

Precise Biometrics AB (publ) (registered no. 556545-6596)
Year-end report for January – December 2005

- The Group's sales for the financial year totaled SEK 45.1 million (30.0) and for the fourth quarter SEK 8.8 million (7.4).
- The bottom line for the financial year totaled SEK -35,9 million (-39.7) and for the fourth quarter SEK -13,4 million (-14,3).
- Losses per share for the financial year amounted to -0.55 SEK (-0.72) and for the fourth quarter SEK -0.18 (-0.24).
- Liquid capital at the close of the financial year was SEK 59.2 million (44.8).

Fourth quarter

- Precise Biometrics has now acquired the remaining 6 % of shares of Loqware Sweden AB. The payment was made in newly 71,250 allotted shares in Precise Biometrics.
- The Company received an initial order worth SEK 4 million from Athena Smartcard Solutions for an ID card project at one of Israel's largest banks. The order consists of Precise Biometrics fingerprint readers and licenses for Precise Match-on-CardTM. Delivery begun during December 2005.

Events occurring since the end of the financial year

- The company has entered into a joint venture in China together with Smart Unicorn Group. Through technology transfer and joint development work, the companies intend to integrate the biometrics and encryption technology of Precise Biometrics with synchronized mobile solutions, developed by Smart Unicorn Solutions, a business unit of Smart Unicorn Group. Precise Biometrics will own 30 % in Smart Unicorn Solutions.

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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-CardTM 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, logon verification for 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 headquartered in Karlstad and has regional offices in Linköping while the subsidiary Loqware is based in Gothenburg. Precise Biometrics is listed on the O-list of the Stockholm Stock Exchange (symbol: PREC A). For further information, please visit <http://www.precisebiometrics.com/>



President's comments on the financial statement

2005 started with continuing revenue growth and a trend of growing license sales as a proportion of total revenue. A follow-on order from the US State Department contributed to sales growth in the first quarter. During the second quarter, we received a very important breakthrough order from the Thai Government for the Thai national ID card with biometrics. The order was a strong evidence that our Precise Match-on-Card™ technology holds a unique market position. The slower than expected sales during the second half of the year was partly due to the US Federal Government's need to reprioritize investments. We also faced problems predicting and assessing projects depending on political decisions. These large scale projects, such as the implementation of national ID cards and biometric passports, often are delayed and the decision-making process becomes longer than anticipated.

During the fourth quarter we received an important order in Israel with our new partner Athena Smartcard Solutions. The cooperation opens many doors within the banking and finance market to provide IT security solutions. The quarter, however, was rather disappointing, as we failed to meet our sales targets..

During the year the company have completed acquisitions, established a new sales office and increased marketing and sales resources, changes we have made to transition a technology-based company into a more market-oriented

Sales and profitabilityFinancial year 2005

Sales for the financial year totaled SEK 45.1 million (30.0), of which SEK 18.1 million can be ascribed to the subsidiary Fyrplus Teknik. Gross margins for the Group were 36 % and excluding Fyrplus Teknik were 47 %. The bottom line for the Group for the financial year was SEK -35.9 million (-39.7).

Operating expenses for the financial year, excluding the cost of goods sold, totaled SEK 51.4 million (52.6), including depreciation and write-down of SEK 8.2 million (10.6) and capitalization of expenses for development work of SEK 4.3 million (1.8). Losses per share (average number of shares) during the financial year amounted to SEK -0.55 (-0.72).

Fourth quarter October – December 2005

Sales during the fourth quarter totaled SEK 8.8 million (7.4), of which SEK 5.1 million can be ascribed to the subsidiary Fyrplus Teknik. The bottom line for the Group during the fourth quarter was SEK -13.4 million (-14.3). Operating expenses for the fourth quarter, excluding the cost of goods sold, totaled SEK 15.5 million (16.9), including depreciation and write-down of SEK 2.2 million (3.0) and capitalization of expenses for development work of SEK 0.6 million (0.4). Losses per share (average number of shares) for the fourth quarter totaled SEK -0.18 (-0.24). Gross margins for the quarter were 28 %. Within the subsidiary Fyrplus Teknik, the posted 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 35 %.

At the close of the fourth quarter, the company's order book contained current orders in hand valued at about SEK 2.2 million.

Financing and liquidity

Equity, as of December 31, 2005, amounted to SEK 104.4 million (67.8), and the equity/share ratio totaled SEK 1.45 (1.11).

Cash flow for the year from current operations amounted to SEK –35.2 million (-28.1). Liquid capital as of December 31, 2005 was SEK 59.2 million (44.8).

Marketing and sales

Americas

During the end of the fourth quarter, we saw an increase of activities on the biometrics market after a slow period earlier in the year. Precise Biometrics has also noted growing interest for Precise Match-on-Card™ from system integrators who have a key position with the US Federal Government.

Our relationship with the US Department of State and the US Department of Homeland Security (DHS) puts Precise Biometrics in a good position for 2006 now that it has become mandatory for all US Government agencies to issue smart ID cards to all employees and suppliers.

Even though sales for the latter part of 2005 was weak, the overall situation is that the long-term sales efforts made during the year will put the company in an improved market position for 2006. Precise Match-on-Card™ has proven itself to fulfill the requirements made by US Government agencies on a flexible Match-on-Card technology for various applications. The launch of Precise 200-series fingerprint readers has also been met with enthusiasm on the US markets.

Sales for the business area during the financial year were SEK 11.2 million (16.8) and the bottom line totaled SEK –2.4 million (3.3).

Sales for the business area during the fourth quarter were SEK 0.8 million (5.3) and the bottom line totaled SEK –1.1 million (0.9).

EMEA

Sales within EMEA (Europe, Middle East & Africa) were weak for much of 2005. In December the company received an important order for one of Israel's largest banks through our partner Athena Smartcard Solutions. The initial phase of the order is valued at SEK 4 million and consists of Precise 100-series fingerprint readers and licenses for Precise Match-on-Card™. It is anticipated that the solution, with integrated support for Precise Match-on-Card™, will have 'a large market potential within the banking and financial sector, in insurance companies and other large organizations with corresponding high security needs.

During 2005, much of the work within EMEA has focused on increasing Precise Biometrics' position in several major projects, this in order to secure more consistent revenue streams and stronger relationships with partners, system integrators and potential customers. As part of this work, the EMEA sales organization has been changed and expanded and a new sales office in London has been established. This brings Precise Biometrics closer to the important European market.

Sales for the business area during the financial year were SEK 8.9 million (11.1) and the bottom line totaled SEK -0.9 million (-1.1).

Sales for the business area during the fourth quarter were SEK 2.9 million (2.0) and the bottom line totaled SEK -0.5 million (-0.9).

National ID Card Group

The order from the Thai Government in April was the most important event of the year for the business area. An important marketing effort has been done during the year in order to encourage Thailand to choose the solution created by Precise Biometrics along with its partner SSI, Smart Card Systems International Co Ltd, also in the procurement of the next phase of the project.

The Thai order, as a reference project, is of great strategic importance, as several countries in other parts of the world will be implementing national ID cards with biometric solutions.

An important sales strategy is to position the advantages of Precise Match-on-Card™ at an early stage in other countries' procurement processes, so that the advanced technology becomes a minimum requirement for the biometric solutions.

Sales for the business area during the financial year were SEK 6.0 million and the bottom line totaled SEK 2.7 million.

Sales for the business area during the fourth quarter were SEK 0.0 million and the bottom line totaled SEK -0.7 million.

ICAO Systems

The goal for the business area is to play an active role and take on a leading position in the development and specification of biometric solutions for passport and other travel document, and to supply multi-biometric components to system integrators with the capacity to install complete systems, that capture and verify biometric data with automated identity control.

During the year, the market for biometric passports and travel documents has advanced considerably. At the same time, the complex sales process and the ongoing efforts to define the projects and the infrastructure for automated identity control have taken much longer than the company anticipated.

The skill-set within the ICAO Systems business area puts the company in a good position when a wide-scale implementation of biometric passports begins. In combination with Fyrplus Teknik, we are also developing the verification stations that will be used to handle this new type of travel documents.

Sales for the business area during the financial year were SEK 0.0 million and the bottom line totaled SEK -2.7 million.

Sales for the business area during the fourth quarter were SEK 0.0 million and the bottom line totaled SEK -0.8 million.

Fyrplus

In January 2005, Precise Biometrics acquired the IT consultancy Fyrplus Teknik AB. Through the acquisition, the company gained further skills within multi-biometrics and resources for the implementation of complete biometric solutions.

Fyrplus Teknik played an important role in the development of an enrollment and verification unit, Mobilis 2000, which was developed under contract to Precise Biometrics. The unit is a key component in a new biometrics concept within the business area ICAO Systems.

Sales for the business area during the financial year were SEK 18.1 million and the bottom line totaled SEK 1.9 million.

Sales for the business area during the fourth quarter were SEK 5.1 million and the bottom line totaled SEK 0.8 million.

Loqware

During the month of August the acquisition of Loqware Sweden AB was made. The acquisition opened up possibilities to the Chinese market and also represented an interesting addition to the Precise Biometrics product range. After the end of the quarter, the company entered into a joint venture in China. The company sees the agreement as a strategically important project with considerable potential on the Chinese market and it indicates the growth potential within the biometrics field.

Products

Precise Biometrics has continued to focus operations during 2005 on developing and marketing biometrics-based solutions, principally within four product areas. As many countries are in the process of implementing national ID cards and electronic passports, this product range has particular priority in product development and marketing work.

Smart card solutions – national ID cards, electronic passports and company cards.

IT Security – access to computers and networks.

Physical Access – access to buildings and premises.

Embedded Solutions – integration of Precise Biometrics' technology, for example, in handheld computers and point-of-sale terminals.

Future prospects and market trends

2006 will be an exciting year for Precise Biometrics. The market is on the verge of a breakthrough for national ID cards, and we see that license sales will grow. In the US, we are seeing a growth in the market when a large number of government agencies are starting to issue smart card-based ID cards to enhance IT security and increase the protection for sensitive buildings and workplaces. Within other market and customer segments around the world, we are seeing developments that point towards strong sales in the coming year. On the other hand it is a problem to predict and assess these large scale projects depending on political decisions, where the decision-making process may become longer than anticipated.

The Chinese joint venture agreement completed a week ago was made possible through the acquisition of Loqware Sweden AB, which was made during 2005. The agreement means that biometrics- and encryption technology from Precise Biometrics will be integrated with the synchronized mobile solutions that Smart Unicorn Solutions develops and sales. Furthermore Precise Biometrics receive a new sales channel for biometric security products on a, for the company, new market.

Organization and staff

Precise Biometrics consists organizationally of the parent company, Precise Biometrics AB, with headquarters in Lund. 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 office in Linköping, and Loqware Sweden AB with an office in Gothenburg. Precise Biometrics also has a dormant subsidiary, Precise Biometrics Services AB. As of December 31, 2005, the Group had 69 (35) employees, 60 (30) in Sweden and 7 (5) in the USA and 2(0) in UK. Of these employees, 54 (28) were men and 15 (7) were women.

Investments in fixed capital assets

During the financial year, the Group made investments of SEK 0.8 million (0.3) in fixed capital assets and during the fourth quarter SEK 0.4 million (0.2).

Capitalized development work

During the financial year, expenses for development work have been capitalized in the order of SEK 4.3 million (1.8), which includes SEK 0.6 million (0.4) for the fourth quarter. Depreciation and write-down of expenses for capitalized development work during the financial year totaled SEK 8.2 million (8.8), comprising SEK 0.4 million (1.0) in write-down.

Patents

The company's over all patent strategy aims only to register patents based on inventions falling within the company's core technology, which means either Precise Match-on-CardTM or technology concerning electronic ID cards and passports. This strategy strives to secure rights in proprietary technology, to build value for future transactions and to preserve the ability to obstruct competitors.

Precise Biometrics has 30 approved patents, 13 of which are approved in Sweden. In addition to the approved patents, there are 37 applications pending. Approved patents and patent applications are based on 20 patent families.

Loqware Sweden AB has 4 approved patents, one of which is approved in Sweden. In addition to the approved patents, the company has sought three further patents. Approved patents and patent applications are based on one patent family.

Targeted share issues

The company has carried out three targeted new share issues during the year, partly to enable it to carry out acquisitions, trading its own shares for shares in the target companies, and partly to obtain fresh capital contributions, principally from new industrial or international owners.

The company began with a targeted share issue for the Japanese company silex technology Inc, in the order of SEK 7 million. Then the company acquired Loqware Sweden AB in a share-for-share swap worth about SEK 8.4 million. Moreover, international investors acquired shares in the company which brought the company nearly SEK 63 million before costs.

All new allotments were made within the framework of authority granted to the board at the Precise Biometrics' AGM held in spring.

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

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 71,790,450. During the quarter, average sales per day were SEK 2,026 thousand, and the listed share price ranged between SEK 5.65 and SEK 7.95.

The five largest shareholders as of December 31, 2005

Name	Proportion of capital and votes
Eden Capital Ltd	8.3 %
Odin fonder	5.8 %
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 financial year totaled SEK 23.1 million (25.1) and sales for the fourth quarter were SEK 3.4 million (6.0). The bottom line for the financial year totaled SEK -28.4 million (-38.1) and for the fourth quarter SEK -9.3 million (-14.5).

At the end of the financial year, 35 people were employed in the parent company. Liquid funds at the close of the fourth quarter totaled SEK 57.0 million (37.6). The parent company has no debts to credit institutions, as of the end of the fourth quarter. There were investments of SEK 0.7 million (0.3) in fixed capital assets.

During the financial year, expenses for development work have been capitalized in the order of SEK 4.3 million (1.8), which includes SEK 0.6 million (0.4) for the fourth quarter.

Nomination committee

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

Future reporting dates and general shareholders' meetings

Interim report, January-March	April 27, 2006
Annual General Shareholders' Meeting	April 27, 2006
Interim report, January-June	July 21, 2006
Interim report, January-September	October 20, 2006
Interim statement, January - December	February 8, 2007

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, as adopted by EU 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.

Lund, February 8, 2006

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.

Lund, Sweden, February 8, 2006

Board of Directors for Precise Biometrics AB (publ)

The Board of Directors moves that there be no dividends for the 2005 operational year.

The Annual General Shareholders' Meeting for Precise Biometrics AB (publ) will be held on Thursday, April 27, 2006, 16.00 in Lund, Sweden.

The Annual Report will be made available and distributed by mail to shareholders at the beginning of April and can be ordered from Precise Biometrics at tel +46-46-31 11 47, fax +46-46-31 11 01 or by e-mail to investor@precisebiometrics.com.

Review report

We have reviewed this summarized financial statement in a summary manner in accordance with the recommendation issued by the Swedish Institute of Authorized Public Accountants (FAR). A review is considerably more limited in scope compared with an audit. Nothing has come to light to indicate that the summarized financial statement does not fulfill the requirements of the Stock Exchange Act and the Annual Accounts Act and IAS 34.

Lund, Sweden, February 8, 2006

Öhrlings PricewaterhouseCoopers AB

Dan Andersson

Authorized Public Accountant

(Chiefly responsible)

Åke Christiansson

Authorized Public Accountant

Income statement, Group

(Figures in thousands SEK)

	Q4 2005	Q4 2004	Full year 2005	Full year 2004
Net sales ¹⁾	8,830	7,441	45,053	30,007
Cost of goods sold ²⁾	-6,319	-4,930	-28,907	-17,054
Gross profit/loss	2,511	2,511	16,146	12,953
Selling expenses ^{3) 5)}	-9,894	-5,910	-32,733	-23,810
Administrative expenses ^{4) 6)}	-2,387	-1,957	-10,081	-6,425
R&D costs	-4,259	-5,987	-17,617	-20,451
Other operating income and changes in value	1,055	-3,000	9,020	-1,912
	-15,485	-16,854	-51,411	-52,598
Operating profit/loss	-12,974	-14,343	-35,265	-39,645
Financial costs	-179	-1	-371	-83
Profit/loss after financial items	-13,153	-14,344	-35,636	-39,728
Current tax	-233	0	-233	0
Deferred tax	-8	3	-5	-13
Profit/loss for the period	-13,394	-14,341	-35,874	-39,741
<i>Results per share, SEK</i>				
- Before dilution	-0.18	-0.24	-0.55	-0.72
- After dilution	-0.18	-0.24	-0.55	-0.72
¹⁾ whereof Fyrplus	5,051		18,146	
²⁾ whereof Fyrplus	-3,879		-14,572	
³⁾ whereof Fyrplus	-403		-1,626	
⁴⁾ whereof Fyrplus	-263		-1,068	
⁵⁾ whereof Loqware	-314		-714	
⁶⁾ whereof Loqware	-214		-414	

Balance Sheet, Group

(Figures in thousands SEK)

	<u>12/31/2005</u>	<u>12/31/2004</u>
Assets		
Intangible fixed assets	25,556	17,946
Tangible fixed assets	2,312	1,165
Financial fixed assets	151	0
Fixed assets held for sale	8,752	0
Inventories	8,588	5,498
Accounts receivable - trade	17,988	7,818
Other current receivables	3,128	3,213
Cash and bank balances	59,230	44,832
Total assets	125,705	80,472
Equity and liabilities		
Equity	104,404	67,769
Long-term liabilities	2,397	0
Current liabilities	18,904	12,703
Total equity and liabilities	125,705	80,472
Pledged assets	9,115	6,715
Contingent liabilities	-	-

Cash Flow Statement, Group

(Figures in thousands SEK)

	<u>Q4</u> <u>2005</u>	<u>Q4</u> <u>2004</u>	<u>Full year</u> <u>2005</u>	<u>Full year</u> <u>2004</u>
Cash flow from operating activities before changes in working capital	-11,426	-8,992	-27,746	-27,525
Cash flow from changes in working capital	2,200	2,400	-7,412	-602
Cash flow from operating activities	-9,226	-6,592	-35,158	-28,127
Cash flow from investing activities	-2,447	-543	-20,370	-2,034
Cash flow from financing activities	-46	0	69,926	55,769
Cash flow for the period	-11,719	-7,135	14,398	25,608
Liquid funds at the beginning of the period	70,949	51,967	44,832	19,224
Liquid funds at the end of the period	59,230	44,832	59,230	44,832

Key Figures, Group

	12/31/2005	12/31/2004
Working capital (thousands SEK)	70,781	48,658
Liquid ratio	429%	440%
Equity/assets ratio	83%	84%
Return on average equity	neg	neg
Capital employed (thousands SEK)	106,801	67,769
Return on capital employed	neg	neg
Profit/loss after net financial items per share (SEK)	-0.55	-0.72
EBITDA (thousands SEK)	-27,062	-29,054
Equity per share (SEK)	1.45	1.11
Number of shares	71,790,450	60,915,450
Average numbers of shares	64,878,888	55,005,829
Number of employees at the end of the period	69	35
Average number of employees during the period	65	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.

EBITDA: Profit/loss before net financial costs, 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

Changes in Equity, Group

(Figures in thousands SEK)

	Full year 2005	Full year 2004
Initial Equity	67,769	50,072
New share issue ¹⁾	76,537	55,769
Options ²⁾	262	0
Translation difference	-4,290	1,669
Profit/loss for the period	-35,874	-39,741
Equity at the end of the period	104,404	67,769

¹⁾ 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), 71,250 at a rate of SEK 8.10 (Loqware) and 8,700,00 shares at a rate of SEK 7.25 (Danske Markets)

²⁾ Relates to 1,300,000 subscription options to the management team of Precise Biometrics at a rate of SEK 0.30

Turnover and profitability by business area Q4 2005 ¹⁾

(Figures in thousands SEK)

	Americas		EMEA³⁾		NID⁴⁾	
	2005	2004	2005	2004	2005	2004
Net sales	752	5,349	2,889	2,035	40	0
Expenses ²⁾	<u>-1,870</u>	<u>-4,439</u>	<u>-3,438</u>	<u>-2,941</u>	<u>-864</u>	<u>0</u>
Operating profit/loss	-1,118	910	-549	-906	-824	0

	ICAO ⁵⁾		Fyrplus		Others	
	2005	2004	2005	2004	2005	2004
Net sales	0	0	5,051	0	98	57
Expenses ²⁾	<u>-781</u>	<u>0</u>	<u>-4,282</u>	<u>0</u>	<u>-1,234</u>	<u>-630</u>
Operating profit/loss	-781	0	769	0	-1,136	-573

Turnover and profitability by business area full year 2005 ¹⁾

(Figures in thousands SEK)

	Americas		EMEA³⁾		NID⁴⁾	
	2005	2004	2005	2004	2005	2004
Net sales	11,239	16,799	8,927	11,105	6,047	0
Expenses ²⁾	<u>-13,670</u>	<u>-13,452</u>	<u>-9,812</u>	<u>-12,184</u>	<u>-3,369</u>	<u>0</u>
Operating profit/loss	-2,431	3,347	-885	-1,079	2,678	0

	ICAO⁵⁾		Fyrplus		Övrigt	
	2005	2004	2005	2004	2005	2004
	0	0	18,146	0	694	2,103
	<u>-2,692</u>	<u>0</u>	<u>-16,198</u>	<u>0</u>	<u>-4,440</u>	<u>-2,844</u>
	-1,910	0	1,948	0	-3,746	-741

¹⁾ 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.

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

³⁾ Europé, Middle East and Africa

⁴⁾ National ID Card Group

⁵⁾ ICAO (International Civil Aviation Organization) Systems

Income statement adjusted according to IFRS

(Figures in thousands SEK)

	IFRS		IFRS	
	Q4 IAS 21	Q4	Full year IAS 21	Full year
	2004	2004	2004	2004
Net sales	7,441	7,441	30,007	30,007
Cost of sold goods	-4,930	-4,930	-17,054	-17,054
Gross profit/loss	2,511	2,511	12,953	12,953
Selling expenses	-3,859	-2,051	-22,141	-1,669
Administrative expenses	-1,957	-1,957	-6,425	-6,425
R&D costs	-5,987	-5,987	-20,451	-20,451
Other operating income and changes in value	-3,000	-3,000	-1,912	-1,912
	-14,803	-16,854	-50,929	-52,598
Operating loss/profit	12,292	-14,343	-37,976	-39,645
Financial costs	-1	-1	-83	-83
Profit/loss after financial items	-12,293	-14,344	-38,059	-39,728
Deferred tax	3	3	-13	-13
Profit/loss for the period	-12,290	-14,341	-38,072	-39,741
<i>Result per share, SEK</i>	-0.20	-0.24	-0.69	-0.72

Balance sheet adjusted according to IFRS

(Figures in thousands SEK)

	IFRS	
	Full year IAS 1	Full year
	2004	2004
Assets		
Intangible fixed assets	17,946	17,946
Tangible fixed assets	1,165	1,165
Inventories	5,498	5,498
Accounts receivable - trade	7,818	7,818
Other current receivables	3,213	3,213
Chans and bank balances	44,832	44,832
Total assets	80,472	80,472
Equity and liabilities		
Equity	67,769	67,769
Provisions	668	-668
Current liabilities	12,035	668
Total equity and liabilities	80,472	80,472

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 English

- The conference commences at 11.00 (CET).
- To participate, please 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.

Telephone conference in Swedish

- The conference commences at 12.00 (CET).
- To participate, please 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.

From Precise Biometrics

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

There is also a PowerPoint presentation available for download from our website, www.precisebiometrics.com.

For further information, please contact:

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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/>

