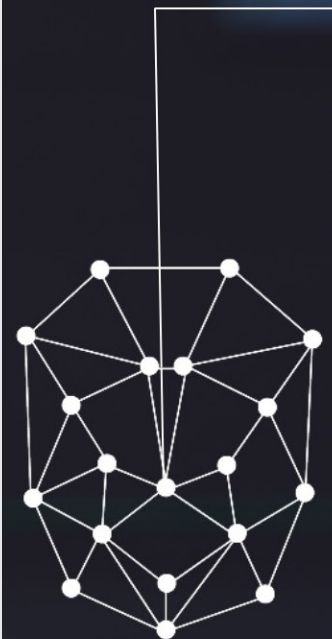
In addition to verifying that a certain biometric information comes from a certain person, they often also want to ensure that the biometric information comes from a living, physical person. In order to prevent fraudsters from attempting to fool the systems by collecting e.g. a fingerprint from an object and then creating different impressions of e.g. clay, glue, gelatine, etc., different forms of antispoof protection are used. These can be 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 antispoof 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.





DRIVING FORCES WITHIN THE COMPANY'S PRODUCT AREAS

With the increasing use of mobile devices and the increased use of public cloud services, products with integrated biometric solutions are becoming increasingly available to the public. This means an increased need for convenient and secure systems and solutions to verify our identities. At the same time, the general digitalization of our societies has been accelerated as a result of Covid-19, which in combination with increased sustainability awareness among consumers is accelerating the development of biometric technology.

Biometric systems with fingerprints, face, voice, behavior, and the iris make it possible for a digital identity to be verified which makes the user's daily life more convenient and secure. This meets demand among users for user-friendly solutions and creates new opportunities to adapt services based on behavior. This trend places major demands on convenient and secure verification of the digital identity of individuals in order to minimize the risk of fraud and to protect private property.

In the wake of Covid-19, the need for contactless technology has increased, which has accelerated market development for most biometric applications. Biometric identification via facial recognition, for example, ensures the user's identity is contactless, which is more hygienic than traditional methods and at the same time more user-friendly.

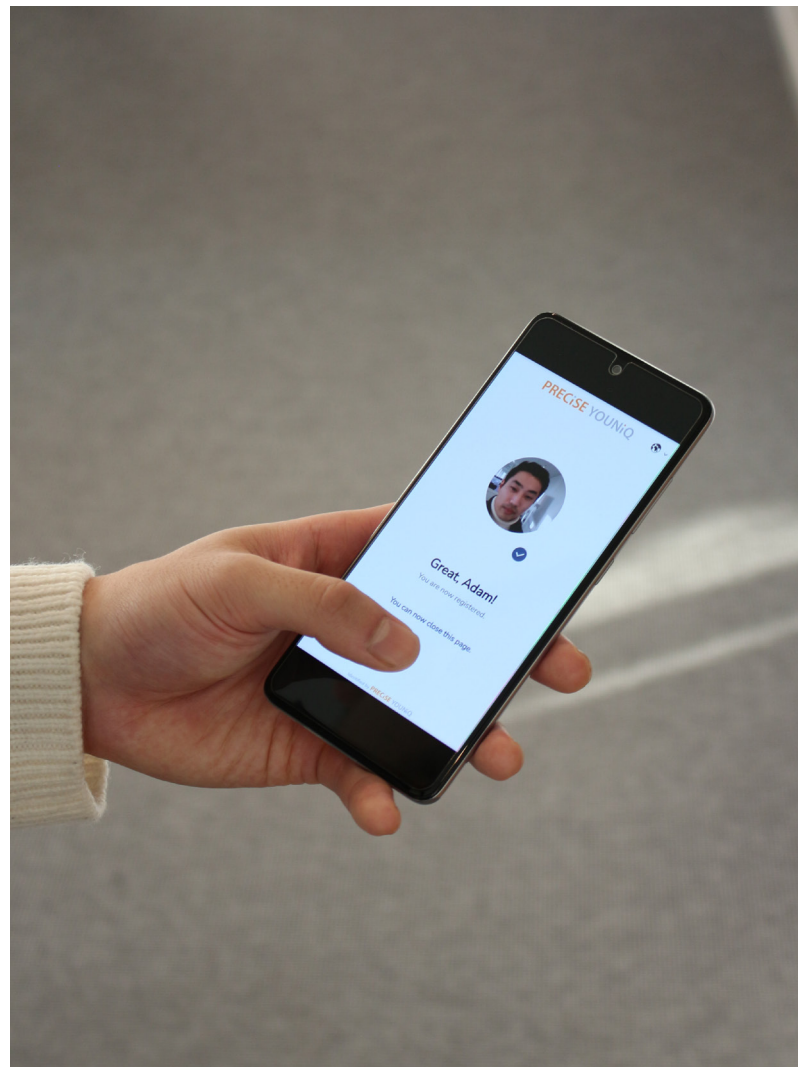
The next stage in the evolution of biometrics in mobile devices is solutions that combine different kinds of biometrics and smart technology in order to verify a person, with minimal or no action by the actual user. Such solutions will offer continuous authentication, where the user is being identified passively in the background, improving both user-friendliness and security. Demand for user-friendly design and mobile devices with full-screen displays is driving the trend of under-display sensors. This trend has resulted in more sensor manufacturers having developed their product offerings and extended their offerings to include optical and ultrasound sensors.

While this development is taking off, the next generation of under-display sensors is being tested, which makes it possible to read fingerprints on the whole screen compared with current technology, which requires the finger to be placed within a limited area on the screen. This development is a natural step towards the goal of developing displays with inbuilt sensors that can read fingerprints over the whole screen, while also offering continuous authentication and increasing user convenience.

Sales of optical sensors for phones in the lower price segment are rising, while unit prices continue to fall, which also affects

the market value of these sensors, as prices are falling faster than volumes are rising.

The level of activity for actors along the entire value chain for the development of biometric smart cards intensified during 2021. Payments are the primary driver of the development of biometrics at the consumer level, and analysts expect biometric cards to be a rapidly growing area in the coming years. Biometrics for identity verification has also become an increasingly important tool in the battle against fraud in virtually all payment channels. Card manufacturers are focusing increasingly on the certification of contactless biometric payment cards, which is a precondition for card issuers to be able to achieve a broad-based market introduction. Even though there has been a general increase in activity, there has still not been any significant production of biometric cards from any of the card issuers in 2021. As banks now prepare for commercial launches, we expect modest volumes to be produced over the next year.





MARKET POSITION

DIGITAL IDENTITY

Precise is convinced that biometrics are the key to convenient and secure identification, whatever the area of application, and has therefore expanded the company's business operation 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 convenience and security. It is also possible to identify the user, offer continuous and passive authentication, as well as unique personal adaptation, which makes everyday life easier for people and enhances the user experience of products and services.

In 2021, Precise made significant progress in the product development and commercialization of YOUNIQ for biometric access to buildings. YOUNIQ is being used thousands of times every day at over 60 installations as of the year-end. The acquisition of EastCoast Solutions, which was completed during the year, gave Precise 600 new customers with future SaaS revenues and a comprehensive offering where the company sees great opportunities for growth through cross-selling activities. In Sweden alone, Precise has identified an addressable market worth around SEK 3 billion by 2025 in the access application area.

ALGO

Precise has a strong position in the segment for fingerprint sensors for mobile devices, in terms of both optical and ultrasound sensors. In 2021, the company continued to strengthen its relationships with partners through a local presence in order to provide better local support and customize solutions for the company's customers in the Asian market. More and more phones are being equipped with optical or ultrasound sensors that are integrated beneath the display. Demand for

these sensors is growing rapidly and is expected to continue to increase over the next few years. Precise will strive to achieve a leading market position in this rapidly expanding area.

Another area of application within Algo is smart cards, where Precise has been involved in development and commercialization together with customers with Precise BioMatch Card. The Precise BioMatch Card product guarantees the user's identity through fingerprint recognition, which is a user-friendly solution that enhances security for both end users and card issuers, while at the same time contributing to increased customer flows. In addition to payments and transactions, Precise has identified additional areas of application where biometric smart cards fulfill a function in everyday life, for example access.

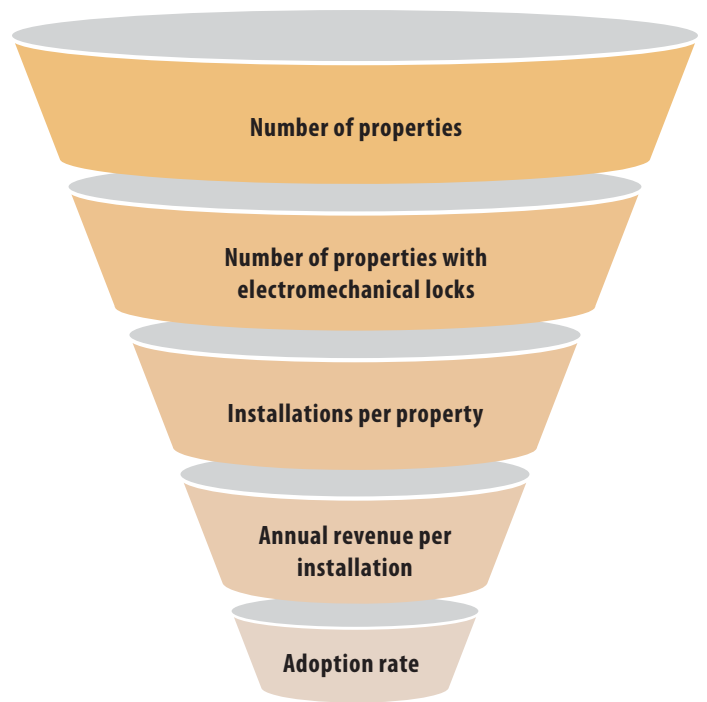
At the end of 2021, Precise entered into two licensing agreements to provide fingerprint technology to the automotive industry. There has long been talk of integrating biometrics in vehicles, and although there are some solutions on the market today, it is only recently that higher product volumes have started to emerge. 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. Together with Infineon Technologies AG, Precise will enable customized experiences for the driver and work closely to provide the market with solutions at the forefront for authentication of drivers with the help of biometric data. These will initially be used in the sports and luxury car segment. However, a significantly larger market will gradually develop here, even outside of cars.

Billion-kronor market in Sweden for YOUNiQ in field of biometric access

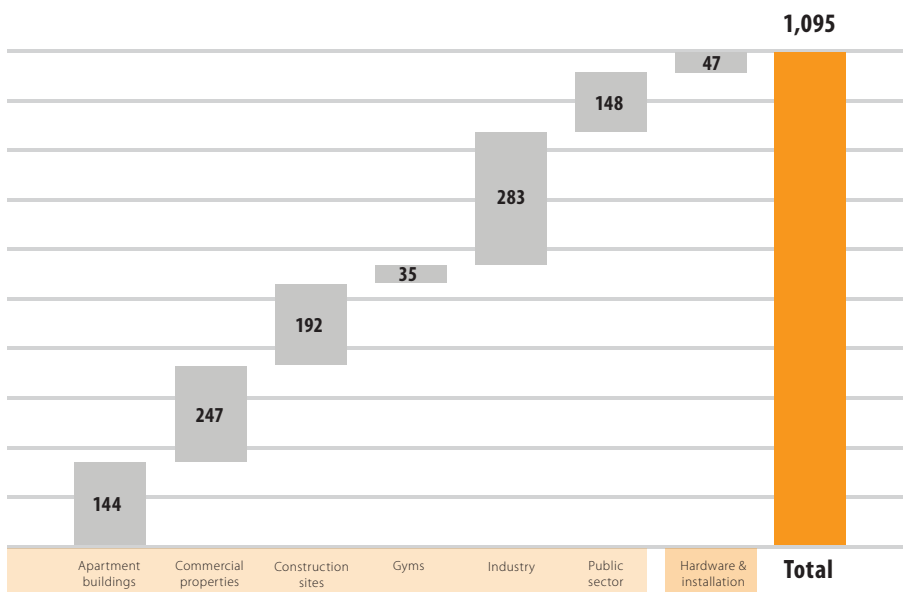
One area of application with tremendous market potential is biometric access to buildings and premises, where growth is being driven by trends such as security, sustainability, technological development and regulation. Precise has identified six segments where there is high demand for secure, convenient access solutions. These are apartment buildings, commercial properties, construction sites, gyms, industrial sites and public sector activities.

Based on data from Statistics Sweden, Datscha and IHRSA, it is estimated that the total number of buildings in these segments in Sweden will be around 450,000 by 2025. Of these, it is estimated that 35% of the buildings in apartment complexes, commercial properties, industrial sites and public sector activities segments will have installed electric locks, which are a basic prerequisite for biometric access. The corresponding figure for construction sites and gyms is 80%.

We currently believe that we have an addressable market in biometric access to approximately SEK 1 billion and SEK 3 billion for biometric access and visitor management throughout the Nordic region.



Addressable market



- » The market potential in Sweden is estimated to be approximately SEK 1.1 billion.
- » The market for this solution is currently in its infancy.
- » The market potential will probably increase as awareness of the technology increases.
- » The estimate is based on figures from 2016-2019, depending on customer segment. Historical growth combined with trends are used to estimate growth until 2025.



Faster, smarter access with YOUNiQ at Algeco



We spoke to Nina Flood, Managing Director at Algeco Sweden, to find out how the company is using YOUNiQ and facial recognition to enable secure and convenient access to its facilities.

Please tell us a little about Algeco and your role.

ALGECO offers space rental solutions in 22 countries across Europe and Middle East. We serve over 31,000 customers in construction and infrastructure, industry, services and administration with approximately 235,000 modular space and storage units leased through a network of more than 150 locations.

As Managing Director at Algeco, responsible for managing our Swedish division, I've been closely involved in building the prosperous company that our organisation is today. Our ambition is to create smart spaces for people to live, work and learn. It's exciting because no one else in the market offers our expertise across the range of industries that we provide. From residential and storage containers to modular constructions for company and school facilities and from office spaces to construction sites and complex services for the events industry, we have specialist expertise for the benefit of our customers, no matter what their needs are.

Can you tell me about the challenges you face in terms of managing access to Algeco's facilities?

There are some very specific challenges and projects we're working on

right now. For example, in Skellefteå, Sweden, construction is underway on one of Europe's largest new industry facilities – around 3,000 people are expected to be employed there in just a few years. Many of the construction workers and subcontractors for the project live just a few kilometers away in temporary modules developed by Algeco. In total, there are 660 rooms, all designed and organized to hotel standard, with more modules expected in the future. We plan to use these temporary modules in Skellefteå for the next three to five years. Then, Algeco will reuse them for new projects – one of the benefits of this kind of modular construction.

The size of the project requires rapid creation of housing which will be used for a limited period of time that meets customer requirements, maintains the high standards expected by workers and unions and a frictionless access solution for residents with no need for staff to manage key cards and the associated admin for physical tokens.

Another challenge area we're seeing at the moment is our delivery containers service, offering safer and faster deliveries for our customers. Today's access solutions for containers involve a lot of challenges, such as identifying who actually opened a container, understanding any risks associated with a container's contents (such as theft), the ability to limit access and of course, the time and resource intensive administration of codes and tags to enable authorised entry. With this in mind we identified a strong need for a digital solution that ensures the right person has access to the right container at the right time.

How is using Precise YOUNiQ helping to solve these challenges?

The Precise YOUNiQ solution is user-friendly, secure and cost-effective, making the process of recognizing an individual and granting them access, effortless. Integrating this software with our access control systems has enabled facial recognition at our facilities and allows us to manage access in a safe and secure way that's really convenient and modern for our residents. Removing the need for personnel on-site to manage access is also very important – the YOUNiQ solution means we do not have to manage lengthy processes such as providing a key or tag or even re-issuing temporary replacements when someone loses or forgets their key. On large sites such as the one in Skellefteå this can take up a significant amount of time and resource, not to mention unnecessary plastic waste.

Building on our good experience and excellent feedback from our customers with YOUNiQ in Skellefteå, it was then an easy decision to additionally implement facial recognition for Algeco's delivery container service so we can continue to build a great customer experience with excellent security.

What are the advantages of using this type of access using biometrics compared to a traditional pass / access card or passcode?

As key cards or tags are not required this is particularly practical for the housing modules in Skellefteå where we have a constant flow of people who need to access their rooms during specific periods. The fully digital solution means that just one administrator is needed to manage 500+ doors. All invitations, registrations and support is managed online by the administrator and the residents themselves (for the registration process). This solution has helped us to secure a contemporary environment with cost and time efficient access built for the future!

We see similar benefits in being able to manage distribution of tailor-made access (in terms of who, when and what) to the containers online. This also ensures enhanced security by minimizing the risk of unauthorized people being able to access the container.

What benefits have you seen and how does this solution make everyday life easier and more secure for your customers?

We strive to deliver a smooth and secure stay for our residents and we know that this is both expected and appreciated by them. Because this is a digital solution, residents experience a much higher degree of convenience – they can check in or out online to their accommodation when they want without having to physically visit a reception desk to collect or return a key or tag. As your biometrics can not be forgotten, lost or stolen, it also means that customers don't need to worry about remembering their key or the risk of theft – it's all taken care of because YOU are the key!

Have there been any challenges? How have you overcome these?

Whenever implementing new systems or solutions there will naturally be some challenges or bumps on the way. We've managed these by collaborating closely with the YOUNiQ support team at Precise in Lund whenever we have questions or need help. The great benefit of a digital solution is that most tasks can be remotely supported which is very helpful.

In terms of secure, convenient and sustainable access solutions, what do you think the future trends will be for your industry?

Sustainability is of significant importance for the future and we are looking at a number of ways to ensure energy efficiency and to reduce waste. We actively work to minimize or avoid activities that harm the environ-

ment – carrying out our projects with minimal emissions and recycling as much as we possibly can.

We want to avoid or minimize negative effects on individuals, society or the environment and at the same time create value for our owners and other actors. We believe that this strengthens the link between the company's profits and social benefits in both the long and short term.

What are your expectations on how YOUNiQ can help you meet the future challenges of these trends?

As a leader in the industry, Algeco works with customers and suppliers to develop environmentally friendly and sustainable solutions.

We currently have new established rigs (modules) integrated with YOUNiQ to test an exciting concept to implement heat and energy saving solutions in Kiruna. Due to the large number of people staying in our modules at varying periods this inevitably means that there are times during the day when no one is present in a room or living area. As heating and lighting is therefore not required our system automatically shuts these down, saving energy and cost. Then when a person arrives, the YOUNiQ solution both allows the authorised person to enter and prompts the system to automatically switch on heating and lighting.

#YOUarethekey

EastCoast Solutions - Visitor management systems for the future



Following the exciting news of our acquisition of EastCoast Solutions in November 2021, we caught up with CEO Richard Skalsky, one of the company's founders, to find out about the plans for the future and how we'll jointly be delivering a world-unique solution for visitor management systems.

Welcome to the Precise family Richard! Now that EastCoast Solutions has joined Precise Biometrics, what excites you about the future and the opportunities that it holds?

Right from the initial conversations we had with Precise's Chairman, Torgny Hellström, CEO, Stefan Persson, and the Board, we could see that the companies fit together very well with many natural synergies.

What I see as being most exciting in the short term is integrating YOUNiQ into our products and services for visitor management. Through the integration, we will be able to offer our 600 existing customers an upgrade to their existing installations with the latest technology with contactless and secure access to offices and arrival registration.

How will being part of Precise Biometrics enable EastCoast Solutions to realise opportunities and overcome challenges it has faced in its industry areas?

The merger with Precise Biometrics means that we will be a major player in the market so we can more easily scale up our services and market our solutions outside the Nordic region. As part of the Digital Identity business we'll also be contributing to the organization's knowledge based on a business model with SaaS services.

What advantages do you see in the future for the YOUNiQ EastCoast offering? What will the benefits be for customers and how will this solution make everyday life easier for them?

The integration of YOUNiQ in EastCoast products and services will result in a world-unique solution for visitor management where the visitor is the key to easy and safe passage through doors and arrival registration during customer visits. We will be able to offer customers modern and contactless solutions with high user-friendliness.

In terms of secure and convenient access solutions and visitor management, what do you think the future trends will be for your industry?

For a number of years now, the trend has been to go from unannounced visits and manual visitor registration to today's solutions with pre-booking and arrival registration with a QR code in for example, an Apple Wallet.

The trend is for the visitor process to be handled solely by the host and the visitor. As a result, the receptionist takes a more supervisory role with the traditional reception role disappearing. This is replaced by visitor areas which the visitor can access to announce their arrival. The host is then automatically notified of the waiting visitor. We expect this trend of visitor areas and unmanned receptions to continue.

What are your expectations on how YOUNiQ and EastCoast Visit can help meet the future challenges of these trends?

By integrating YOUNiQ into our products and services, we will be able to offer unique, modern solutions for visitor management that are very user-friendly, secure and at the forefront of what is technically possible today.

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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 our 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. Precise's collaboration with Algeco, which actively chooses suppliers that enable the development of environmentally friendly and sustainable solutions, is currently testing a concept with a focus on sustainability up in Kiruna. In newly established rigs (modular buildings) integrated with YOUNiQ, an implementation of heating and energy-saving solutions is being tested. The large number of people present in the modules during different periods inevitably means that there are times during the day when no one is present in a room or in communal areas. As heating and lighting are therefore not required, the system automatically switches them off, saving energy and keeping costs down. When someone then arrives at the module, YOUNiQ takes care of both access for the authorised person and prompts the system to automatically switch on heating and lighting.

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 2021, the company has, in view of a COVID-19 continued to hold a majority of booked meetings virtually, which has 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.

Employee Interview – Mark Cornett



Mark Cornett, Senior Sales Director, shares his view from Precise's office in Potsdam, New York about what it's like to work in biometrics in the USA and how the team is driving growth and success in the region.

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

I enjoy wearing several hats here at Precise's US office in Potsdam, New York, including sales/business development for our fingerprint and face modality solutions, along with overall office management responsibilities. Our US office is also responsible for human subject data collections we perform on behalf of both our customers and our own internal product development. Our collection lab is quite automated and includes the ability to collect data under a variety of environmental conditions such as direct sunlight and high/low temperatures.

Given the six-hour and twelve-hour time differences with Europe and Asia respectively, our mornings here are mostly devoted to meetings involving our customers and colleagues in those regions. In the afternoon our attention shifts more to our US-based customers, many of which are located on the US' west coast.

What is the business environment like in USA and what are your expectations for the market in 2022?

As seen across the globe, the adoption of biometrics-based solutions continues to grow here in the US, and I expect our US-based fingerprint solution partners to benefit from that trend. As a result, our human subject collection business continues to grow.

For the digital identity outlook, there are opportunities as companies navigate the transition of Covid from a pandemic to being more endemic. For example, we are focused in helping our partners balance challenges such as meeting pent-up demand for general maintenance of security systems for their customers alongside investing in new technology solutions such as face recognition access control.

What's the most exciting innovation that you are seeing in the area of biometrics?

I believe our digital identity solution for access control (YOUNiQ Access), very much represents an exciting innovation in the use of biometrics. Its ability to increase security, enhance user convenience, and lower operating costs, is truly innovative.

Another exciting element within biometrics is the growing pervasiveness of these technologies in our daily lives. Far from just unlocking your mobile phone, the use of biometric authentication in applications like enterprise access control, automotive, payment processing, firearm security, and many others is really impressive.

Lastly, within the mobile phone segment, the adoption of large area fingerprint sensors – utilizing a third or more of total screen area – is

exciting for both users and OEMs, as these large sensors will bring even greater convenience and functionality.

What do you like best about working for Precise?

Without doubt, it's the people of Precise and the team orientation. With offices spanning the globe, I am not only fortunate to work with highly committed and knowledgeable colleagues, but I also enjoy and benefit from the exposure to a wide variety of cultural backgrounds among our colleagues and partner organizations.

What are you most proud of achieving to date in your professional career while working with Precise?

Without question it is the negotiation I undertook with Precise that led to its acquisition of NexID Biometrics, our former entity here in Potsdam. Becoming part of the Precise Biometrics ecosystem greatly expanded the opportunities available and applicable to the NexID technology (fingerprint liveness detection), which was invented and developed by Dr. Stephanie Schuckers of Clarkson University, along with several other academic colleagues. I continue to feel great pride in the synergies that have been realized since the two companies joined together.

What are your goals for the coming year?

The top goal for this year is accelerating the adoption of YOUNiQ Access in the US. With two key access management integrations now in place – Genetec and LenelS2 – we hope to not only recruit distributors of these solutions to also carry YOUNiQ, but to assist them in identifying and securing a number of larger enterprise implementations.

On the Algo side, our goal this year is to assist our US-based sensor partners in further expanding the number of mobile phone and other projects utilizing our liveness and matching solutions.

How do you like to spend your free time?

I enjoy spending time in our 90 acres of forest, meadow and wetland. Among other activities such as hunting and gardening, I use this large 'playground' as a way to help fight climate change by sequestering carbon in the tens of thousands of trees I have planted over the past 30+ years here. And this playground also comes in handy when entertaining any/all of our five grandchildren!

I also enjoy serving as a trustee to our regional hospital system (St. Lawrence Health), and have done so over multiple decades. I find the healthcare industry fascinating and very complex, and I take pride in strategically helping SLH improve and expand healthcare services across our region.

Thank you Mark!

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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, 2021 the company had 395,963,940 shares listed on the Small Cap list of the Nasdaq OMX Nordic. A standard trading unit is one share. The short name is PREC and the ISIN code is SE0001823303.

SHARE PRICE DEVELOPMENT

In 2021 there was a total turnover of 449,108,721 PREC shares, i.e., an average turnover of 1,775,133 shares per day of trading. The closing price on December 30, 2021 was SEK 1.38. During the year the share price fluctuated between SEK 0.7 and SEK 1.38.

OWNERSHIP

The number of shareholders at the end of the year was 17,208 (18,697). Foreign shareholders accounted for 10.2 (12.1) percent. See table for shareholder statistics as of December 30, 2021.

Precise has an option program, see Notes 5 and 10 in the notes for the group for further information.

The 2019 shareholders' general meeting made a decision to offer an incentive plan for the company's CEO and CFO to the effect that a maximum of 1,300,000 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 June 1, 2022 until June 30, 2022. The subscription price for the options has been set at SEK 0.32 and the subscription price for the shares at SEK 1.65. 300,000 stock options have been bought back from the CFO and canceled. At the end of the full-year period, 1,000,000 options had been subscribed by the CEO, corresponding to 100% of the total remaining stock options. Assuming that all stock options are exercised to subscribe to new shares, the number of shares in the company will increase by 1,000,000 shares. The CEO's options were repurchased in Q1 2022, when the CEO leaves the company.

Dilution effects are only considered in the event that the earnings per share become worse. Dilution effects have not been considered, as the average price during the period does not correspond to the price in the option program adopted in 2019.

See also Notes 5 and 10 in the notes for the group.

SHAREHOLDER INFORMATION

Previously published annual reports, interim reports and other information can be found at www.precisebiometrics.com. It is also possible to order information by calling +46 46 31 11 00.

Questions can be addressed directly to the company via email to 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	NOMINAL AMOUNT, SEK
2011 - New issue 1)	53,984,320	188,945,120	21,593,728	75,578,048	0.4
2012 - New issue 2)	75,578,048	264,523,168	30,231,219	105,809,267	0.4
2012 - Reduction of share capital 3)	-	264,523,168	-31,742,780	74,066,487	0.28
2013 - New issue 4)	58,782,926	323,306,094	16,459,219	90,525,706	0.28
2013 - New issue 5)	22,000,000	345,306,094	6,160,000	96,685,706	0.28
2015 - Reduction of share capital 6)	-	345,306,094	-86,326,523	10,359,183	0.03
2016 - New issue 7)	14,925,373	360,231,467	447,761	10,806,944	0.03
2021 - New issue 8)	6,982,473	367,213,940	209 474	11,016,418	0.03
2021 - New issue 9)	28,750,000	395,963,940	862 500	11,878,918	0.03

1) Issue with preferential rights to existing shareholders. The subscription rate amounted to SEK 1.00 and Precise Biometrics received an issue amount of SEK 54 million.

2) Issue with preferential rights to existing shareholders. The subscription rate amounted to SEK 0.72 and Precise Biometrics received an issue amount of SEK 54.4 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 by SEK 31,742,780.16 to cover losses. The reduction represents a reduction in the nominal value of the shares of SEK 0.12 from SEK 0.40 to SEK 0.28.

4) 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.

5) Special 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.

6) 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 nominal value of the shares of SEK 0.25 from SEK 0.28 to SEK 0.03.

7) Special 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.

8) 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.

9) 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.

SHAREHOLDER STATISTICS

SHAREHOLDER REGISTER

	NUMBER OF SHARES	NO. IN % OF CAPITAL STOCK AND VOTES
Avanza Pension	25,184,725	6.4%
Nordnet Pensionsförsäkring	13,264,282	3.3%
EastCoast International AB	6,982,473	1.8%
Maida Vale Capital AB	6,010,000	1.5%
Lars Ingvarsson	4,293,706	1.1%
Henrik Svensson Fastigheter AB	4,110,000	1.0%
Swedbank sphere	4,019,409	1.0%
- Swedbank Försäkring	4,019,409	1.0%
Lars Odqvist	3,704,093	0.9%
Curt Blixt	3,400,000	0.9%
Other	320,975,843	81.1%
Total	395,963,940	100.0%

ALLOCATION OF SHAREHOLDERS

	NUMBER OF SHARES	NO. IN %
Foreign owners	40,666,340	10.2%
Swedish owners	355,297,600	89.8%
- of which institutions	360,231,467	3.8%
- of which unit trusts	5,710,770	1.4%
- of which private individuals	296,816,531	75.0%

ALLOCATION OF SHARES

	NO. IN %
10 largest shareholders	18.7%
20 largest shareholders	23.9%
50 largest shareholders	32.0%
100 largest shareholders	39.4%

SHAREHOLDER STATISTICS (NUMBER OF SHARES OWNED)

	NO. OF SHAREHOLDERS	NO. IN %	NUMBER OF SHARES	PROPORTION OF VOTES
1 - 2,000	9,154	53.2%	6,239,635	1.6%
2,001-10,000	4,689	27.2%	25,100,259	6.3%
10,001 - 1,000,000	3,331	19.4%	230,403,359	58.2%
1,000,001 -	34	0.2%	111,824,028	28.2%
Anonymous ownership			22,396,659	5.7%
Total	17,208	100.0%	395,963,940	100.0%

GEOGRAPHIC DISTRIBUTION OF SHAREHOLDINGS IN %

	SHARE
Sweden	89.7%
Denmark	3.2%
Finland	0.6%
Norway	0.4%
Portugal	0.1%
Other	0.3%
Anonymous ownership	5.7%
	100.0%

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 2021

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

Precise BioMatch® Card - Verifies fingerprints in smart cards

Precise BioMatch® Car – Verifies fingerprints in cars

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

Precise BioLive® - antispoof and liveness detection

IMPORTANT EVENTS DURING THE FISCAL YEAR

- CEO Stefan K. Persson announced that he has decided to leave his position to pursue new challenges outside the company.
- Collaboration with Sensative on the integration of YOUNIQ with Sensative's Yggio platform
- Commercial agreement with Clarkson University on the installation of YOUNIQ in the business incubator North Country Incubator. This installation is the first one in the USA.
- Installation of YOUNIQ at Science Village a district in north-east Lund, which includes MAX IV and European Spallation Source (ESS).
- Integration of Precise's fingerprint technology in the next generation of ultrasound-based fingerprint sensors from Qualcomm – successful implementation in the Meizu 18 smartphone
- MasterCard Vendor Letter of Approval for smart payment card from KONA I with Precise's fingerprint technology.
- First installation of YOUNIQ in Norway together with RCO Security, a leading company in the field of access control systems.

- Successful integration of YOUNIQ with the security platform Integra.
- Precise acquired and integrated EastCoast Solutions for acceleration in the SaaS business area Digital Identity.
- Precise paid SEK 18 million in cash in the first installment of the acquisition together with a share issue corresponding to an amount of SEK 6.5 million.
- As part of the financing of the acquisition of EastCoast Solution, a special issue was also made to Swedish and international professional investors and family offices, corresponding to an amount of SEK 23 million.
- Precise signed commercial licensing agreements with two Original Design Manufacturers (ODMs) to provide fingerprint technology, Precise BioMatch, to the automotive industry.

IMPORTANT AFTER SINCE THE END OF 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 for remote control of electricity and heating for Algeco in Kiruna.
- The Board of Directors appointed Patrick Höjjer as the new CEO of the company, effective June 1, 2022 at the latest. Fredrik Sjöholm has been appointed interim CEO until Patrick's appointment

SALES AND EARNINGS

Sales during the year increased by 9.7% and totaled SEK 83.3 (92.3) million Net sales were split between royalty revenues of SEK 31.3 (47.1) million, license fees (including support and maintenance) SEK 46.4 (39.7) million and Other of SEK 5.6 (5.6) million. The fall in royalty revenues is driven primarily by the component shortage among our customers, which resulted in lower production volumes. The increase in licensing revenues is partly attributable to two new customers in the automotive industry, as well as the acquisition of EastCoast, which had net sales in December totaling SEK 2.1 million. Net sales for Digital Identity totaled SEK 6.6 (1.7) million, and are reported under Other and Licenses. The increase is partly due to the acquisition of EastCoast, but also due to increased sales of YOUNIQ.

The gross margin during the full-year period totaled 76.3% (84.2). The change is primarily due to increased amortization of capitalized development expenses, changes in the product mix, and lower sales. Amortization of capitalized development expenses increased to SEK 12.1 (9.6) million, relating primarily to Digital Identity. Amortization of acquired intangible assets totaled SEK 1.1 (0.8) million.

Net sales for the full-year period totaled SEK 77.6 (83.6) million. The decrease is primarily due to lower research and development expenses. The development of the sales organization continued during the period, and the acquisition of East Coast increased expenses by SEK 2.6 million in addition to the company's normal operations.

The operating profit/loss for the full-year period totaled SEK -14.1 (-5.8) million. The downturn in the operating profit/loss is explained by lower net sales combined with a lower gross margin, which is partly offset by slightly lower expenses. Earnings for the full-year period totaled SEK -13.4 (-12.2) million. Total depreciation/amortization totaled SEK 15.9 (12.7) million. The profit/loss at EBITDA level totaled SEK 1.9 (6.9) million. Earnings per share (average number of shares) for the interim period totaled SEK -0.04 (-0.03).

INVESTMENTS IN FIXED ASSETS

The group invested SEK 3.2 million (2.1) during the year in fixed assets. Depreciation of fixed assets during the year amounted to SEK 1.2 million (0.6).

INVESTMENTS IN INTANGIBLE ASSETS

During the year, the Group invested SEK 0.0 million (0.1) in intangible fixed assets in addition to the additions to the acquisition of East Coast, see Note 20 in the notes for the Group. Amortization of intangible assets amounted to SEK 1.1 million (0.9). Development expenses of SEK 16.6 million (15.6) were capitalized during the year. Amortization of capitalized development expenses amounted to SEK 12.1 million (9.6) during the year, and this is recorded in the Cost of Goods Sold.

NET FINANCIAL ITEMS AND TAX

Precise has no interest-bearing liabilities apart from lease liabilities and the discounted deferred fixed purchase price relating to the acquisition of EastCoast. 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. Net financial items for the year totaled SEK -0.7 (-0.6) million and the tax expense totaled SEK -0.1 (-5.8) million.

FINANCIAL POSITION AND LIQUIDITY – TOTAL OPERATION

The cash flow for the quarter from current operations totaled SEK -1.5 (21.9) million, of which SEK -2.6 (15.8) million is attributable to changes in working capital. The Group invested SEK 3.2 (2.2) million during the full-year period in property, plant and equipment.

Cash and cash equivalents at the end of the period totaled SEK 64.1 (76.3) million.

As part of the financing of the acquisition of EastCoast Solution, a special issue of 28,750,000 shares was also made to Swedish and international professional investors and family offices, corresponding to an amount of SEK 23 million, and an issue of 6,982,473 new shares to EastCoast International, corresponding to an amount of SEK 6.5 million, with issue costs totaling SEK 2.1 million.

Total equity at the end of the period totaled SEK 128.1 (114.0) million, and equity per share was SEK 0.32 (0.32).

FIVE-YEAR SUMMARY

The Five-Year Summary, which is part of the administration report, appears on pages 36-38 in order to better illustrate financial development.

THE SHARE AND THE SHAREHOLDERS

At the year-end, Precise Biometrics' share capital was SEK 10,806,944, distributed among 360,231,467 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 share is SEK 0.03.

Share price development

In 2021 there was a total turnover of 279,445,965 PREC shares, i.e., an average turnover of 1,108,913 shares per day of trading. The closing price on December 30, 2021 was SEK 1.38. During the year the share price fluctuated between SEK 0.7 and SEK 1.38.

Ownership

The number of shareholders at the end of the year was 17,208 (18,697). Foreign shareholders accounted for 10.2 (12.1) percent. 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.

Warrants

The 2019 shareholders' general meeting made a decision to offer an incentive plan for the company's CEO and CFO to the effect that a maximum of 1,300,000 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 June 1, 2022 until June 30, 2022.

The subscription price for the options has been set at SEK 0.32 and the subscription price for the shares at SEK 1.65. 300,000 warrants have been repurchased from the former CFO and cancelled when he left the company. At the end of the full-year period, 1,000,000 options had been subscribed by the CEO, corresponding to 100% of the total remaining stock options. Assuming that all stock options are exercised to subscribe to new shares, the number of shares in the company will increase by 1,000,000 shares. Dilution effects are only considered in the event that the earnings per share become worse. Dilution effects have not been considered, as the average price during the period does not correspond to the price in the option program adopted in 2019. The CEO's options were repurchased in Q1 2022, when the CEO left the company.

For additional information, please refer to Note 5 and note 20 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 2021 includes 19 (18) registered patents in selected markets and 12 (16) patent applications within 6 (18) 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.

TRADE MARKS

YOUNIQ™ – The trade mark is registered in the EU.

Precise BioMatch™ - The trade mark 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 trade marks:

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

Precise Match-on-Card™ - The trade mark is registered in the EU.

BioLive™ - Registered as a trade mark in the EU.

YOU are the key TM

RESEARCH AND DEVELOPMENT (R&D)

Research at Precise Biometrics is of fundamental importance for the company and is important in order to maintain competitiveness 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 55 (48) people, including on-site consultants. The number of employees was 31 (24), of which 24 (16) 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 SENIOR EXECUTIVES 2021

A decision was made at the Annual General Meeting in 2020 on the establishment of guidelines for remuneration to senior executives, with the effect that remuneration and terms of employment shall be in line with the market and competitive, and there will be a predetermined cap on remuneration. These guidelines were applied in 2021. The variable salary will not exceed 75 per cent of the fixed annual salary for the CEO and 50 per cent for other executives. Remuneration will also be provided in the form of options or other share-related incentive plans.

The CEO is subject to a mutual period of notice of 6 months and the other executives to a period of notice of 6 months. Severance pay for the CEO may not exceed 6 months' salary if employment is terminated at the initiative of the company. Other executives are not entitled to severance pay.

The retirement age is 65, and pension premiums are calculated on a scale based on age and salary, and may amount to a maximum of 25 per cent of the fixed salary.

The guidelines established by the 2020 Annual General Meeting can be found in their entirety on the company's website.

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.

Risks related to operations

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 smart card manufacturers, chip manufacturers 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 Fingerprint Technology products is 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

Most people at Precise worked from home during parts of 2021, but the business could be run without major disruptions. Precise has been affected by the component shortage in the world, which to some extent is a consequence of Covid-19, the component shortage among our customers contributed to reduced royalty intacts.

War between Russia and Ukraine

The Company has no customers or suppliers in Ukraine or Russia, but may have the effects of the current economy 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 11 in the notes for the group.

THE PARENT COMPANY

The parent company's net sales for the year totaled SEK 79.0 (90.9) million. The operating profit/loss totaled SEK --14.7 (--8.4) 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 52.8 (73.4) million and equity totaled SEK 117.1 (103.6) million.

PROPOSED DISTRIBUTION OF EARNINGS

The following assets are at the disposal of the AGM:

Share premium reserve, SEK	100,050,179
Retained earnings, SEK	-6,134,788
Net loss for the year, SEK	-13,785,549
Total non-restricted equity, SEK	80,129,842

The board proposes that SEK 145,016,231 be carried forward to the new year. The Board proposes that the AGM should not issue a dividend for the fiscal year 2021.



CORPORATE GOVERNANCE REPORT 2021

The Corporate Governance Report provides a general description of how 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 24-38 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.theCode.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 leading executives. The Corporate Governance Report describes how Precise Biometrics was governed during 2021. There are no deviations from the Code to report for the fiscal year 2021.

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 the submission of the annual report, none of the shareholders 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. 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.

To reduce the risk of the spread of COVID-19, Precise Biometrics' Annual General Meeting was held today, Friday 14 May 2021, solely by postal voting, with the support of temporary statutory regulations. The AGM adopted the accounts for 2020 and granted the Board of Directors and the CEO discharge from liability for the fiscal year 2020. 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 Schwartz were re-elected as Board members. 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 Johan Thuresson as lead auditor.
- No dividend was paid for the fiscal year 2021.
- The level of the board fee and committee fee was confirmed, as were guidelines for remuneration to leading executives, the essential content of which is that remuneration and terms of employment shall be in line with the market and competitive.
- The Board was authorized, as in previous years, to make a decision on the new issue of a maximum of the number of shares and/or convertibles corresponding to ten percent of share capital, with or without departure from the preferential rights of shareholders, for the purpose of enabling the company to receive capital infusions from new owners, which are considered to be strategically important from an operational, financial, structural or other perspective
- The Annual General Meeting resolved, in accordance with the proposal of the Board of Directors, on a new § 12 of the Articles of Association in order to enable the Board of Directors to decide on the collection of power of attorney and postal voting at future general meetings.

For further information on the decisions taken at the AGM 2020, please refer to the company's website under Investors/Corporate Governance/Annual General Meeting

Precise Biometrics' Annual General Meeting 2022 will be held on May 19, 2022. Shareholders who wish to participate in the meeting must be registered in the company's share register no later than May 11, 2022, and applications to participate in the meeting must be submitted as indicated in the notice.

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 for the 2021 AGM consisted of Chairman Anna Sundberg, appointed by Handelsbanken Fonder AB, Robert Vicsai, appointed by SEB Investment Management AB, Christer Jönsson (own holding) and Torgny Hellström (chairman of the board). The nomination committee's motivating statement before the AGM 2021 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 2021 decided to appoint Board members in accordance with the nomination committee's proposal, which resulted in the current Board, consisting of five members, two of them women and three men, which the nomination committee considered to be appropriate as it corresponded to the target level that the Swedish Corporate Governance Board expressed prior to 2021. The nomination committee is of the opinion that work aimed at achieving a gender-equal Board in accordance with the Code should continue.

The nomination committee prior to the AGM 2022 consisted of chair Anna Sundberg (Handelsbanken Fonder), Robert Vicsai (SEB Investment Management), Christer Jönsson (own holding) 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, propose compensation for committee work where appropriate, 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.



NAME	TORGNY HELLSTRÖM	SYNNÖVE TRYGG	ÅSA SCHWARZ
POSITION	Chairman	Board member	Board member
YEAR OF SELECTION	2013	2016	2019
YEAR OF BIRTH	1958	1959	1973
EDUCATION	LL.M., IBM Executive Education at Thunderbird (University of Phoenix)	BBA Stockholm University and Advanced Management Program – Stockholm School of Economics	Bachelor of Arts with a major in Computer and Systems Science and in Business Administration, from Stockholm University & KTH
OTHER SIGNIFICANT ASSIGNMENTS	Chairman of Starbreeze AB, Drupps AB and Swipp AB and member of Imaginecare AB. Founder and senior management consultant at Ruddex International AB	Board member of Volvo Finans Bank AB, SBAB Bank AB and AB Sveriges Secured Obligations. CEO at Trygg Consulting AB and Board member at the above companies.	Responsible for business development and communication at Knowit Cybersecurity & Law. Author of own company.
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.	CEO at SEB Kort Bank AB, Board member at companies incl. Intrum AB, Landshypotek Bank AB, Trygg Hansa, MasterCard Europé, DinersClub International, Eurocard AB.	Has 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	400,000 (through company and privately)	60,000	160,000
ATTENDANCE/NUMBER OF BOARD MEETINGS	13/13	13/13	13/13
COMMITTEE WORK	Audit committee & Compensation committee	Audit committee	Compensation committee
ATTENDANCE/NUMBER OF COMMITTEE MEETINGS	7/7 & 3/3	7/7	3/3
INDEPENDENT OF THE COMPANY AND ITS MANAGEMENT	Yes	Yes	Yes
INDEPENDENT OF THE COMPANY AND ITS MANAGEMENT AND MAJOR SHAREHOLDERS	Yes	Yes	Yes

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,



TORBJÖRN CLEMENTZ

Board member

2009

1961

MBA

Own consultancy firm and Board member at Sport & Rehabkliniken in Ängelholm and ArcAroma Pure AB

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

59,555

13/13

Audit committee (chairman)

7/7

Yes

Yes

MATS LINDOFF

Board member

2014

1961

M.Sc.

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

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

75,000

13/13

Compensation committee

3/3

Yes

Yes

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 2021, the Board held 13 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 2021 the Board has consisted of five members: Torgny Hellström (Chairman), Torbjörn Clementz, Mats Lindoff, Åsa Schwarz and Synnöve Trygg. 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 2021 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 2021 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 2021 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 four meetings during the year. Since the AGM 2021 the company's compensation committee has consisted of Board members Torbjörn Clementz (committee chairman), Åsa Schwarz and Mats Lindoff.

GROUP EXECUTIVE TEAM

Precise Biometrics' group executive team is based at the headquarters in Lund, Sweden. At the end of 2021 the group executive team consisted of the CEO, CFO, CTO and VP Sales. 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 2021 Ernst & Young AB (EY), with Johan Thuresson as lead auditor, was elected to be Precise Biometrics' auditor for the period

until the AGM 2022. 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 his audit assignment, Johan Thuresson 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



FREDRIK SJÖHOLM



ANNIKA FREIJ, CFO



TOM SØBERG

	FREDRIK SJÖHOLM	ANNIKA FREIJ, CFO	TOM SØBERG
POSITION	Interim CEO & VP Sales	CFO	CTO
EMPLOYED SINCE	2016	2021	2019
YEAR OF BIRTH	1970	1977	1969
EDUCATION	MBA	MBA	Luleå University of Technology, HVTFS
PREVIOUS ASSIGNMENTS	Many years' experience from senior positions in sales and business development at technology companies such as Cybercom, ENEA, Sony Ericsson and Telelogic	Many years of experience from leading financial positions at Sony Ericsson and Axis Communications. Next from a position as Finance Manager Northern Europe at Axis Communications.	VP, Head of R&D at Bang & Olufsen, Global R&D Director, Electric at Husqvarna, Director, Head of Hardware Development & General Manager, Head of Platform Development Beijing at Sony Mobile Communications
SHARES IN PRECISE BIOMETRICS	-	-	-
WARRANTS IN PRECISE BIOMETRICS	-	-	-

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 finance policy, the Code of Conduct, the communication policy, the insider trading policy, the IT policy, the sustainability policy, the equality and diversity plan and the working environment 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.

Five-Year Overview, Group

INCOME STATEMENT - REMAINING OPERATION

<i>Amounts in SEK thousands</i>	2021	2020	2019	2018	2017
Net sales	83,319	92,349	91,927	67,645	61,039
Cost of goods and services sold	-19,776	-14,581	-12,470	-10,000	-4,091
Gross profit	63,543	77,768	79,457	57,645	56,948
Selling expenses	-31,649	-30,737	-28,220	-27,664	-29,735
Administrative expenses	-18,018	-15,181	-14,811	-15,508	-14,105
R&D expenses	-28,161	-35,941	-35,794	-33,519	-25,276
Other operating income/expenses	212	-1,701	19	-912	-1,769
Operating profit/loss	-14,073	-5,792	651	-19,958	-13,936
Net financial items	724	-618	-556	-607	-1,664
Profit/loss after financial items	-13,349	-6,410	95	-20,565	-15,600
Tax	-97	-5,754	926	-1,622	-7,094
Profit/loss for the year from remaining operation	-13,446	-12,164	1,021	-22,187	-22,694

BALANCE SHEET - TOTAL OPERATION

<i>Amounts in SEK thousands</i>	12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017
Assets					
Fixed assets	4,196	2,217	820	918	956
Right of use assets	7,270	6,705	1,065	-	-
Goodwill and intangible assets	135,480	47,664	42,415	47,955	45,306
Deferred tax assets	-	-	5,750	5,213	6,106
Current assets	94,106	96,367	108,423	104,701	135,688
- Of which cash and cash equivalents	64,102	76,258	73,676	79,543	116,955
Assets held for sale	-	-	-	-	1,562
Total assets	241,052	152,953	158,473	158,787	189,618
Equity and liabilities					
Equity	128,053	114,044	126,467	125,481	145,805
Current liabilities	72,536	33,241	31,880	33,306	43,813
Long-term liabilities	40,463	5,668	126	-	-
Total equity and liabilities	241,052	152,953	158,473	158,787	189,618

CASH FLOW STATEMENT - TOTAL OPERATION

<i>Amounts in SEK thousands</i>	2021	2020	2019	2018	2017
Cash flow from current operations before changes in working capital					
changes in working capital	1,089	6,083	11,488	-9,339	-4,670
Changes in working capital	-2,582	15,813	-11,965	-16,716	27,458
Cash flow from investing activities	-1,467	-17,897	-5,843	-11,386	-40,821
Cash flow from financing activities	19,543	-1,378	396	-96	194
Change in cash & cash equivalents	-12,208	2,621	-5,924	-37,537	-17,840

KEY FIGURES (GROUP)

<i>Amounts in SEK thousands unless otherwise stated</i>	2021	2020	2019	2018	2017
Net sales	83,319	92,349	91,927	67,645	61,039
Net sales growth, %	-9,8%	0.5%	35.9%	10.8%	-26.7%
Gross margin, %	76.3%	84.2%	86.4%	85.2%	93.3%
Operating profit/loss	-14,073	-5,792	651	-19,958	-13,936
Operating profit/loss, total operation	-14,073	-5,867	224	-18,225	-8,676
Working capital, total operation	54,414*	63,126	76,544	71,395	91,876
Capital employed, total operation	128,053	119,712	126,593	125,481	145,805
Liquidity ratio, total operation,%	129%	287%	340%	314%	310%
Equity/assets ratio, total operation,%	53.1%	74.6%	79.8%	79.0%	76.9%
Return on equity, total operation, %	neg	neg	0.5%	neg	neg
Earnings per share before dilution, SEK	-0.04	-0.03	0.00	-0.06	-0.06
Earnings per share before dilution, total operation, SEK	-0.04	-0.03	0.00	-0.06	-0.05
Earnings per share after dilution, SEK	-0.04	-0.03	0.00	-0.06	-0.06
Earnings per share after dilution, total operation, SEK	-0.04	-0.03	0.00	-0.06	-0.05
Equity per share, total operation, SEK	0.32	0.32	0.35	0.35	0.40
No. of shares (thousands)	395,964	360,231	360,231	360,231	360,231
Weighted average number of shares, adjusted for dilution effect (thousands)	362,242	360,231	360,881	360,231	360,231
Number of employees at end of period	31	23	22	27	35
Average number of employees during the period	25	24	20	32	31

* The key indicator is calculated excluding current liabilities to owners of East Coast International AB

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

THE GROUP, RECONCILIATION OF ALTERNATIVE KEY FIGURES

<i>Amounts in SEK thousands unless otherwise stated</i>	2021	2020	2019	2018	2017
Gross profit	63,543	77,768	79,457	57,645	56,948
Net sales	83,319	92,349	91,927	67,645	61,039
Gross margin, %	76.3%	84.2%	86.4%	85.2%	93.3%
Operating profit/loss	-14,073	-5,792	651	-19,957	-13,936
Net sales	83,319	92,349	91,927	67,645	61,039
Operating margin, %	-16.9%	-6.3%	0.7%	-29.5%	-22.8%
EBITDA	1,872	6,862	13,791	-11,189	-10,350
Depreciation & amortization	-15,945	-12,654	-13,140	-7,837	-3,586
Write-downs	-	-	-	-932	-
Operating profit/loss	-14,073	-5,792	651	-19,958	-13,936
EBITDA, total operation	1,872	6,787	13,364	-9,456	-3,953
Depreciation & amortization, total operation	-15,945	-12,654	-13,140	-7,837	-4,719
Write-downs, total operation	-	-	-	-932	-
Operating profit/loss, total operation	-14,073	-5,867	224	-18,225	-8,673
Current assets	94,106	96,367	108,423	104,701	135,688
Current liabilities excl. current liabilities EastCoast International	39,691	33,241	31,880	33,306	43,813
Working capital, total operation	54,414	63,126	76,543	71,395	91,875
Operating profit/loss, remaining operation	-14,073	-5,792	651	-19,958	-13,936
Operating profit/loss, discontinued operation	-	-75	-427	1,733	5,264
Operating profit/loss, total operation	-14,073	-5,867	224	-18,225	-8,673
Selling expenses	-31,649	-30,737	-28,220	-27,664	-29,735
Administrative expenses	-18,018	-15,181	-14,811	-15,508	-14,105
R&D expenses	-28,161	-35,941	-35,794	-33,519	-25,276
Other operating income/expenses	212	-1,701	19	-911	-1,769
Total operating expenses	-77,616	-83,560	-78,806	-77,602	-70,885
Balance sheet total, total operation	241,052	152,953	158,473	158,787	189,618
Non interest-bearing liabilities, total operation, plus lease liabilities	112,999	33,241	30,809	33,306	43,813
Capital employed, total operation	128,053	119,712	127,664	125,481	145,805
Closing equity, total operation	128,053	114,044	126,467	125,481	145,805
Average equity, total operation	111,919	122,248	116,941	137,035	155,322
Current assets less inventories	93,558	95,315	108,423	104,701	135,688
Current liabilities	72,536	33,241	31,880	33,306	43,813
Liquidity ratio, total operations	129%	287%	340%	314%	310%
Equity	128,053	114,044	126,467	125,481	145,805
Balance sheet total, total operation	241,052	152,953	158,473	158,787	189,618
Equity/assets ratio, total operations	53.1%	74.6%	79.8%	79.0%	76.9%
Profit after taxes	-13,446	-12,239	594	-20,454	-17,431
Average equity	111,919	122,248	116,941	137,035	155,322
Return on equity, total operation	Neg	Neg	0.5%	Neg	Neg

* The key indicator 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	2021	2020
Net sales	2	83,319	92,349
Cost of goods and services sold	3	-19,776	-14,581
Gross profit		63,543	77,768
Selling expenses		-31,649	-30,737
Administrative expenses		-18,018	-15,181
R&D expenses		-28,161	-35,941
Other operating income/expenses		212	-1,701
	3,4,5,6,7	-77,616	-83,560
Operating profit/loss		-14,073	-5,792
Interest income and similar income statement items	8	1,216	59
Interest expenses and similar income statement items	8	-492	-677
		724	-618
Profit/loss before tax		-13,349	-6,410
Tax	9	-97	-5,754
Profit/loss for the year from remaining operation		-13,446	-12,164
Profit/loss after tax from discontinued operation	20	-	-75
Profit/loss for the year, total operation		-13,446	-12,239
Profit/loss for the year attributable to holders of participations in the parent company		-13,446	-12,239
Earnings per share, remaining operation, SEK			
- before dilution, SEK	10	-0.04	-0.03
- after dilution, SEK	10	-0.04	-0.03
Earnings per share, total operation, SEK			
- before dilution, SEK	10	-0.04	-0.03
- after dilution, SEK	10	-0.04	-0.03

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Profit/loss for the year		-13,446	-12,239
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss</i>			
Translation differences, foreign operations		169	-184
Other comprehensive income for the year		169	-184
Total comprehensive income		-13,277	-12,423
Comprehensive income for the year attributable to holders of participations in the parent company		-13,277	-12,423

CONSOLIDATED BALANCE SHEET

Amounts in SEK thousands

ASSETS	Note	12/31/2021	12/31/2020
Fixed assets			
Fixed assets	12	4,196	2,217
Right of use assets	7	7,270	6,705
Goodwill and intangible assets	13	135,480	47,664
Deferred tax assets	9	-	-
Total fixed assets		146,946	56,586
Current assets			
Inventories		548	1,052
Accounts receivable	14, 19	24,027	12,933
Other receivables	19	1,923	2,443
Prepaid expenses	15	3,506	3,681
Cash and cash equivalents	19	64,102	76,258
Total current assets		94,106	96,367
TOTAL ASSETS		241,052	152,953
EQUITY & LIABILITIES			
EQUITY			
Share capital		11,878	10,807
Additional paid-in capital		849,400	823,185
Reserves		4,268	4,099
Retained loss including profit/loss for the year		-737,493	-724,047
Total equity attributable to the parent company's shareholders		128,053	114,044
Long-term liabilities			
Interest-bearing long-term liabilities	7	5,926	5,668
Deferred tax liability		5,615	-
Other long-term liabilities	17	28,922	-
Total long-term liabilities		40,463	5,668
Current liabilities			
Accounts payable	19	10,075	5,678
Interest-bearing current liabilities	7	1,669	1,131
Other current liabilities	17,19	34,241	1,190
Accrued expenses and deferred income	18	26,551	25,242
Total current liabilities		72,536	33,241
TOTAL EQUITY AND LIABILITIES		241,052	152,953

CONSOLIDATED CASH FLOW STATEMENT

Amounts in SEK thousands

	Note	2021	2020
Cash flow from operating activities			
Operating profit/loss		-14,073	-5,867
Adjustments for items not included in cash flow		14,579	12,464
Interest payments, net	8	724	-618
Tax paid		-141	-
Cash flow from operating activities before changes in working capital		1,089	5,979
Cash flow from changes in working capital			
Change in inventories		504	-1,052
Change in current receivables		-6,284	15,690
Change in provisions		-	52
Change in current liabilities		3,198	1,227
		-2,582	15,813
Cash flow from operating activities		-1,493	21,792
Cash flow from investing activities			
Acquisition of subsidiaries	20	-10,676	-
Investment in fixed assets	12	-2,823	-2,062
Investment in intangible assets	13	-16,759	-15,731
Cash flow from investing activities		-30,258	-17,793
Cash flow from financing activities			
New share issue	16	23,000	-
Commission expenses	16	-2,081	-
Payment for sale/buy-back of options	16	-97	-
Payment of lease liability	7	-1,279	-1,378
Cash flow from financing activities		19,543	-1,378
Cash flow for the year		-12,208	2,621
Cash & cash equivalents at beginning of year		76,258	73,676
Exchange rate differences in cash & cash equivalents		52	-39
Cash & cash equivalents at end of year ¹⁾		64,102	76,258

The discontinued operation's impact on the financial position has not been reported separately, as the company does not consider it possible to report the discontinued operation's impact on cash flow. Cash flow is instead reported for the total operation. The operating profit/loss consequently includes the profit/loss from the discontinued operation.

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 7. There are no interest-bearing liabilities in either 2021 or 2020, so there is no need to specify a change between the years.

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				Total equity
	Share capital	Additional paid-in capital	Reserves and translation differences	Retained loss including profit/loss for the year	
Opening balance as of January 1, 2020	10,807	823,185	4,283	-711,808	126,467
Comprehensive income					
Profit/loss for the year	-	-	-	-12,239	-12,239
Other comprehensive income					
Exchange rate differences	-	-	-184	-	-184
Total other comprehensive income	-	-	-184	-	-184
Total comprehensive income	-	-	-184	-12,239	-12,423
Closing balance as of December 31, 2020	10,807	823,185	4,099	-724,047	114,044
Opening balance as of January 1, 2021	10,807	823,185	4,099	-724,047	114,044
Comprehensive income					
Profit/loss for the year	-	-	-	-13,446	-13,446
Other comprehensive income					
Exchange rate differences	-	-	169	-	169
Total other comprehensive income	-	-	169	-	169
Total comprehensive income	-	-	169	-13,446	-13,277
Transactions with shareholders					
Option program	-	-97	-	-	-97
Offset issue ¹⁾	209	6,256	-	-	6,465
New share issue ¹⁾	862	22,138	-	-	23,000
New share issue expenses	-	-2,082	-	-	-2,082
Total transactions with shareholders	1,071	26,215	-	-	27,286
Closing balance as of December 31, 2021	11,878	849,400	4,268	-737,493	128,053

1) Attributable to the acquisition of EastCoast Solutions AB and Besöksystem Sverige AB, see also Note 20.

NOTES (GROUP)

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 SENIOR EXECUTIVES

NOTE 6 - AUDITORS' REMUNERATION

NOTE 7 - OPERATING LEASES

NOTE 8 - FINANCIAL INCOME AND EXPENSES

NOTE 9 - INCOME TAX AND DEFERRED TAX

NOTE 10 - EARNINGS PER SHARE

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NOTE 12 - TANGIBLE ASSETS

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NOTE 14 - ACCOUNTS RECEIVABLE

NOTE 15 - PREPAID EXPENSES AND ACCRUED INCOME

NOTE 16 - EQUITY

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NOTE 18 - ACCRUED EXPENSES AND PREPAID INCOME

NOTE 19 - FINANCIAL INSTRUMENTS

NOTE 20 - BUSINESS COMBINATIONS

NOTE 21 - DISCONTINUED OPERATION

NOTE 22 - 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 2020 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 2021

No new or revised IFRS standards that came into force in 2021 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. The method means that an acquisition of a subsidiary is considered to be a transaction whereby the Group indirectly acquires the subsidiary's assets and takes over its liabilities. The acquisition analysis determines the fair value on the acquisition date of acquired identifiable assets and assumed liabilities, as well as any non-controlling interests. Transaction costs, with the exception of transaction costs related to the issue of equity or debt instruments, are recognised directly in equity. In the case of business combinations where the transferred remuneration exceeds the fair value of acquired assets and assumed liabilities that are reported separately, the difference is reported 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.

TRANSLATION OF FOREIGN CURRENCY

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

As the remaining operation only consists of one business area, there is no presentation of segment reporting.

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.

Revenue is generated within two products and application areas, 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 agreement period. The agreement period is normally considered to be 12 months, even though framework agreements are normally signed for several years.

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

Support and maintenance agreements are reported 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 agreement period commences. In cases where the licence fee is recognised over the term of the agreement, this results in a contract liability, which is recognised as prepaid income. For additional information, see Note 18 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 14 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 facial recognition software and software, as well as service and support for visitor management and hardware.

Facial recognition

The agreements give the customer access to a cloud-based facial recognition software solution that is used for an access solution. Revenue is recognised on a straight-line basis over the term of the agreement. The agreement period 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 reported as prepaid income. For additional information, see Note 18 in the notes for the group.

Visit management

The agreements give the customer a licence for software for registering and managing visitors, either via a cloud-based solution, or via a local installation at the customer's premises. Revenues for the cloud-based solution are recognised on a straight-line basis over the agreement period. The term of the agreement is normally assessed to be 12 months. In the case of local installation at the customer's premises, license income is reported at the time of installation, when the license has been classified as right to use, when control of licenses and goods is transferred to the customer. Support and maintenance agreements are reported 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 at a one-off amount at the beginning of the period. This results in a contract liability that is recognised as prepaid income, see Note 15 in the notes for the Group. The second payment flow relates to local installation at the customer's premises, where invoicing takes place on delivery. The third payment stream 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 reported as a selling expense during the agreement period.

FIXED ASSETS

Fixed 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 reported value 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 recorded as expenses in the income statement in the period when they arise.

In order to reduce their acquisition value to the estimated residual value, fixed 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 fixed 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 reported value 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 reported value, 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 reported 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. Previously reported development 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 obtained in connection with the acquisition of NexID Biometrics Inc. 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. is written off over the estimated useful life, which is 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.

Brands

The value of the trademark that arose in connection with the acquisition of EastCoast Solutions AB is not depreciated, but is tested annually for impairment.

Goodwill

The value of the goodwill arising from the acquisition of NexID Biometrics Inc. 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 reported value is not recoverable. Write-downs are recorded for the amount by which the asset's reported value 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 of YOUNIQ 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 recognised 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 reported values 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 5 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.

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 one 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 7 in the notes for the group.

IMPORTANT ESTIMATES AND EVALUATIONS 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 13 in the notes for the group.

Business acquisitions

During the year Precise Biometrics completed business acquisitions of East Coast Solutions AB and Besökssystem Sverige AB. An acquisition analysis has been prepared in connection with the acquisition, in which assets and liabilities must be valued at fair value. This valuation is based to a certain extent on management's assessment of the acquired companies' future earning capacity. An incorrect assessment may result in assets and liabilities being overvalued.

Please refer to Note 20 for further information.

NOTE 2 - REVENUE ALLOCATION

As the remaining operation only consists of one business area, there is no presentation of segment reporting.

The group has 1 (1) major customer that accounts for more than 10% of net sales. Revenues from this customer amount to 45% (60%) of net sales.

	2021	2020
Revenue type		
Royalties	31,300	47,108
Licenses, including support and maintenance	46,378	39,667
Other	5,641	5,574
Total	83,319	92,349
Region/Country		
Europe	11,000	4,583
- of which Sweden	6,747	2,197
Asia	61,613	74,164
- of which China	14,519	9,319
- of which Taiwan	39,421	58,198
US	10,706	13,602
Total	83,319	92,349
Product areas		
Algo	76,761	90,571
Digital Identity	6,558	1,778
Total	83,319	92,349

NOTE 3 - COSTS ALLOCATED PER TYPE

	2021	2020
Employee benefit expenses	31,575	35,223
Cost of purchasing and handling commercial goods	15,478	14,647
Depreciation and write-downs	15,945	12,556
Consulting costs	34,174	35,132
Exchange rate gains	-2,491	-4,600
Exchange rate losses	2,279	6,302
Other external expenses	16,992	14,490
Capitalized development expenses	-16,561	-15,609
Total	97,392	98,141

NOTE 4 - EMPLOYEES AND PERSONNEL EXPENSES

Gender balance in group	2021		2020	
	Men	Women	Men	Women
Precise Biometrics AB, Sweden	14	3	13	3
Precise Biometrics, Inc., USA	2	-	4	-
Precise Biometrics, China	3	2	3	1
EastCoast Solutions AB, Sweden	2	-		
	21	5	20	4

Gender balance in corporate management	2021	2020
<i>Proportion of women</i>		
Board of Directors	40%	40%
CEO and other senior executives	25%	0%

Salaries and remuneration are allocated as follows:	2021	2020
<i>Board and CEO, Sweden</i>		
Salaries and other remuneration	5,119	6,176
Pension expenses	825	750
Payroll overhead, including payroll tax	1,813	2,102
Total	7,757	9,028
<i>Others, Sweden</i>		
Salaries and other remuneration	11,368	14,966
Pension expenses	2,357	2,034
Payroll overhead, including payroll tax	3,949	4,452
Total	17,674	21,452
TOTAL, SWEDEN	25,431	30,480
<i>Others, USA</i>		
Salaries and other remuneration	3,467	2,575
Social security expenses	512	544
Total	3,979	3,118
<i>Others, China</i>		
Salaries and other remuneration	3,587	1,449
Social security expenses	579	45
Total	4,166	1,494
TOTAL	33,576	35,092

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 (5) 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 2021

	BASIC SALARY/ BOARD REMUN.	COMMITTEE FEE	VARIABLE REMUNERATION	OTHER BENEFITS	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	533	5,390
Total	9,409	242	148	4	1,358	11,161

REMUNERATION AND OTHER BENEFITS IN 2020

	BASIC SALARY/ BOARD REMUN.	COMMITTEE FEE	VARIABLE REMUNERATION	OTHER BENEFITS	PENSION EXPENSES	TOTAL
Torgny Hellström, Chairman of the Board	545	60	-	-	-	605
Mats Lindoff, Board member	190	40	-	-	-	230
Torbjörn Clementz, Board member	190	70	-	-	-	260
Synnöve Trygg, Board member	190	35	-	-	-	225
Åsa Schwarz, Board member	190	25	-	-	-	215
Stefan K Persson, CEO	3,000	-	1440	-	750	5,190
Other senior executives, 5 persons	5,212	-	986	5	663	6,866
Total	9,517	230	2,426	5	1,413	13,592

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 senior 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 2021, flexible remuneration to leading executives was between 2-3 % (32-48).

Other benefits

Other benefits consist of insurance benefits.

Share-based compensation

The 2019 shareholders' general meeting made a decision to offer an incentive plan for the company's CEO and CFO to the effect that a maximum of 1,300,000 stock options could be issued, with each stock option providing entitlement to subscribe to one (1) share in the company. Subscription to the stock options was to take place no later than June 30, 2019, with the Board having the right to extend the subscription period. Subscription through the exercising of stock options may take place during the period June 1, 2022 until June 30, 2022. The subscription price for the options has been set at SEK 0.32 and the subscription price for the shares at SEK 1.65. 300,000 stock options have been bought back from the CFO and canceled. At the end of the full-year period, 1,000,000 options had been subscribed by the CEO, corresponding to 100% of the total remaining stock options. Assuming that all stock options are exercised to subscribe to new shares, the number of shares in the company will increase by 1,000,000 shares. The CEO's options has been bought back during Q1 2022, when the CEO leaves the company.

Dilution effects are only considered in the event that the earnings per share become worse. Dilution effects have been taken into account, as the average price during the full-year period corresponds to the price in the option program adopted in 2019.

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 premi-

um 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 for 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 2021 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 2021 guidelines were adopted for the determination of salaries and other remuneration to the CEO and other senior executives.

NOTE 6 - AUDITORS' REMUNERATION

	2021	2020
Ernst & Young		
Audit assignment	705	446
Auditing activities in addition to the audit assignment	90	50
Tax consulting	-	-
Other assignments	-	-
Total	795	496

NOTE 7 - LEASES

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

Right of use assets, 01/01/2020	1,065
New lease agreements	7,107
Depreciation during the year	-1,466
Closing book value, 12/31/2020	6706

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

A new lease agreement was signed in 2020 with a start date in September 2020. The new lease agreement has a term of five years, with the opportunity to extend for another three years. The new agreement has produced an increase in the lease liability of SEK 7 million, based on use of the lease term with no extension. This assessment is based on the fact that the company's need for office premises is changeable. In 2021, a new lease 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 no extension.

Lease liabilities	12/31/2021	12/31/2020
Short-term	1,669	1,131
Long-term	5,926	5,668
Lease liabilities included in the balance sheet	7,595	6,799

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

Interest-bearing liabilities, 01/01/2020	1,071
New lease agreement	7,107
Cash flow	-1,378
Interest-bearing liabilities, 12/31/2020	6,799

Interest-bearing liabilities, 01/01/2021	6,799
New lease agreement through business acquisition	2,075
Cash flow	-1,279
Interest-bearing liabilities, 12/31/2021	7,595

Amounts recognized in the consolidated income statement - IFRS 16	2021	2020
Depreciation of right of use assets	-1,502	-1,466
Interest on lease liabilities	-223	-100
Costs of low-value leases	-107	-226
Total	-1,832	-1,792

Amounts reported in the consolidated cash flow statement - IFRS 16	2021	2020
Total cash outflows attributable to leases	1,609	1,704

The above cash outflow 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 8 - FINANCIAL INCOME AND EXPENSES

	2021	2020
Interest income	-	8
Exchange rate gains	1,216	-
Other	-	51
Total	1,216	59
Interest on lease liabilities	223	100
Other interest expense	-	1
Exchange rate losses	269	576
Total	492	677

NOTE 9 - INCOME TAX AND DEFERRED TAX

Tax expense for the year	2021	2020
Current tax on profit/loss for the year	-128	-4
Change in deferred tax	31	-5,750
Tax expense	-97	-5,754
Reconciliation of effective tax	2021	2020
Profit/loss before tax	-13,349	-6,410
Tax calculated according to current tax rate for the parent company	2,750	1,372
Tax effect of non-deductible expenses/non-taxable revenues	-125	-19
Temporary difference for which deferred tax is not reported	-531	-
Changed assessment of deferred tax asset	-	-5,750
Tax loss carryforwards for which deferred tax asset not reported	-2,191	-1,357
Tax expense	-97	-5,754

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.

Deferred tax liability	2021	2020
Deferred tax liability	-5,615	-
Reported value	-5,615	-
Specification of change in deferred tax asset:	2021	2020
Opening reported value	-	5,750
Acquisition – deferred tax liability concerning surplus values in intangible assets	-4,757	-
Acquisition – deferred tax liability concerning untaxed reserves	-889	-
Deferred tax recognised in the income statement	31	-5,750
Closing carrying amount deferred tax asset/deferred tax liability:	-5,615	-

The company's historically reported losses amount to significant amounts as the last financial years have resulted in tax loss. As the most recent fiscal years resulted in a tax loss, Digital Identity is in an early phase, and there is quite naturally uncertainty in the forecasts, 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. In 2020, the Parent Company made a write-down of deferred tax assets relating to the future utilisation of tax losses. The tax expense does not affect cash flow, as it comprises an impairment of previously posted deferred tax.

There are tax loss carryforwards for which deferred tax assets have not been reported in the balance sheet amounting to SEK 677,807 thousand (662,643). There is no time limitation for the utilization of tax loss carryforwards.

NOTE 10 - EARNINGS PER SHARE

Before dilution

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.

	2021	2020
Profit/loss attributable to parent company shareholders (SEK thousands)	-13,446	-12,239
Weighted average number of outstanding common shares (thousands)	362,242	360,231
Earnings per share before dilution (SEK per share), remaining operation	-0.04	-0.03
Earnings per share before dilution (SEK per share), total operation	-0.04	-0.03

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 ordinary shares. The parent company only has one category of potential ordinary 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.

	2021	2020
Earnings attributable to parent company shareholders	-13,446	-12,239
Weighted average number of outstanding common shares (thousands)	362,242	360,231
Weighted average number of common shares for calculation of earnings per share after dilution (thousands)	362,242	360,231
Earnings per share after dilution (SEK per share), remaining operation	-0.04	-0.03
Earnings per share after dilution (SEK per share), total operation	-0.04	-0.03

NOTE 11 - 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 involves a hedging of forecast net flow to the order of approximately 50 per cent. The total forecast net flow over the next 12-month period can be hedged at approx. 40%. Translation exposure is not hedged. In 2021 and 2019, 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 2021 would have been approximately SEK 6,300 thousand (7,200) higher/lower. The corresponding effect on equity calculated as 10% of Precise Biometrics Inc.'s equity corresponds to SEK 160 thousand (130).

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 share-

holders 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 customers using them. 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 12 - TANGIBLE ASSETS

EQUIPMENT AND TOOLS

	12/31/2021	12/31/2020
Opening acquisition value	2,627	1,722
Acquisitions during the year	3,173	2,062
Business combinations	419	-
Assets sold/retired	-36	-1,157
Closing acquisition value	6,183	2,627
Opening accumulated amortization	-409	-902
Depreciation for the year	-1,225	-607
Business combinations	-391	-
Assets sold/retired	36	1,100
Closing accumulated amortization	-1,988	-409
Book value	4,195	2,218

Comments on the note:

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

NOTE 13 - INTANGIBLE ASSETS

CAPITALIZED DEVELOPMENT EXPENSES	12/31/2021	12/31/2020
Opening acquisition value	34,558	24,834
Acquisitions during the year	16,561	15,609
Retirements/sales	-11,116	-5,885
Closing acquisition value	40,003	34,558
Opening accumulated amortization	-15,331	-11,653
Depreciation for the year	-12,147	-9,563
Sales/disposals	11,116	5,885
Closing accumulated amortization	-16,362	-15,331
Opening accumulated write-downs	-	-
Sales/disposals	-	-
Closing accumulated write-downs	-	-
Book value	23,641	19,227
PATENTS	12/31/2021	12/31/2020
Opening acquisition value	1,138	1,138
Closing acquisition value	1,138	1,138
Opening accumulated amortization	-297	-221
Depreciation for the year	-76	-76
Closing accumulated amortization	-373	-297
Book value	765	841
CAPITALIZED DATA EXPENSES	12/31/2021	12/31/2020
Opening acquisition value	687	565
Acquisitions during the year	-	122
Business combinations	-	-
Closing acquisition value	687	687
Opening accumulated amortization	-263	-158
Amortization for the year	-137	-105
Closing accumulated amortization	-400	-263
Book value	286	424
GOODWILL	12/31/2021	12/31/2020
Opening acquisition value	23,425	23,425
Business combinations	61,411	-
Closing acquisition value	84,836	23,425

TECHNOLOGY	12/31/2021	12/31/2020
Opening acquisition value	-	-
Acquisitions during the year	-	-
Business combinations	8,077	-
Closing acquisition value	8,077	-
Opening accumulated amortization	-	-
Depreciation for the year	-69	-
Closing accumulated amortization	-69	-
Book value	8,008	-
TOTAL BOOK VALUE	135,480	47,664
TRADE MARKS	12/31/2021	12/31/2020
Opening acquisition value	-	-
Business combinations	5,473	-
Closing acquisition value	5,473	-
OTHER INTANGIBLE ASSETS (DATABASE AND CUSTOMER RELATIONS)	12/31/2021	12/31/2020
Opening acquisition value	6,637	6,637
Business combinations	9,543	-
Closing acquisition value	16,180	6,637
Opening accumulated amortization	-2,890	-2,152
Depreciation for the year	-819	-738
Closing accumulated amortization	-3,709	-2,890
Book value	12,471	3,747
TOTAL BOOK VALUE	135,480	47,664

Comments on the note:

When calculating useful value, future cash flows were discounted at a rate of 25% before tax. 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 the cash-generating unit (CGU) that is the company as a whole. 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. These calculations are based on cash flow forecasts, which are based on financial forecasts estimated by management for the next five years. A growth rate of 2% is used for subsequent years. 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%. East Coast is not included in the impairment test 2021, as the acquisition took place on 30 November 2021 at the estimated market value.

Sensitivity analysis

A sensitivity analysis was conducted, the result of which is that if the WACC is 26% after tax instead, the recoverable value will fall by 7%. If the operating profit is assumed to be 5% lower than the company's expectations, the recoverable value would fall by 14%. None of these hypothetical assumptions would result in a need to write down.

NOTE 14 - ACCOUNTS RECEIVABLE

	12/31/2021	12/31/2020
Accounts receivable - invoiced	17,436	7,015
Accounts receivable - not invoiced	6,591	10,524
Reserve for credit risk	-	-4,606
Total	24,027	12,933

As of December 31, 2021 accounts receivable amounting to SEK 1,683 thousand (6,488) were due. There is a write-down for accounts receivable amounting to SEK 0 thousand (4,606), but apart from these there are not considered to be any 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. Of the year's reversal of credit risk provision of 4,323, 3,092 relates to accounts receivable where revenue has not previously been recognised, 1,231 relates to the reversal of doubtful accounts receivable.

The aging analysis of all accounts receivable is shown below:

	12/31/2021	12/31/2020
Not due	22,344	11,052
Less than 3 months	1,597	2,118
Of which written down	-	-516
3 to 6 months	-	491
Of which written down	-	-491
More than 6 months	86	3,879
Of which written down	-	-3,600
Total	24,027	12,933

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.

	12/31/2021	12/31/2020
Reserve for credit risk at beginning of year	-4,606	-1,614
Bad debt confirmed	284	371
Reversal of reserve for credit risk	4,323	-
Reserve for credit risk	-	-3,590
Currency effect	-	228
Total	-	-4,606

The reported amounts for each currency for the group's accounts receivable are as follows:

	12/31/2021	12/31/2020
SEK	5,739	42
USD	970	2,096
EUR	912	33
DKK	69	-
NOK	78	-

NOTE 15 - PREPAID EXPENSES

	12/31/2021	12/31/2020
Prepaid rent for premises	672	460
Other items	2,834	3,221
Total	3,506	3,681

NOTE 16 - EQUITY

	2021	2020
Number of ordinary shares, thousands		
Issued on 1 January	360,231,467	360,231,467
Offset issue in connection with acquisition ¹⁾	6,982,473	-
New share issue in connection with acquisition ¹⁾	28,750,000	-
Issued as at 31 December	395,963,940	360,231,467

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

As at 31 December 2021, the registered share capital comprised 395,963,940 ordinary shares. Holders of ordinary shares are entitled to dividends that are determined gradually and the shareholding entitles the holder to voting rights at the Annual General Meeting with one vote per share.

NOTE 17 – OTHER LIABILITIES

	12/31/2021	12/31/2020
Long-term liabilities		
Lease liability	5,926	5,668
Long-term debt acquisition East Coast	28,922	-
Total long-term liabilities	34,848	5,668
Current liabilities		
Lease liability	1,669	1,131
Current liabilities East Coast acquisition	32,815	-
Other current liabilities	8,447	5,399
Total current liabilities	42,931	6,530

NOTE 18 - ACCRUED EXPENSES AND PREPAID INCOME

	12/31/2021	12/31/2020
Prepaid income	19,944	12,960
Accrued vacation pay	2,306	2,275
Accrued wages and remuneration	335	4,833
Accrued payroll overhead and pensions	1,680	2,727
Other accrued expenses	2,472	2,447
Total	26,736	25,242

NOTE 19 - FINANCIAL INSTRUMENTS

	12/31/2021 Book value	12/31/2020 Book value
Financial assets		
<i>Financial assets valued at the accrued cost of acquisition</i>		
Accounts receivable	24,027	12,933
Other receivables	448	1 380
Cash and cash equivalents	64,102	76,258
Total	88, 577	90, 571

Financial liabilities*Financial liabilities valued at the accrued cost of acquisition*

Accounts payable	10,075	5,678
Lease liability	7,594	6,799
Long-term liabilities	28,922	-
Current liabilities	32,844	217
Accrued expenses	4,927	9,555
Total	84,363	22,249

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

NOTE 20 - BUSINESS COMBINATIONS

As at November 30, 2021, the Group acquired 100% of the shares in EastCoast Solution AB and Besöksystem Sverige AB, and the total purchase price transferred totaled SEK 86,203,000. The acquisition of Besöksystem 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 will be supplemented through the acquisition by EastCoast Solutions' leading visitor management system. The acquisition will significantly enhance Precise's position in the area of physical accessibility and stimulates cross-selling.

The purchase price amounts to TSEK 86,203, of which TSEK 24,466 was paid as at 31 December 2021, partly via cash payment of TSEK 18,000 and partly via the issue of newly issued shares amounting to TSEK 6,466. A further SEK 8,268 thousand has been paid in cash after the end of the year. The remaining SEK 55,000,000 will be paid on two occasions, of which SEK 25,000,000 will be paid one (1) year after completion of the acquisition and SEK 30,000,000 will be paid two (2) years after the completion of the acquisition. The amounts have been calculated at current value at a rate of 1.8% and are reported as other current and other non-current liabilities respectively.

Remuneration transferred

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

KSEK	
Cash and cash equivalents	26,268
New shares, 6,982,473 ordinary shares	6,466
Deferred fixed purchase price	53,469
Total purchase price	86,203

The fair value of transferred ordinary shares in Precise Biometrics AB is based on the share price at the time of acquisition on November 30, 2021.

Acquisition-related expenses

Acquisition-related expenses totaling SEK 2,577,000 have been reported as an expense during the current year, 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.

KSEK	
Intangible assets	23,093
Financial assets	107
Fixed assets	28
Current assets	2,561
Cash and cash equivalents	7,324
Non-interest-bearing liabilities (SEK thousands)	-2,676
Deferred tax liability	-5,645
Total acquired identifiable net assets	24,792
Goodwill	61,411
Total	86,203

Revenue and profit from acquired company

In 2021, the acquisition contributed SEK 2,071,000 to the Group's revenues and SEK 423,000 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 98,246,000 and the Group's operating profit/loss would have been SEK -13,194,000.

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 reported separately from goodwill, as they do not meet the criteria for identifiable intangible assets. No part of the goodwill reported for the acquisitions is expected to be deductible for tax purposes at present.

Impact on cash and cash equivalents at the time of acquisition

KSEK	
Purchase price of shares	86,203
Purchase price of shares	-86,203
Less: Offset issue	6,466
Less: Deferred fixed purchase price	53,469
Less: Deferred cash settlement	8,268
Added: Cash and cash equivalents in acquired companies on the acquisition date	7,324
Impact on cash and cash equivalents at the time of acquisition	-10,676

NOTE 21 - DISCONTINUED OPERATION

On June 21, 2017 Precise Biometrics announced that the company had concluded an agreement with Identos GmbH on the takeover of the Mobile Smart Card Solutions business area, which includes the business operation involving smart card readers under the Tactivo brand. The transaction was completed as planned on January 1, 2018 and Identos took over the development of new smart card readers under the Tactivo brand, patents, trade mark rights, manufacturing, sales and customer support.

As of June 30, 2017 assets belonging to Mobile Smart Card Solutions (Tactivo) were reclassified and reported as assets held for sale and profit/loss from a discontinued operation. Precise Biometrics has received commission from Identos GmbH for the years 2018-2020.

2020 is the final year in accordance with the agreement with Identos GmbH.

Income statement (SEK thousands)

	2021	2020
	Full year	Full year
Variable purchase price	-	-75
Profit/loss before tax from discontinued operation	-	-75

NOTE 22 - IMPORTANT EVENTS SINCE THE END OF THE 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 for remote control of electricity and heating for Algeco in Kiruna.
- The Board of Directors of Precise has appointed Patrick Höjjer as the new CEO of the company, effective June 1, 2022.

PARENT COMPANY'S INCOME STATEMENT

Amounts in SEK thousands

	Note	2021	2020
Net sales	2	79,048	90,857
Cost of goods and services sold	3	-29,962	-21,553
Gross profit		49,086	69,304
Selling expenses		-28,737	-28,928
Administrative expenses		-15,290	-15,137
R&D expenses		-20,003	-31,824
Other operating income/expenses		212	-1,777
	3,4,5,6,7,9	-63,818	-77,666
Operating profit/loss		-14,733	-8,362
Interest income and similar income statement items	10	1,216	51
Interest expense	10	-269	-577
		947	-526
Profit/loss before tax		-13,786	-8,888
Tax	8	-	-5,750
Profit/loss for the year		-13,786	-14,638

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	12/31/2021	12/31/2020
Fixed assets			
Fixed assets	11	3,769	1,696
Goodwill and intangible assets	12	40,154	39,141
Financial assets	13	90,558	1,778
Total fixed assets		134,481	42,615
Current assets			
Inventories		548	1,052
Accounts receivable	14, 19	17,806	12,142
Other receivables	18	2,000	2,923
Prepaid expenses	15	3,202	3,539
Cash and cash equivalents	19	52,782	73,434
Total current assets		76,338	93,090
TOTAL ASSETS		210,819	135,705
EQUITY & LIABILITIES			
Restricted equity			
Share capital		11,879	10,807
Statutory reserve		1,445	1,445
Reserve for development expenses		23,642	19,228
Total restricted equity		36,966	31,480
Unrestricted equity			
Share premium reserve		100,050	73,738
Retained earnings		-6,135	13,012
Profit/loss for the year		-13,786	-14,638
Total non-restricted equity		80,129	72,112
Total equity	16	117,095	103,593
Long-term liabilities			
Long-term liabilities	17,21	28,922	-
Total long-term liabilities		28,922	-
Current liabilities			
Accounts payable	19	10,032	6,000
Other current liabilities	17,19,21	33,649	907
Accrued expenses and deferred income	18	21,122	25,205
Total current liabilities		64,802	32,112
TOTAL EQUITY AND LIABILITIES		210,819	135,705

PARENT COMPANY'S CASH FLOW STATEMENT

Amounts in SEK thousands

	Note	2021	2020
Cash flow from operating activities			
Operating profit/loss		-14,732	-8,362
Adjustments for items not included in cash flow			13,499
Reversal of depreciation and write-downs		16,566	
Net financial items	10	947	-526
Cash flow from operating activities before changes in working capital		2,781	4,611
Cash flow from changes in working capital			
Change in inventories		504	-1,052
Change in current receivables		-5,561	15,359
Change in long-term liabilities		-	-52
Change in current liabilities		-1,552	1,821
Changes in working capital		-6,609	16,076
Cash flow from operating activities		-3,828	20,687
Cash flow from investing activities			
Acquisition of subsidiaries		-18,000	
Investment in fixed assets	21	-16,561	-1,738
Investment in intangible assets	12	-3,085	-15,731
Investment in financial assets		-	-
Cash flow from investing activities		-37,646	-17,469
Cash flow from financing activities			
New share issue	16	23,000	-
Commission expenses	16	-2,081	-
Payment for sale/buy-back of options	16	-97	-
Cash flow from financing activities		20,822	-
Cash flow for the year		-20,652	3,218
Cash & cash equivalents at beginning of year		73,434	70,216
Cash & cash equivalents at end of year ¹⁾		52,782	73,434

Adjustments for items not included in cash flow consist of depreciation and write-downs.

There are no interest-bearing liabilities in either 2021 or 2020, so there is no need to specify a change between the years.

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			UNRESTRICTED EQUITY		Total equity
	Share capital	Statutory reserve	Reserve for development expenses	Premium fund	Retained earnings	
Opening balance as of January 1, 2020	10,807	1,445	13,181	73,738	19,060	118,231
Comprehensive income						
Profit/loss for the year	-	-	-	-	-14,638	-14,638
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-14,638	-14,638
Transactions with shareholders						
Capitalized development expenses	-	-	15,609	-	-15,609	-
Release due to amortization of development expenses for the year	-	-	-9,562	-	9,562	-
Payment for buy-back of options	-	-	-	-	-	-
Total transactions with shareholders	-	-	6,047	-	-6,047	-
Closing balance as of December 31, 2020	10,807	1,445	19,228	73,738	-1,625	103,593
Opening balance as of January 1, 2021	10,807	1,445	19,228	73,738	-1,625	103,593
Comprehensive income						
Profit/loss for the year	-	-	-	-	-13,786	-13,786
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-13,786	-13,786
Transactions with shareholders						
Offset issue 1)	209	-	-	6,256	-	6,465
New share issue ¹⁾	862	-	-	22,138	-	23,000
Issue costs ¹⁾	-	-	-	-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	-
Payment for buy-back of options	-	-	-	-	-97	-97
Total transactions with shareholders	1,071	-	4,414	26,314	-4,511	27,288
Closing balance as of December 31, 2021	11,878	1,445	23,642	100,052	-19,922	117,095

1) Attributable to the acquisition of EastCoast Solutions AB and Besöksystem Sverige AB, see also Note 20.

NOTES (PARENT COMPANY)

NOTE 1 - GENERAL ACCOUNTING POLICIES

NOTE 2 - REVENUE ALLOCATION

NOTE 3 - COSTS ALLOCATED PER TYPE

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NOTE 5 - REMUNERATION TO SENIOR EXECUTIVES

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NOTE 21 - ACQUISITION OF SUBSIDIARIES (NOTE 30)

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 2020 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 reported value. Write-downs are reported in the item Results from participations in group companies.

NOTE 2 - REVENUE ALLOCATION

The parent company has 1 (1) major customer that accounts for more than 10% of net sales. Revenues from these customers amount to 58% (61%) of net sales.

	2021	2020
Revenue type		
Royalties	31,300	47,106
Licenses, including support and maintenance	43,613	39,643
Other	4,135	4,107
Total	79,048	90,857
Region/Country		
Europe	8,266	4,532
- of which Sweden	4,155	2,197
Asia	61,399	74,164
- of which China	14,519	9,319
- of which Taiwan	39,207	58,198
US	9,383	12,161
Latin America/MEA	-	-
Total	79,048	90,857
Product areas		
Algo	75,255	89,079
Digital Identity	3,793	1,778
Total	79,048	90,857

NOTE 3 - COSTS ALLOCATED PER TYPE

	2021	2020
Employee benefit expenses	22,940	30,235
Cost of purchasing and handling commercial goods	23,215	19,170
Depreciation and write-downs	16,566	13,443
Consulting costs	33,925	35,063
Exchange rate gains	2,491	-4,600
Exchange rate losses	-2,279	6,302
Other external expenses	13,483	15,216
Capitalized development expenses	-16,561	-15,609
Total	93,780	99,219

NOTE 4 - EMPLOYEES AND PERSONNEL EXPENSES

Gender balance	2021		2020	
	Men	Women	Men	Women
Precise Biometrics AB, Sweden	14	3	13	3
	14	3	13	3

Gender balance in corporate management	2021	2020
<i>Proportion of women</i>		
Board of directors	40%	40%
CEO and other senior executives	25%	0%
Salaries and remuneration are allocated as follows:		
<i>Board and CEO, Sweden</i>		
Salaries and other remuneration	5,119	6,176
Pension expenses	825	750
Payroll overhead, including payroll tax	1,813	2,102
Total	7,757	9,028
<i>Others, Sweden</i>		
Salaries and other remuneration	10,959	14,966
Pension expenses	2,330	2,034
Payroll overhead, including payroll tax	3,777	4,452
Total	17,066	21,452
TOTAL	24,823	30,480

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 (5) 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 5 in the notes for the group.

NOTE 6 - AUDITORS' REMUNERATION

	2021	2020
Ernst & Young		
Audit assignment	705	446
Auditing activities in addition to the audit assignment	90	50
Tax consulting	-	-
Other assignments	-	-
Total	795	496

NOTE 7 - OPERATING LEASES

	2021	2020
Leasing costs during the year	2,208	2,166
Total	2,208	2,166
Nominal value of agreed future leasing charges:		
Due for payment within 1 year	1,514	1,431
Due for payment after 1 year, but within 5 years	4,419	5,933
Due for payment after 5 years	-	-
Total	5,933	7,364

Operating leases mainly refer to office rent.

NOTE 8 - INCOME TAX AND DEFERRED TAX

Tax expense for the year	2021	2020
Change in deferred tax	-	-5,750
Tax expense	-	-5,750
Reconciliation of effective tax	2021	2020
Profit/loss before tax	-13,786	-8,888
Tax calculated according to current tax rate	2,840	1,902
Tax effect of non-deductible expenses/non-taxable revenues	-145	-19
Changed assessment of deferred tax asset	-	-5,750
Tax loss carryforwards for which deferred tax asset not reported	-2,695	-1,883
Tax expense	-	-5,750
Deferred tax assets	2021	2020
Tax loss carryforwards	-	-
Reported value	-	-
Specification of change in deferred tax asset:	2021	2020
Opening reported value	-	5,750
Change in deferred tax asset	-	-5,750
Closing reported value of deferred tax asset	-	-

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

A write-down of deferred tax was performed in the parent company, and for 2020 no deferred tax asset is reported in respect of future utilization of the tax deficit 0 (5,750). The tax expense does not affect cash flow, as it comprises an impairment of previously posted deferred tax. 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 677,807 thousand (662,643). There is no time limitation for the utilization of tax loss carryforwards.

NOTE 9 - PURCHASES AND SALES BETWEEN COMPANIES IN THE GROUP

Parent company sales to other group companies amounted to SEK 0.0 million (0.0). Purchases from group companies amounted to SEK 9.5 million (5.2). Internal pricing between the parent company and foreign subsidiaries is based on the Transactional Net Margin Method and the profit level is determined in accordance with Return on Sales, which for 2021 amounted to approx. 2-5% (2%).

NOTE 10 - FINANCIAL INCOME AND EXPENSES

	2021	2020
Interest income	-	-
Other financial income	-	51
Exchange rate gains	1,216	-
Total	1,216	51
Interest expense	-	1
Other financial expenses	-	-
Exchange rate losses	269	576
Total	269	577

NOTE 11 - TANGIBLE ASSETS

Equipment and tools	12/31/2021	12/31/2020
Opening acquisition value	2,802	2,220
Acquisitions during the year	3,085	1,738
Sales/disposals	-36	-1,157
Closing acquisition value	5,851	2,802
Opening accumulated amortization	-1,105	-1,694
Depreciation for the year	-1,013	-511
Sales/disposals	36	1,100
Closing accumulated amortization	-2,082	-1,105
Book value	3,769	1,696

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

NOTE 12 - INTANGIBLE ASSETS

	12/31/2021	12/31/2020
CAPITALIZED DEVELOPMENT EXPENSES		
Opening acquisition value	34,558	24,834
Acquisitions during the year	16,561	15,609
Sales/disposals	-11,116	-5,885
Closing acquisition value	40,003	34,558
Opening accumulated amortization	-15,331	-11,653
Depreciation for the year	-12,147	-9,563
Sales/disposals	11,116	5,885
Closing accumulated amortization	-16,362	-15,331
Opening accumulated write-downs	-	-
Sales/disposals	-	-
Closing accumulated write-downs	-	-
Book value	23,641	19,227
PATENTS		
Opening acquisition value	1,138	1,138
Closing acquisition value	1,138	1,138
Opening accumulated amortization	-297	-221
Depreciation for the year	-76	-76
Closing accumulated amortization	-373	-297
Book value	765	841
CAPITALIZED DATA EXPENSES		
Opening acquisition value	687	565
Acquisitions during the year	-	122
Closing acquisition value	687	687
Opening accumulated amortization	-263	-158
Depreciation for the year	-137	-105
Closing accumulated amortization	-401	-263
Book value	286	424
GOODWILL		
Opening acquisition value	24,496	24,496
Closing acquisition value	24,496	24,496
Opening accumulated amortization	-9,594	-7,145
Depreciation for the year	-2,450	-2,450
Closing accumulated amortization	-12,044	-9,595
Book value	12,453	14,902

OTHER INTANGIBLE ASSETS (DATABASE AND CUSTOMER RELATIONS)	12/31/2021	12/31/2020
Opening acquisition value	6,637	6,637
Closing acquisition value	6,637	6,637
Opening accumulated amortization	-2,890	-2,152
Depreciation for the year	-738	-738
Closing accumulated amortization	-3,629	-2,890
Book value	3,009	3,747
TOTAL BOOK VALUE	40,153	39,141

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 12 in the notes for the group.

NOTE 13 - FINANCIAL ASSETS

PARTICIPATIONS IN SUBSIDIARIES	12/31/2021	12/31/2020
Precise Biometrics Services AB		
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	2,443	2,445
Profit/loss for the year	-2	-2
Opening book value	820	820
Acquisition/acquisition	-	-
Closing book value	820	820
Precise Biometrics Inc.		
Potsdam, New York, USA		
Number of shares	10	10
Share of equity	100%	100%
Equity on balance sheet date	1,602	1,313
Profit/loss for the year	144	-7
Opening book value	958	958
Closing book value	958	958
Precise Biometrics, China		
Shanghai, China		
Number of shares	-	-
Share of equity	100%	100%
Equity on balance sheet date	286	43
Profit/loss for the year	222	45
Opening book value	-	-
Acquisition/acquisition	-	-
Write-down	-	-
Closing book value	-	-
East Coast Solutions AB		
Stockholm.		
Number of shares	-	-
Share of equity	100%	-
Equity on balance sheet date	3,391	-
Profit/loss for the year	452	-
Opening book value	-	-
Acquisition/acquisition	88,689	-
Write-down	-	-
Closing book value	88,689	-

Besökssystem Sverige AB	12/31/2021	12/31/2020
Stockholm.		
Number of shares		
Share of equity	100%	-
Equity on balance sheet date	91	-
Profit/loss for the year	-	-
Opening book value	-	-
Acquisition/acquisition	91	-
Write-down	-	-
Closing book value	-	-
Total	90,558	1,778
Total financial assets	90,558	1,778

NOTE 14 - ACCOUNTS RECEIVABLE

	12/31/2021	12/31/2020
Accounts receivable - invoiced	11,215	6,095
Accounts receivable - not invoiced	6,591	10,524
Reserve for credit risk	-	-4,477
Total	17,806	12,142

As of December 31, 2021 accounts receivable amounting to SEK 1,423 thousand (5,955) were due. There is a write-down for accounts receivable amounting to SEK 0 thousands (4,477), 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:	12/31/2021	12/31/2020
Not due	16,383	10,665
Less than 3 months	1,423	1,705
Of which written down	-	-491
3 to 6 months	-	491
Of which written down	-	-491
More than 6 months	-	3,759
Of which written down	-	-3,496
Total	17,806	12,142

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.

	12/31/2021	12/31/2020
Reserve for credit risk at beginning of year	-4,477	-1,467
Bad debt confirmed	284	371
Reversal of reserve for credit risk	4,193	-
Reserve for credit risk	-	-3,590
Currency effect	-	209
Total	-	-4,477
The reported amounts for each currency for the parent company's accounts receivable are as follows:	12/31/2021	12/31/2020
SEK	312	42
USD	916	1,984
EUR	900	33

NOTE 15 - PREPAID EXPENSES

	12/31/2021	12/31/2020
Prepaid rent for premises	456	435
Other items	2,746	3,104
Total	3,202	3,539

NOTE 16 - EQUITY

As of December 31, 2020	360,231,467
As of December 31, 2021	395,963,940

Warrants to employees

The 2019 shareholders' general meeting made a decision to offer an incentive plan for the company's CEO and CFO to the effect that a maximum of 1,300,000 stock options could be issued, with each stock option providing entitlement to subscribe to one (1) share in the company. Subscription to the stock options was to take place no later than June 30, 2019, with the Board having the right to extend the subscription period. Subscription through the exercising of stock options may take place during the period June 1, 2022 until June 30, 2022. The subscription price for the options has been set at SEK 0.32 and the subscription price for the shares at SEK 1.65. 300,000 stock options have been bought back from the CFO and canceled. At the end of the full-year period, 1,000,000 options had been subscribed by the CEO, corresponding to 100% of the total remaining stock options. Assuming that all stock options are exercised to subscribe to new shares, the number of shares in the company will increase by 1,000,000 shares. The CEO's options have been bought back during Q1 2022, when the CEO leaves the company. Dilution effects are only considered in the event that the earnings per share become worse. Dilution effects have been taken into account, as the average price during the full-year period corresponds to the price in the option program adopted in 2019.

NOTE 17 – OTHER LIABILITIES

	12/31/2021	12/31/2020
Long-term liabilities		
Long-term debt acquisition East Coast	28,922	-
Total long-term liabilities	28,922	-
Current liabilities		
Current liabilities East Coast acquisition	32,815	-
Other current liabilities	10,036	6,530
Total current liabilities	42,851	6,530

NOTE 18 - ACCRUED EXPENSES AND PREPAID INCOME

	12/31/2021	12/31/2020
Prepaid income	16,202	12,960
Accrued vacation pay	2,074	2,275
Accrued wages and remuneration	281	4,796
Accrued payroll overhead and pensions	1,485	2,727
Other accrued expenses	2,236	2,447
Total	22,278	25,205

NOTE 19 - FINANCIAL INSTRUMENTS

	12/31/2021 Book value	12/31/2020 Book value
Financial assets		
<i>Loans receivable and accounts receivable</i>		
Accounts receivable	17,806	12,142
Other receivables	527	2,923
Cash and cash equivalents	52,782	73,434
Total financial assets	71 115	88,499
Financial liabilities		
<i>Financial liabilities valued at the accrued cost of acquisition</i>		
Accounts payable	10,032	6,000
Long-term liabilities	28,922	-
Current liabilities	33,649	907
Other accrued expenses	4,591	9,518
Total financial liabilities	77,193	16,425

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

NOTE 20 - RELATED PARTY TRANSACTIONS

During 2021 and 2020, no related-party transactions were started or completed during apart from business transactions with subsidiaries and wage-related remuneration to senior executives and Board members.

NOTE 21 - ACQUISITION OF SUBSIDIARIES

As of 30 November, shares in EastCoast Solution AB and Besökssystem Sverige AB were acquired. The acquisition price amounts to SEK 86,203 thousand.

The parent company's acquisition value for the shares includes acquisition costs of SEK 2,577 thousand.

For further information on the acquisition, see to the consolidated accounts, Note 20.

NOTE 22 - PROPOSED DISTRIBUTION OF EARNINGS

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

	12/31/2021	12/31/2020
Share premium reserve, SEK thousands	100,050	73,738
Retained earnings, SEK thousands	-6,135	13,013
Profit/loss for the year, SEK thousands	-13,785	-14,638
Total non-restricted equity	80,130	72,113
The Board proposes that the AGM should not issue a dividend for the fiscal year 2021.		
Carried forward to the new accounts, SEK	80,130	
Total non-restricted equity	80,130	

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, 5 April 2022

Torgny Hellström

Chairman of the Board

Torbjörn Clementz

Board member

Synnöve Trygg

Board member

Mats Lindoff

Board member

Åsa Schwarz

Board member

Fredrik Sjöholm

CEO

Our auditor's report has been submitted

Ernst & Young AB

Martin Henriksson

Authorized Public Accountant

AUDITOR'S REPORT

To the general meeting of shareholders of Precise Biometrics AB (publ), corporate identity number 56545-6596

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the annual accounts and consolidated accounts of Precise Biometrics AB (publ) for the year 2021 except for the corporate governance report on pages 33-37. The company's annual accounts and consolidated accounts are included on pages 28-81 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of December 31, 2021 and of its financial performance and its cash flows 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 December 31, 2021 and of its financial performance and cash flows 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 report on pages 33-37. The Administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We therefore recommend that the AGM adopt the income statements and balance sheets for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the contents of the complementary report that has been presented to the parent company's audit committee pursuant to article 11 of the statutory audit regulation (537/2014).

Basis for opinion

We conducted the audit in accordance with the International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are described in further detail in the section entitled Auditor's Responsibilities. 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 means that, to the best of our knowledge and belief, no prohibited services referred to in Article 5 (1) of the Auditors Ordinance (537/2014) have been provided to the audited company or, if applicable, to its parent company or its controlled companies in the EU.

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

Key audit matters

Key audit matters are the matters which, in our professional judgment were the most significant for the audit of the annual accounts and consolidated accounts for the current period. These matters were addressed in the context of our audit, and in forming our opinion thereon, of the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. The description below of how the audit was performed within these areas should be read in this context.

We have performed the obligations described in the section entitled The auditor's responsibility in our report on the annual accounts, also in these areas. This involved performing audit measures that have been designed in order to consider our assessment of the risk of material errors in the annual accounts and the consolidated accounts. The outcome of our examination and the examination measures carried out in order to deal with the areas described below form the basis of our auditor's report.

Revenue recognition

Description of key audit matter

Net sales for 2021 total SEK 83.3 million in the income statement for the group and SEK 79.0 million income statement for the parent company. Revenues consist primarily of license fees. Revenues are divided into two categories – license fees and usage-based royalties. Revenue recognition associated with licenses and royalties requires that executive management make assessments regarding the period in which the revenue is to 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 particularly important area in the audit.

Note 1 contains a description of accounting policies. A breakdown of the company's revenues into different categories.

How this area is considered in the audit

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

Acquisition of EastCoast Solution / Visitor System Sweden

Description of key audit matter

In 2021, the Group acquired EastCoast Solutions AB and Besökssystem Sverige AB, where the acquisition price for all shares was estimated at SEK 86.2 million. Acquired intangible assets have been calculated at SEK 84.5 million, of which goodwill was SEK 61.4 million. The company's information about the acquisitions is presented in Note 20 "Operating acquisitions" and in Note 1 "General accounting principles" in the "Group accounting" section and in the "Important estimates and assessments for accounting purposes" section.

The reporting of EastCoast Solutions AB and Besökssystem Sverige AB has required estimates from the company. The most significant estimate relates to assessments of the fair values of separately identifiable assets and liabilities when allocating the purchase price. When drawing up the preliminary acquisition analysis, the company has made a number of assumptions regarding future cash flows, growth, discount rates and choice of valuation model. We have therefore assessed that the recognition of these acquisitions is a significant area of the audit.

How this area is considered in the audit

In our audit, we evaluated and examined the company's process for preparing the preliminary acquisition analysis by, among other things, evaluating the reasonableness of future cash flows and growth assumptions. Together with our valuation specialists, we have examined the company's models and methods for conducting an acquisition analysis and the reasonableness of the choice of valuation model, assumptions concerning discount rates and future cash flows, among other things, in order to determine the fair value of acquired assets and liabilities, as well as the useful lives of the assets. We have examined the disclosures provided in the annual accounts.

Goodwill

Description of key audit matter

The reported value of goodwill totals SEK 84.8 million in the group's balance sheet and SEK 12.5 in the parent company's balance sheet as of December 31, 2021. The company tests this every year and ensures that if there is any indication of a drop in value, the reported value does not exceed the estimated recoverable value. 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 executive management's business plans and forecasts, and include a number of assumptions about matters including profit trend, growth, investment needs and discount rate (WACC).

Changes to assumptions have a major effect on the calculation of the recoverable value and the assumptions applied by the company are therefore very important for the assessment of whether an impairment requirement exists. We have therefore considered that the reporting of goodwill is a particularly important area in the audit.

A description of accounting policies and important estimates and assessments for accounting purposes is contained in Note 1. Note 13 "Intangible assets" for the Group and note 13 "Intangible assets" for the Parent Company describe the impairment test.

How this area is considered in the audit

In our audit, we evaluated and tested the company's process for setting up the impairment test, by such means as evaluating previous accuracy in forecasts and assumptions. We have also evaluated the feasibility in future cash flows and growth assumptions, and with the aid of our evaluation specialists reviewed the chosen discount rate and assumptions about long-term growth. We have also evaluated the company's model and method for conducting the impairment test and evaluated the company's sensitivity analyses. We have examined the disclosures provided in the annual accounts.

Information other than the annual accounts and consolidated accounts

This document also contains information other than the annual accounts and consolidated accounts and is found on pages 1-27 and 87-89. The remuneration report for the fiscal year 2021 also constitutes other information. The Board of Directors and the CEO 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 regarding this other information.

In connection with our audit of the annual accounts and consolidated financial statements, 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 consider knowledge otherwise obtained during the audit and assess whether the information 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 CEO

The Board of Directors and the CEO are responsible for the preparation of the annual accounts and consolidated accounts and that they provide 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 CEO 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 CEO 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 the ability to continue as a 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 CEO intend to liquidate the company, to cease operations, or have no realistic alternative but to do so.

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

The auditor's responsibility

Our goal is to achieve a reasonable degree of assurance as to whether the annual accounts and consolidated accounts as a whole do not contain any material misstatement, whether due to fraud or error, and to submit an audit report that contains our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA 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 made by users taken on the basis of these annual accounts and consolidated accounts.

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

- identify and assess the risks of material misstatement in the annual accounts and consolidated accounts, whether due to fraud or error, and draw up and perform audit procedures, inter alia, on the basis of these risks and obtain audit evidence that is sufficient and appropriate for providing 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.
- gain an understanding of the part of the company's internal controls relevant to our audit in order to draw up audit procedures that are appropriate in the circumstances, but not in order to express an opinion on the effectiveness of internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Board and CEO in the accounts together with associated information.

- draw a conclusion on the appropriateness of the use of the going concern assumption by the Board and CEO when preparing the annual accounts and the consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, on whether any material uncertainty exists relating to any events or conditions that may cast significant doubt about the company'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. Future events or conditions may, however, mean that a company is no longer able 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 the consolidated accounts reflect the underlying transactions and events in a way that provides a true and fair view.
- obtain sufficient and appropriate audit evidence with regard to the financial information for the units or business activities within the Group to provide an opinion in respect of the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We are solely responsible for our opinions.

We must inform the Board of Directors, among other matters, of 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, measures taken in order to eliminate threats or safeguards that have been taken.

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 of material misstatement, and which are therefore key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

REPORT ON OTHER REQUIREMENTS IN ACCORDANCE WITH LEGISLATION AND OTHER STATUTES

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.

Opinion

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 CEO of Precise Biometrics AB (publ) for the year 2021

and the proposed appropriations of the company's profit or loss. We recommend that the Annual General Meeting allocate the profit in accordance with the proposal in the Administration Report and discharge the members of the Board and the CEO from liability for the fiscal year.

Basis for opinion

We have conducted the audit in accordance with auditing standards generally accepted in Sweden. Our responsibility in this respect is described in further detail in the section entitled The auditor's responsibility. 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 audit opinion.

Responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposal for the 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 CEO 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.

The auditor's responsibility

Our objective concerning the audit of the administration, and therefore 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 CEO 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 Swedish Companies Act, the Swedish 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 therefore our opinion about this, is to assess with a reasonable degree of assurance whether the proposal is in accordance with the Swedish 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 Swedish 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 a starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions made, 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 have examined whether the proposal is in accordance with the Swedish Companies Act.

The auditor's examination of the Corporate Governance Report

Opinions

In addition to our audit of the Annual Report and Consolidated Financial Statements, we have also audited that the Board of Directors and the CEO have prepared the Annual Report and Consolidated Financial Statements in a format that enables uniform electronic reporting (Esef Report) in accordance with Chapter 16, Section 4a of the Swedish Securities Market Act (2007:528) for Precise Biometrics AB (publ) for 2021.

Our review and statement relate solely to the statutory requirement.

In our opinion, the Esef report

#[aa46460fd73496cba3d29b86adfa421966115be3723868a31cd5979643526841] has been prepared in a format that essentially enables uniform electronic reporting.

Basis for opinion

We conducted the review in accordance with FAR's recommendation RevR 18 Auditor's review of the Esef report. Our responsibility in this respect is described in further detail in the section entitled The auditor's responsibility. 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 audit opinion.

Responsibilities of the Board of Directors and the CEO

The Board of Directors and the CEO are responsible for ensuring that the Esef report has been prepared in accordance with Chapter 16, Section 4a of the Swedish Securities Market Act (2007:528), and because there is such internal control that the Board of Directors and the CEO deem necessary to prepare the Esef report without material errors, whether due to irregularities or mistakes.

The auditor's responsibility

Our task is to express an opinion with reasonable certainty on whether the Esef report has essentially been prepared in a format that meets the requirements in Chapter 16, Section 4a of the Swedish Securities Market Act (2007:528), on the basis of our review.

RevR 18 requires that we plan and implement our audit procedures to obtain reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA 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 made by users taken on the basis of these annual accounts and consolidated accounts.

The auditing firm applies ISQC 1 Quality Control to auditing firms that perform auditing and reviewing of financial statements and other assurance assignments and related services, thereby having a comprehensive quality control system that includes documented guidelines and procedures regarding compliance with ethical requirements, professional standards and applicable statutory and regulatory requirements.

The audit involves various measures to obtain evidence that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual report and consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the annual accounts and the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated financial statements 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. The review also includes an evaluation of the appropriateness and reasonableness of the Board of Directors' and the CEO's assumptions.

The review measures mainly include a technical validation of the Esef report, i.e. whether the file containing the Esef report complies with the technical specification specified in Commission Delegated Regulation (EU) 2019/815 and a reconciliation that the Esef report complies with the audited Annual Report and Consolidated Financial Statements.

Furthermore, the review also includes an assessment of whether the Esef report has been marked with iXBRL, which enables a true and complete machine-readable version of the consolidated income statement, balance sheet and equity statement, as well as the cash flow statement.

The auditor's examination of the Corporate Governance Report

The Board of Directors is responsible for the Corporate Governance Report on pages 33-37 and for ensuring that it has been prepared in accordance with the Swedish Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevU16 The auditor's examination of the corporate governance statement. This means that our examination of the Corporate Governance Report has a different focus and is of a significantly smaller scope than an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that this examination has provided us with sufficient basis for our opinions.

A Corporate Governance Report has been prepared. Disclosures in accordance with Chapter 6, Section 6, second paragraph, items 2- 6 of the Swedish Annual Accounts Act and Chapter 7, Section 31, paragraph 2 of the same Act are consistent with the annual accounts and the consolidated accounts and are in accordance with the Swedish Annual Accounts Act.

Ernst & Young AB, Box 4279, 203 14 Malmö, was appointed as Precise Biometrics AB's auditor by the general meeting on May 14, 2021 and has been the company's auditor since April 27, 2015.

Malmö, 5 April 2022

Ernst & Young AB

Martin Henriksson

Authorized Public Accountant

FINANCIAL GLOSSARY

AVERAGE EQUITY, TOTAL OPERATION

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

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.

CASH FLOW, TOTAL OPERATION

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

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, REMAINING OPERATION, BEFORE DILUTION

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

EARNINGS PER SHARE, TOTAL OPERATIONS, AFTER DILUTION

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

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.

EQUITY/ASSETS RATIO, TOTAL OPERATIONS

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.

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 for the year.

EQUITY PER SHARE, TOTAL OPERATIONS

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

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.

LIQUIDITY RATIO, TOTAL OPERATIONS

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

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.

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.

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.

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.

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.

WORKING CAPITAL, TOTAL OPERATION

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

ANNUAL GENERAL MEETING

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on May 19, 2022. The Annual Report for 2021 will be available on Precise Biometrics' website and at the head office at the latest on April 6, 2022. 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, 2022 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, 2022. 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 notify their intention to attend the AGM no later than May 11, 2022. Registration may take place by mail or email

arsstamma@precisebiometrics.com

Mail: Precise Biometrics AB, "Årsstämma", 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 11, 2022.

Investor contact

Fredrik Sjöholm, CEO

phone: +46 705 16 18 99

Email: investor@precisebiometrics.com

FINANCIAL CALENDAR

INTERIM REPORT, FIRST QUARTER 2022

May 13, 2022 (8:00am)

ANNUAL GENERAL MEETING 2022

May 19, 2022 (2:00pm)

INTERIM REPORT, SECOND QUARTER 2022

August 12, 2022 (8:00am)

INTERIM REPORT, THIRD QUARTER 2022

November 11, 2022 (8:00am)

YEAR-END REPORT 2022

February 17, 2022 (8:00am)

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

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