

**Precise Biometrics AB (publ), corporate identity no 556545-6596  
Interim report for the period January – September 2005**

- The Group's sales for the interim period totaled SEK 36.2 million (22.6) and for the third quarter SEK 7.7 million (8.1).
- The bottom line for the interim period was SEK -22.5 million (-25.4) and for the third quarter SEK -10.6 million (-9.5).
- Losses per share for the interim period were SEK -0.36 (-0.48) and for the third quarter -0.16 (-0.16).
- Liquid capital at the close of the interim period was SEK 70.9 million (52.0).
- Precise Biometrics has incorporated a subsidiary in the United Kingdom. The object is to enhance the company's position in the biometrics market and to seek to be actively involved in the national ID card projects currently being planned throughout Europe.
- The company made a directed share issue to the principal shareholder in Loqware Sweden AB, by which the company acquired 94 percent of the shares in Loqware at a value corresponding to about SEK 8 million.
- Within the framework of an incentive program resolved at the annual general meeting, AGM, the management team for Precise Biometrics acquired a total of 1,400,000 subscription options.
- The company also carried out a new directed share issue at international investors, bringing the company SEK 63 million before issue costs.

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Precise Biometrics AB (publ.) is an innovative security company that supplies world-leading systems for fingerprint and smart card-based authentication. The company's solutions replace keys, PIN codes and passwords and enhance the integrity of ID cards and passports. With its proprietary Precise Match-on-Card(TM) technology, the company is a market leader within smart ID cards. Through its subsidiary Fyrplus Teknik, Precise Biometrics can deliver complete biometrics solutions on the Scandinavian market based, for example on fingerprint, iris and facial recognition. The product line includes systems for access control to buildings, computers and networks and for integration into ID cards and passports. The group headquarters are in Lund, Sweden. It also has subsidiaries in London and Washington, DC. The subsidiary Fyrplus Teknik is based in Karlstad and has regional offices in Linköping and the subsidiary Loqware is based in Gothenburg. Precise Biometrics is listed on the O-list of the Stockholm Stock Exchange (symbol: PREC A). For more information, please visit <http://www.precisebiometrics.com/>



**President's comments on the interim report**

We are now emerging from the third quarter, with a weak sales result. The strong growth that characterized the first half of 2005 has tapered off during this quarter, which is an effect of our sales in the US, and applies especially to the public sector. The market for biometrics continues to show strong growth and demand for national ID cards and biometric passports are very high. Through its partners the company is working on around forty such projects.

To further consolidate our international commitments, we have formed a UK subsidiary and opened a sales office in London. This puts us in a position to work that market, particularly now as discussions are underway concerning the implementation of national biometric ID cards. With our own office in London, we will be one step closer to several of our European partners who are headquartered in England. We also anticipate considerable improvements in sales thanks to the expanded sales force.

Through a directed share issue in August, we made a strategic acquisition of the Swedish company, Loqware Sweden AB, at a cost of about SEK 8.4 million. The acquisition opens doors into the Chinese market, which is in line with our international investment strategy.

At the end of September, the company carried out a further directed share issue which brought the company about SEK 63 million. The aim of the issue was to provide an opportunity to enhance our focus and bolster our sales and marketing activities in the global market.

**Sales and profitability**Interim period, January-September 2005

Sales for the interim period totaled SEK 36.2 million (22.6), of which SEK 13.1 million can be ascribed to the subsidiary Fyrplus Teknik. Growth was 60 % over the previous year. Gross margins for the Group were 38 %, excluding Fyrplus Teknik were 49 %. The Group's losses for the interim period totaled SEK -22.5 million (-25.4).

Operating expenses for the interim period, excluding the cost of goods sold, totaled SEK 35.9 million (35.7), including depreciation of SEK 6.0 million (7.6) and capitalization of expenses for development work of SEK 3.7 million (1.4). Losses per share (average number of shares) during the interim period amounted to SEK -0.36 million (-0.48).

Third quarter July-September 2005

Sales during the third quarter totaled SEK 7.7 million (8.1), of which SEK 3.9 million can be ascribed to the subsidiary Fyrplus Teknik. The bottom line for the Group during the third quarter was SEK -10.6 million (-9.5). Operating expenses for the third quarter, excluding the cost of goods sold, totaled SEK 13.0 million (12.1), including depreciation of SEK 2.0 million (2.5) and capitalization of expenses for development work of SEK 0.8 million (0.8). Losses per share (average number of shares) for the third quarter amounted to SEK -0.16 (-0.16). At the end of the third quarter the gross margin was 32 %. Within the subsidiary Fyrplus Teknik, the gross margins are lower because wage costs relating directly to consulting services are shown as a cost of goods sold and not as operating costs under the gross profitability. Excluding Fyrplus Teknik, gross margins for the quarter were 42 %.

## **Financing and liquidity**

Equity, as of September 30, 2005, amounted to SEK 117.6 million (80.1), and the equity/share ratio totaled SEK 1.64 (1.31).

Cash flow for the quarter from current operations amounted to SEK -6,7 million (-2.7). Liquid capital at the close of the interim period was SEK 70.9 million (52.0). The new stock issue targeting international investors brought the company approximately SEK 63 million less issue expenses, and as within the framework authorized by Precise Biometrics' annual general meeting last spring. The goal to broaden international ownership has thus been achieved.

## **Marketing and sales**

### Americas

On the US market, the company experienced the after-effects of hurricanes Katrina and Rita. One consequence of the natural disasters has been re-prioritization of spending, which has resulted in reduced expenditures on our products by the US Federal Government. Because attention has been directed at the emergency response in the wake of the disasters and the economic consequences of damage to the petrochemical industry, focus has shifted away from other investment priorities for government agencies.

Sales for the business area during the interim period January-September were SEK 10.5 million (11.4) and the bottom line totaled SEK -1.8 million (2.4).

Sales for the business area during the third quarter, July-September were SEK 2.4 million (3.6) and the bottom line totaled SEK -1.1 million (0.0).

### EMEA

EMEA sales have been very sluggish during the interim period. Demand for IT security and physical access control systems are strong, but as the projects become larger, the leadtime for decisions is also increasing. Change and enhancements to the sales organization for EMEA and a new office in London have been brought on line during the quarter. Setting up a new UK subsidiary brings Precise Biometrics to the European market and will open many new doors for the company.

Sales for the business area during the interim period January-September were SEK 6.0 million (9.1) and the bottom line totaled SEK -0.9 million (-0.2).

Sales for the business area during the third quarter, July-September were SEK 1.1 million (3.9) and the bottom line totaled SEK -0.2 million (-0.2).

### National ID Card Group

In the national ID card project in Thailand, delivery has been made of the first 12 million cards, and the Thai government is very satisfied. The company is now working actively to win the follow-up order on the remaining 52 million cards. This procurement is expected to be finalized in the coming months. The order from the Thai authorities has given Precise Biometrics a solid stepping-stone to invaluable new contacts on the growing Asian market. In the company's view, these contacts will lead to several follow-up orders and follow-on sales opportunities.

Sales for the business area during the interim period January-September were SEK 6.0 million and the bottom line totaled SEK 3.5 million.

Sales for the business area during the third quarter, July-September were SEK 0.0 million and the bottom line totaled SEK -0.9 million.

#### ICAO Systems

Precise Biometrics is working with several projects within the ICAO (International Civil Aviation organization) Systems business area. The market is established, but the complex sales and definition of these projects has taken longer than the company anticipated. During the quarter, the company held several meetings with authorities and representatives from airlines and aviation administrations in various countries.

Sales for the business area during the interim period January-September were SEK 0.0 million and the bottom line totaled SEK -1.9 million.

Sales for the business area during the third quarter, July-September were SEK 0.0 million and the bottom line totaled SEK -0.6 million.

#### Fyrplus

During the quarter, several new assignments have been commenced, and in the latter part of the quarter we have seen strong order uptake. The partnership between Fyrplus and the ICAO Systems business area has intensified. This partnership makes us a strong player in the ongoing and upcoming negotiations concerning adjustments to infrastructure (enrollment and verification), which will be required once biometric passports have been implemented.

Sales for the business area during the interim period January-September were SEK 13.1 million and the bottom line totaled SEK 1.2 million.

Sales for the business area during the third quarter, July-September were SEK 3.9 million and the bottom line totaled SEK 0.5 million.

#### Loqware

Loqware was brought into the Group as a subsidiary in the month of August. The integration and coordination work has been progressing as planned. Loqware has a long history of building relationships and a network of contacts in China, which is now serving Precise Biometrics well. Together, the companies have built up a robust product concept, and they plan to commence product and license sales during the first quarter of 2006.

#### Other

Other sales can be principally ascribed to customer-specific development work, and during the interim period amounted to SEK 0.6 million (2.0) and the bottom line totaled SEK -1.5 million (-0.2). Other sales for the third quarter were SEK 0.3 million (0.6) and the bottom line for the third quarter totaled SEK -0.4 million (0.1).

### **Future prospects and market trends**

More and more countries are planning the implementation of national ID cards and biometric passports. The company is aware of about forty national ID card projects underway around the world. These projects are the focus of active efforts to see that the national ID cards are equipped with Precise Match-on-Card™ technology. Through Precise Biometrics' existing partnership network, the company has bid on about 2/3 of these projects. The company expects within 3-6

months to have secured 1-2 of these projects. Over a longer perspective, within 12-24 months, the company expects to have secured 5-10 projects.

The market for IT security and physical access control continues to grow. In order to meet this growing demand, the company has expanded its sales and marketing operations and also extended its product line. As with national ID cards and biometric passports, the timeline for projects within IT security and physical access systems is difficult to assess, and we are focusing on acquiring a number of large projects to ensure a steadier income.

The third quarter was poor in terms of sales and profitability, which entails that sales growth for the year is not as large as the company had previously anticipated. On the other hand, the company is seeing a reversing trend in license sales, which produce higher gross margins than hardware sales. This entails that profitability for the whole year, relative to previous years, will improve.

### **Organization and staff**

Precise Biometrics consists organizationally of the parent company, Precise Biometrics AB, with headquarters in Lund and a sales office in Stockholm. It also has subsidiaries Precise Biometrics, Inc. in Washington DC, USA and Precise Biometrics UK Ltd. in London, England. Further Swedish subsidiaries include Fyrplus Teknik AB, headquartered in Karlstad with regional offices in Linköping, and Loqware Sweden AB with offices in Gothenburg. Precise Biometrics also has a dormant subsidiary, Precise Biometrics Services AB. As of September 30, 2005, the Group had 67 (32) employees, 61 in Sweden and 6 in the USA. Of these employees, 53 (24) were men and 14 (8) were women.

### **Investments in fixed capital assets**

During the interim period, the Group made investments of SEK 0.4 million (0.1) in fixed capital assets and during the third quarter SEK 0.2 million (0.1).

### **Capitalized development work**

During the interim period, expenses for development work have been capitalized in the order of SEK 3.7 million (1.4), which includes SEK 0.8 million (0.8) for the third quarter. Depreciation of expenses for capitalized development work during the interim period totaled SEK 5.0 million (6.2), comprising SEK 1.8 million (2.1) for the quarter. Depreciation of patents and capitalized computing expenses during the interim period totaled SEK 0.8 million (0.8), comprising SEK 0.3 million (0.3) for the quarter.

### **Patents**

Precise Biometrics has 22 approved patents, 11 of which are approved in Sweden. In addition to the approved patents, there are 45 applications pending. Approved patents and patent applications are based on 20 patent families.

### **Directed share issues**

During the quarter the company carried out two directed share issues, all within the framework of the authority granted at the annual general meeting (AGM) in April. First, the company acquired Loqware Sweden AB and made payment with new shares worth about SEK 8.4 million.

Moreover, international investors acquired shares in the company that brought the company nearly SEK 63 million before issue costs.

There was also an incentive program, also carried out under authority granted by the AGM, under which the company's entire management team was allocated and acquired subscription options, which brought the company SEK 420,000.

## Shares

The company shares have been listed on the Stockholm Stock Exchange O-list since October 3, 2000.

The total number of shares after the new share issues at end of the quarter was 71,719,200. During the quarter, average sales per day were SEK 2,636 thousand, and the listed share price ranged between SEK 6.75 and SEK 8.30.

### The five largest shareholders as of September 30, 2005

Name	Proportion of capital and votes
Odin fonder	6.1%
Eden Capital Ltd	5.5%
Fjärde AP-fonden	4.7%
Storebrand fonder	4.6%
Banco fonder	3.5%

Source: SIS Ägarservice

## Parent company

The parent company's sales for the interim period totaled SEK 19.7 million (19.1) and sales for the third quarter were SEK 2.8 million (6.6). The bottom line for the interim period totaled SEK -19.1 million (-23.6) and for the third quarter SEK -9.2 million (-8.7).

At the end of the interim period, 32 people were employed in the parent company. Liquid funds at the close of the third quarter totaled SEK 67.3 million (46.1). The parent company has no debts to credit institutions, as of the end of the third quarter. There were investments of SEK 0.4 million (0.1) in fixed capital assets.

During the interim period, expenses for development work have been capitalized in the order of SEK 3.7 million (1.4), which includes SEK 0.8 million (0.8) for the third quarter.

## Nomination committee

In accordance with a resolution at the company AGM on April 27, 2005, a nomination committee has been established. The committee consists, of Svein Carlsson (Odin fonder), Tom Henderson (Eden Capital Ltd), Stefan Johnson (Fjärde AP-fonden), and Leif Eriksröd (Storebrand fonder), who represent the four largest shareholders in the company as of September 30. The committee also includes chairman of the board, Lars Grönberg, who is also the convener.

**Upcoming financial reporting dates**

Interim statement, January - December

February 8, 2006

**Transition to IFRS and accounting principles**

In accordance with requirements posed on market-listed companies within the EU, Precise Biometrics has undertaken the transition to reporting under the International Financial Reporting Standards (IFRS) from January 1, 2005. Up to 2004, Precise Biometrics has applied the recommendations and pronouncements of the Swedish Financial Accounting Standards Council. The transition to IFRS is shown in accordance with IFRS 1, at which the transition date is January 1, 2004. IFRS 1 also requires the comparison year of 2004 to be shown according to IFRS. Financial information relating to accounting years before 2004 has not been translated.

In accordance with IAS 21, Precise Biometrics has translated its US subsidiary under the current or spot rate method rather than using the temporal rate method. The consequence of this is that the profit and loss statement and balance sheet for 2004 was adjusted, which entails that exchange differences during 2004 are shown against equity and not in the profit and loss statement. Accumulated exchange differences are shown as a separate component of equity from January 1, 2004.

The transition to the application of IAS 39 from January 1, 2005 has not had any bearing on the opening balance.

Where adjustments have been made to historical data, brought about by the transition to IFRS, the effects are shown in separate tables in the report.

IFRS is subject to ongoing review and approval by the EU, and consequently changes may still arise. Besides the above adaptations to IFRS, the accounting principles and calculation methods remain unchanged from the last annual report.

This report has not been subject to review by the company's accountants.

Lund, Sweden, October 26, 2005

Christer Bergman, Group President and CEO, Precise Biometrics AB (publ.)



## Income statement, Group

(Figures in thousands SEK)

	Q3 2005	Q3 2004	Q1-Q3 2005	Q1-Q3 2004	Full year 2004
Net sales <sup>1)</sup>	7,738	8,068	36,223	22,566	30,007
Cost of goods sold <sup>2)</sup>	-5,255	-5,473	-22,588	-12,124	-17,054
<b>Gross profit/loss</b>	<b>2,483</b>	<b>2,595</b>	<b>13,635</b>	<b>10,442</b>	<b>12,953</b>
Selling expenses <sup>3)</sup>	-6,639	-5,565	-22,839	-17,900	-23,810
Administrative expenses <sup>4)</sup>	-2,799	-1,203	-7,694	-4,468	-6,425
R&D costs	-4,540	-4,733	-13,358	-14,464	-20,451
Other operating income and changes in value	951	-626	7,965	1,088	-1,912
	-13,027	-12,127	-35,926	-35,744	-52,598
<b>Operating profit/loss</b>	<b>-10,543</b>	<b>-9,532</b>	<b>-22,291</b>	<b>-25,302</b>	<b>-39,645</b>
Financial costs	-74	-1	-192	-82	-83
<b>Profit/loss after financial items</b>	<b>-10,617</b>	<b>-9,533</b>	<b>-22,483</b>	<b>-25,384</b>	<b>-39,728</b>
Deferred tax	2	-11	3	-16	-13
<b>Profit/loss for the period</b>	<b>-10,614</b>	<b>-9,544</b>	<b>-22,480</b>	<b>-25,400</b>	<b>-39,741</b>
<i>Minority share of profit/loss for the period</i>	-37	0	-37	0	0
<i>Results per share, SEK</i>	-0.16	-0.16	-0.36	-0.48	-0.72
<sup>1)</sup> whereof Fyrplus	3,901		13,095		
<sup>2)</sup> whereof Fyrplus	-3,034		-10,693		
<sup>3)</sup> whereof Fyrplus	-393		-1,223		
<sup>4)</sup> whereof Fyrplus	-254		-805		



## Balance Sheet, Group

(Figures in thousands SEK)

	9/30/2005	9/30/2004	12/31/2004
<b>Assets</b>			
Intangible fixed assets	33,624	20,409	17,946
Tangible fixed assets	2,069	1,165	1,165
Inventories	10,243	4,866	5,498
Accounts receivable - trade	18,882	7,606	7,818
Other current receivables	4,214	2,212	3,213
Cash and bank balances	70,949	51,967	44,832
<b>Total assets</b>	<b>139,982</b>	<b>88,225</b>	<b>80,472</b>
<b>Equity and liabilities</b>			
Equity	117,638	80,059	67,769
Long-term liabilities	2,443	0	0
Current liabilities	19,901	8,166	12,703
<b>Total equity and liabilities</b>	<b>139,982</b>	<b>88,225</b>	<b>80,472</b>
<b>Pledged assets</b>	<b>6,715</b>	<b>6,715</b>	<b>6,715</b>
<b>Contigent liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Cash Flow Statement, Group

(Figures in thousands SEK)

	Q3 2005	Q3 2004	Q1-Q3 2005	Q1-Q3 2004	Full year 2004
Cash flow from operating activities before changes in working capital	-5,127	-6,189	-16,320	-18,533	-27,525
Cash flow from changes in working capital	-1,568	3,532	-9,612	-3,002	-602
Cash flow from operating activities	-6,695	-2,657	-25,932	-21,535	-28,127
Cash flow from investing activities	-8,507	-924	-17,923	-1,491	-2,034
Cash flow from financing activities	62,327	0	69,972	55,769	55,769
<b>Cash flow for the period</b>	<b>47,125</b>	<b>-3,581</b>	<b>26,117</b>	<b>32,743</b>	<b>25,608</b>
Liquid funds at the beginning of the period	23,824	55,548	44,832	19,224	19,224
Liquid funds at the end of the period	70,949	51,967	70,949	51,967	44,832

## Key Figures, Group

	9/30/2005	9/30/2004	12/31/2004
Working capital (thousands SEK)	84,387	58,485	48,658
Liquid ratio	473%	757%	440%
Equity/assets ratio	84%	91%	84%
Return on average equity	-	-	neg
Capital employed (thousands SEK)	120,081	80,059	67,769
Return on capital employed	-	-	neg
Profit/loss after net financial items per share (SEK) (Kr)	-0.36	-0.48	-0.72
EBITDA (thousands SEK)	-16,253	-18,228	-29,054
Equity per share (SEK)	1.64	1.31	1.11
Number of shares	71,719,200	60,915,450	60,915,450
Number of employees at the end of the period	67	34	35
Average number of employees during the period	62	32	34

## Definitions - Key Figures

Working capital: Current assets less current liabilities

Liquid ratio: Current assets less inventories divided by current liabilities

Equity/assets ratio: Equity as of the balance sheet date divided by total assets as of the balance sheet date

Return on equity: Profit/loss for the period divided by average equity

Capital employed: Balance sheet total minus non-interest-bearing liabilities and provisions

The average capital employed has been calculated as initial plus outgoing capital employed divided by two

Return on capital employed: Profit/loss after financial items plus financial expenses divided by the average capital employed

Profit/loss per share: Profit/loss after financial items divided by the average number of shares. Recalculation after dilution has not been made because of the negative result

EBITDA: Profit/loss before net financial items, depreciations, write-downs and tax

Equity per share: Equity at the end of the period divided by the number of shares at the end of the period

Quarterly earnings ratio is not calculated

## Changes in Equity, Group (Figures in thousands SEK)

	Q1-Q3 2005	Q1-Q3 2004	Full year 2004
<b>Initial Equity</b>	<b>67,769</b>	<b>50,072</b>	<b>50,072</b>
New share issue <sup>1)</sup>	75,960	55,769	55,769
Options <sup>2)</sup>	420	0	0
Translation difference	-4,031	-382	1,669
Profit/loss for the period	-22,480	-25,400	-39,741
<b>Equity at the end of the period</b>	<b>117,638</b>	<b>80,059</b>	<b>67,769</b>

<sup>1)</sup> Relates to directed share issue of 1,050,000 shares at a rate of SEK 7.04 (Silex), 1,053,750 at a rate of SEK 8.00 (Loqware) and 8,700,00 shares at a rate of SEK 7.25 (Danske Markets)

<sup>2)</sup> Relates to 1,400,000 subscription options to the management team of Precise Biometrics at a rate of SEK 0.30

### Turnover and profitability by business area Q3 2005 <sup>1)</sup>

(Figures in thousands SEK)

	Americas		EMEA <sup>3)</sup>		NID <sup>4)</sup>	
	2005	2004	2005	2004	2005	2004
Net sales	2,408	3,580	1,085	3,860	0	0
Expenses <sup>2)</sup>	<u>-3,503</u>	<u>-3,620</u>	<u>-1,282</u>	<u>-4,086</u>	<u>-867</u>	<u>0</u>
Operating profit/loss	-1,095	-40	-197	-226	-867	0

  

	ICAO <sup>5)</sup>		Fyrplus		Others	
	2005	2004	2005	2004	2005	2004
Net sales	0	0	3,904	0	341	628
Expenses <sup>2)</sup>	<u>-554</u>	<u>0</u>	<u>-3,427</u>	<u>0</u>	<u>-708</u>	<u>-494</u>
Operating profit/loss	-554	0	477	0	-367	134

### Turnover and profitability by business area Q1-Q3 2005 <sup>1)</sup>

(Figures in thousands SEK)

	Americas		EMEA <sup>3)</sup>		NID <sup>4)</sup>	
	2005	2004	2005	2004	2005	2004
Net sales	10,487	11,450	6,038	9,070	6,007	0
Expenses <sup>2)</sup>	<u>-12,333</u>	<u>-9,013</u>	<u>-6,907</u>	<u>-9,243</u>	<u>-2,505</u>	<u>0</u>
Operating profit/loss	-1,846	2,437	-869	-173	3,502	0

  

	ICAO <sup>5)</sup>		Fyrplus		Övrigt	
	2005	2004	2005	2004	2005	2004
	0	0	13,095	0	596	2,046
	<u>-1,910</u>	<u>0</u>	<u>-11,916</u>	<u>0</u>	<u>-2,142</u>	<u>-2,214</u>
	-1,910	0	1,179	0	-1,546	-168

<sup>1)</sup> As of January 2005 there has been two additions to the company's three established business areas/units.

Furthermore, the company has acquired another company, Fyrplus. The historic data has not been recalculated.

<sup>2)</sup> The above expenses include Cost of Goods Sold as well as operation expenses for each business area/unit

<sup>3)</sup> Europé, Middle East and Africa

<sup>4)</sup> National ID Card Group

<sup>5)</sup> ICAO (International Civil Aviation Organization) Systems

**Income statement adjusted according to IFRS**

(Figures in thousands SEK)

	<b>IFRS</b>		<b>IFRS</b>	
	<b>Q3</b>	<b>IAS 21</b>	<b>Q3</b>	<b>Q1-Q3</b>
	<b>2004</b>		<b>2004</b>	<b>2004</b>
Net sales	8,068		8,068	22,566
Cost of sold goods	-5,473		-5,473	-12,124
<b>Gross profit/loss</b>	<b>2,595</b>		<b>2,595</b>	<b>10,442</b>
Selling expenses	-5,001	-564	-5,565	-18,282
Administrative expenses	-1,203		-1,203	-4,468
R&D costs	-4,733		-4,733	-14,464
Other operating income and changes in value	-626		-626	1,088
	-11,563		-12,127	-36,126
<b>Operating loss/profit</b>	<b>-8,968</b>		<b>-9,532</b>	<b>-25,684</b>
Financial costs	-1		-1	-82
<b>Profit/loss after financial items</b>	<b>-8,969</b>		<b>-9,533</b>	<b>-25,766</b>
Deferred tax	-11		-11	-16
<b>Profit/loss for ther period</b>	<b>-8,980</b>		<b>-9,544</b>	<b>-25,782</b>
<i>Result per share, SEK</i>	-0.15		-0.16	-0.49

**Income statement adjusted according to IFRS**

(Figures in thousands SEK)

	<b>Full year</b>	<b>IAS 21</b>	<b>IFRS</b>
	<b>2004</b>		<b>Full year</b>
			<b>2004</b>
Net sales	30,007		30,007
Cost of sold goods	-17,054		-17,054
<b>Gross profit/loss</b>	<b>12,953</b>		<b>12,953</b>
Selling expenses	-22,141	-1,669	-23,810
Administrative expenses	-6,425		-6,425
R&D costs	-20,451		-20,451
Other operating income and changes in value	-1,912		-1,912
	-50,929		-52,598
<b>Operating loss/profit</b>	<b>-37,976</b>		<b>-39,645</b>
Financial costs	-83		-83
<b>Profit/loss after financial items</b>	<b>-38,059</b>		<b>-39,728</b>
Deferred tax	-13		-13
<b>Profit/loss for ther period</b>	<b>-38,072</b>		<b>-39,741</b>
<i>Result per share, SEK</i>	-0.69		-0.72

## Balance sheet adjusted according to IFRS

(Figures in thousands SEK)

	Q3	IAS 1	IFRS	Full year	IAS 1	IFRS
	2004		Q3	2004		Full year
			2004			2004
<b>Assets</b>						
Intangible fixed assets	20,409		20,409	17,946		17,946
Tangible fixed assets	1,165		1,165	1,165		1,165
Inventories	4,866		4,866	5,498		5,498
Accounts receivable - trade	7,606		7,606	7,818		7,818
Other current receivables	2,212		2,212	3,213		3,213
Chans and bank balances	51,967		51,967	44,832		44,832
<b>Total assets</b>	<b>88,225</b>		<b>88,225</b>	<b>80,472</b>		<b>80,472</b>
<b>Equity and liabilities</b>						
Equity	80,059		80,059	67,769		67,769
Provisions	733	-733	0	668	-668	0
Current liabilities	7,433	733	8,166	12,035	668	12,703
<b>Total equity and liabilities</b>	<b>88,225</b>		<b>88,225</b>	<b>80,472</b>		<b>80,472</b>

**Further to the publication of this interim report, shareholders and journalists are invited to participate in the following information sessions to be held today**

### **Telephone conference in Swedish**

- The conference commences at 11.00 (CET)
- To participate, call +46-(0)-8 672 81 50
- Enter password: Precise Biometrics

An operator will record your name and provide access to the conference. He or she will also give you information about how to pose questions.

### **Telephone conference in English**

- The conference commences at 12.00 (CET)
- To participate, call +46-(0)-8 672 81 51
- Enter password: Precise Biometrics

An operator will record your name and provide access to the conference. He or she will also give you information about how to pose questions.

From Precise Biometrics

- Christer Bergman, Group president and CEO
- Niklas Andersson, CFO
- Ann-Sofi Höijerstam, Corporate Communications Manager

There is also a PowerPoint presentation available for download from our website, [www.precisebiometrics.com](http://www.precisebiometrics.com)

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Precise Biometrics AB (publ.) is an innovative security company that supplies world-leading systems for fingerprint and smart card-based authentication. The company's solutions replace keys, PIN codes and passwords and enhance the integrity of ID cards and passports. With its proprietary Precise Match-on-Card(TM) technology, the company is a market leader within smart ID cards. Through its subsidiary Fyrplus Teknik, Precise Biometrics can deliver complete biometrics solutions on the Scandinavian market based, for example on fingerprint, iris and facial recognition. The product line includes systems for access control to buildings, computers and networks and for integration into ID cards and passports. The group headquarters are in Lund, Sweden. It also has subsidiaries in London and Washington, DC. The subsidiary Fyrplus Teknik is based in Karlstad and has regional offices in Linköping and the subsidiary Loqware is based in Gothenburg. Precise Biometrics is listed on the O-list of the Stockholm Stock Exchange (symbol: PREC A). For more information, please visit <http://www.precisebiometrics.com/>

