

***Precise Biometrics AB (publ), corporate identity number 556545-6596
Financial statement, January-December 2002***

Strong sales growth in the fourth quarter. US market increasingly important.

- **The net turnover for the Group for the year totaled SEK 22.5 million (14.1), and net turnover for the fourth quarter totaled SEK 10.6 million (5.6).**
- **The bottom line for the financial year totaled SEK -73.6 million (-68.1), and the bottom line for the fourth quarter totaled SEK -19.2 million (-18.7).**
- **Liquid capital at the close of the financial year was SEK 28.0 million (38.7).**
- **The new share issue, carried out during the fourth quarter, was over-subscribed and brought the company, after the costs of the issue, SEK 28.0 million.**
- **During the fourth quarter, two patents for matching fingerprints on smart cards were approved.**
- **During the fourth quarter, fingerprint readers and software for 5,000 computers were delivered to an American Fortune 100 company within the financial sector.**

Events occurring since the end of the financial year:

- **Precise Biometrics was chosen, together with the members in BearingPoint's project group, to participate in the third and final biometrics evaluation of the US Department of Defense's Common Access Card project.**

For further information, please contact:

Gunilla Savring, Director of Corporate Communications, Precise Biometrics AB
Telephone: +46 46 31 11 14. Mobile: +46 730 35 67 14. E-mail: gunilla.savring@precisebiometrics.com

Precise Biometrics AB (publ) is an innovative security company that supplies world-leading systems for authentication using fingerprints. The solutions supplied by the company replace keys, PIN codes and passwords. The company's products are cost effective and provide security and comfort combined with top-class protection of personal integrity. The range of products includes systems for access control to computers and networks and for building into mobile and terminals, such as mobile phones and portable computers. The company headquarters are in Lund, Sweden. The company also has offices in Stockholm and a U.S. subsidiary in Washington, D.C. Precise Biometrics is listed on the O-list of the Stockholm Stock Exchange (symbol: PREC A). For more information about Precise Biometrics, visit www.precisebiometrics.com

President's comments on the financial statement

"We have shown a strong growth in order intake during the second half of the year. The US market is of greatest interest to us today, principally the segment 'US Government'. The order from the US Treasury has strengthened our position on the American market, and during 2003 we will concentrate our sales efforts further here," says Christer Bergman, CEO of Precise Biometrics.

Operations

Precise Biometrics develops and markets products for fingerprint-based authentication. Operations are based on in-house-developed technology for fingerprint identification, Precise BioMatch™. In concert with a number of select partners, the company offers customers convenient, secure and cost-effective solutions that can replace keys, PIN codes, and passwords.

The company's technical development has been focused on fingerprint identification combined with smart cards. This technology, Precise Match-on-Card™, further increases security by making it possible to store a fingerprint on a smart card and for the stored information to be compared (matched) with the cardholder's fingerprint without the fingerprint ever having to leave the card. Precise Biometrics' technology and products have achieved a leading position within this area, and the goal is to make Precise Match-on-Card™ a world standard by encouraging leading smart card manufacturers to integrate the technology into their cards.

Patents

With its patent strategy, the company aims to secure rights in proprietary technology, to build structural capital for future business or transactions and to preserve its ability to obstruct competitors. Patent applications are submitted primarily in Europe, US and the larger countries in Asia.

The company presently owns seven patents, six of which are registered in Sweden and one in the US.

1. Technology for effective matching of binary fingerprint images (approved in June 2000).
2. Method for utilization of small fingerprint sensors (approved in December 2001).
3. Technology for matching of partial areas of a fingerprint – the company's core technology, Precise BioMatch™ (approved in the US in June 2001).
4. Method for fingerprint matching based on data from a swipe sensor (approved in March 2002).
5. Method for generating reference data from a biometric profile (approved in April 2002).
6. Method for basic division of the identification process, so-called match-on-card technology (approved in October 2002).
7. Technology for storage and matching the fingerprint on the smart card, so-called match-on-card technology (approved in November 2002).

Patent applications have been entered for nine further inventions.

Market and sales

Interest in security continues to be very strong, and biometrics is becoming increasingly important as a component in security solutions. Precise Biometrics' leading position within "match-on-card" has helped the company become involved in a number of projects where several different suppliers are collaborating to equip the customer with a single complete highly advanced security system.

During the fourth quarter, order intake was in line with the company's expectations. The company's IT security products constitute the lion's share of sales. Geographically, the US market is predominant, where Precise Biometrics has become a well-known player, with a strong position primarily within US federal agencies.



PRESS RELEASE
Lund, Sweden. February 5, 2003

During the year, sales of the company's products for physical access control systems have not reached anticipated levels. This is mainly because sales under a distribution agreement with NexWatch have not taken off as projected.

During the fourth quarter, the first units of the company's new product, the Precise 100 PC-Card, were delivered. The product is a fingerprint reader designed to protect laptop computers.

Product Area IT Security:

Together with Saflink, the company signed an agreement with an American Fortune 100 company within the financial sector concerning fingerprint identification for 5,000 computers. Precise Biometrics delivered all products within the framework of the agreement during the fourth quarter.

Precise Biometrics was chosen to supply fingerprint readers for testing in Stockholm City schools. Approximately 80,000 students and teachers at over 170 schools use Stockholm school networks, and they have now begun testing using their fingerprints instead of passwords when logging on. The chosen solution consists, among other things, of fingerprint readers from Precise Biometrics and software from the Saflink Corporation.

Together with Technology Nexus Danmark, Precise Biometrics supplied an IT security solution to the Danish Air Materiel Command within the Danish Air Force. The solution comprises Precise Biometrics' Precise 100 A reader and software from Informer Systems Ltd (ISL).

Product Area Physical Access:

The company signed a distribution agreement with International Electronics, Inc. (IEI). The agreement concerns sales of Precise Biometrics' products for physical access control systems. In connection with the signing of the agreement, IEI placed an order for Precise BioAccess™ at an order value of SEK 0.5 million. The American company IEI is a leading security company within physical access control systems. The company's customers include lock and alarm companies and many of the largest security installation specialists.

Product Area Embedded Solutions:

The company extended its partnership with ActivCard™, the leading supplier of software for identity management. The extended partnership means that ActivCard will license and integrate Precise Biometrics' software Precise BioMatch™ Pro and Precise BioMatch™ J in its proprietary software ActivCard Gold 2.2.

Precise Biometrics and Keycorp Ltd, an Australian company operating in secure electronic transactions, signed a "Memorandum of Understanding" which entails that Precise Biometrics' software for fingerprint identification, Precise BioMatch™ C, will be integrated into Keycorp MULTOS, an operating systems for smart cards.

Turnover and bottom line

The bottom line for the Group during the financial was SEK -73.6 million (-68.1). Turnover during the financial year totaled SEK 22.5 million (14.1). The bottom line for the group during the fourth quarter was SEK -19.2 million (-18.7). The turnover during the fourth quarter totaled SEK 10.6 million (5.6).

The bottom line for the financial year was negatively affected by a few sub-orders in established customer projects that have been postponed, delays that have arisen in certain new business dealings, and quality shortcomings in the production process suffered by the company's physical access products.

During the third quarter, the company carried out a cost reduction program, which was previously announced. The cost reduction program reduces the company's current costs by 30% compared with the average level during the first quarter of 2002. Among other cost reductions, there were staff cutbacks of twelve people altogether. The cost reduction program was fully implemented during the fourth quarter. The costs for the remedial program totaled SEK 0.2 million and burdened the bottom line for the third quarter.

The operating costs for the fourth quarter totaled SEK 19.5 million. The sum includes one-off costs arising in connection with the company's move to smaller premises and termination of certain consulting agreements. This also includes write-down of development costs corresponding to SEK 0.9 million. As an effect of the gradual cost adaptations during the autumn 2002, the company anticipates operating costs resting at SEK 4.5 million per month, starting the first quarter 2003.

Gross margins for the financial year totaled 32.5% before adjustments for depreciation of inventory. For the fourth quarter of 2002, gross margins totaled 21.4%, before adjustments for depreciation of inventory, which totaled SEK 1.8 million. The somewhat lower gross margins during the fourth quarter can be attributed primarily to two large volume deliveries.

Financing and liquidity

Shareholders' equity amounted, as of December 31, 2002, to SEK 67.2 million (82.6), and the equity/share ratio totaled SEK 17 (23) before dilution by new subscription carried out under subscription options.

The company's liquid capital at the close of the financial year was SEK 28.0 million (38.7).

In January 2002, new shares were issued bringing the company SEK 27.7 million after issue costs and redemption of options of SEK 3.2 million.

In December 2002, new shares were issued, with preferential rights for existing shareholders, which brought the company SEK 28.0 million, after costs of the issue. The majority of the emission capital was brought in during December 2002 and the rest at the beginning of January 2003. The costs for the share issue amounted to SEK 3.7 million.

Investments

During the financial year, the group made investments of SEK 0.4 million (3.0) in fixed capital assets, primarily computer equipment. There were no investments in patents during the financial year.

Capitalization of development work

During the financial year, expenses for development work have been capitalized in the order of SEK 6.4 million (11.8). Depreciation and write-down of capitalized development work during the financial year

totaled SEK 8,6 million (7.5). Depreciation of patents and capitalized computing fees are progressing according to plan and totaled, during the financial year, SEK 872 thousand (363) and SEK 151 thousand (63) respectively.

Products

Precise Biometrics and ActivCard became the first companies in the world to be awarded security certification FIPS 140-1 level 2, issued by the American National Institute of Standards and Technology (NIST), for a biometrics-based ID card solution. The certification is an important competitive advantage in the public procurement contracts in the US, where the government agencies normally require FIPS 140-certification of all their suppliers.

During the fourth quarter, Precise Biometrics has introduced a new version of its Precise BioMatch™ Standard software. The software was previously based on just one of the two existing methods for matching fingerprints, so-called “pattern matching”. With the new version of the software, Precise Biometrics introduces a new generation of software for fingerprint matching, where “pattern matching” is supplemented with “minutia matching”, the second method of fingerprint matching. By combining these two matching methods, the quantity of fingerprint information can be maximized, thereby increasing security and user-friendliness.

Shares

The company stock has been listed on the Stockholm Stock Exchange O-list since October 3, 2000. The total number of shares at end of the financial year was 3,956,700. The number of outstanding subscription options at the same point in time was 110,000, which corresponds to a maximal potential dilution of 0.92%. During the financial year, the average turnover per day was SEK 298,113 thousand, and the listed share price has ranged between SEK 117.00 and SEK 6.00.

During the fourth quarter, the company issued new shares with preferential rights for existing shareholders, which affected the share price. The new shares, however, were only registered after the end of the financial year, and trading with the new shares began January 21, 2003. The number of shares increased by 7,913,400 from 3,965,700 shares to 11,879,100.

The five largest shareholders as of December 31, 2002 (*before* the new share issue) were the following:

Christer Fåhraeus	9.7%
Nordea Fonder	7.3%
Odin Fonder	7.0%
Fjärde AP-fonden	6.3%
Andante Investment Ltd	5.5%

Source: SIS Ägarservice

Organization and staff

Precise Biometrics as an organization consists of the parent company, Precise Biometrics AB, with headquarters in Lund and a sales office in Stockholm, and subsidiaries Precise Biometrics Inc. and Precise Biometrics Services AB.

As of December 31, 2002, the Group had 47 (66) employees, 43 in Sweden and 4 in the USA. Of all employees, 36 (53) were men and 11 (13) were women.

Parent company

The statement of the Group's operations and income development and report on investments and changes in liquidity and financing corresponds principally with that of the parent company.

Events occurring since the end of the financial year

Precise Biometrics was chosen, together with the members in the BearingPoints project group, to participate in the third and final biometrics evaluation of the US Department of Defense's Common Access Card project. The Common Access Card is the term used for the US DoD's universal ID card, which will comprise over four million cards over the next two years. The evaluation concerns so-called contactless smart cards with biometrics for physical access control.

Future development

Interest in security solutions based on biometrics continues to grow. Precise Biometrics' products are technically on the cutting edge and properly positioned to achieve sales growth in the market segments where the company is active—US and European government agencies, telecom, banking and finance, and healthcare. The company has smoothly functioning and well-established partnerships and a strong patent portfolio, primarily within the strategic match-on-card field. During 2003, Precise Biometrics will build upon its success in the customer segment "US Government" and increase its efforts in the American market to enter new customer segments.

The company estimates that the positive trend in order intake during the latter half of 2002 and a continued strict cost control philosophy will afford solid prospects for a profitable future.

As the company's core technology—Precise BioMatch™, Precise BioCore™ and Precise Match-on-Card™—wins market acceptance, revenues from license sales will gradually constitute an increasing proportion of the total revenue.

Future reporting dates and general shareholders' meetings

Interim report, January-March 2003	April 23, 2003
Interim report, January-June 2003	July 23, 2003
Interim report, January-September 2003	October 22, 2003

Accounting principles

This summarized financial statement has been drafted in accordance with the recommendations of the Swedish Financial Accounting Standards Council (RR20). The same accounting principles and calculation methods have been used in this summarized financial statement as in the latest annual report, with the exception of capitalization of development work.

The change of principles in accounting concerning capitalization of development work from the Swedish Accounting Standards Board (*BFN*) R1 to RR15 has entailed a total effect of SEK 8,679 thousand, which has been accounted against initial shareholders' equity. This concerns both the Group and the parent company. In accordance with RR5, comparison figures for 2001 have been recalculated for the new accounting principles, which entails the following:

- Cost for R&D concerning the fourth quarter of 2001 was increased by SEK 142 thousand.
- Cost for R&D during the whole year in 2001 was increased by SEK 570 thousand.
- Losses for the whole year in 2001 were increased by SEK 570 thousand.
- The losses carried forward as of 2001-12-31 were burdened by SEK 8,109 thousand.
- Capitalization of expenses for development work as of 2001-12-31 was reduced by SEK 8,679 thousand.

Lund, Sweden, February 5, 2003

Christer Bergman, *CEO, Precise Biometrics AB (publ)*

The Board of Directors moves that there be no dividends for the 2002 operational year.

The Annual General Shareholders' meeting for Precise Biometrics AB (publ) will be held on Wednesday, April 23, 2003, 16:00, at the company's premises at Scheelevägen 19 C in Lund, Sweden.

The Annual Report will be distributed by mail to shareholders at the beginning of April and can be ordered from Precise Biometrics at tel +46 46 31 11 14, fax +46 46 31 11 01 or on our website www.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.

Lund, Sweden, February 5, 2003

Öhrlings PricewaterhouseCoopers AB

Per Wardhammar, *Authorized public accountant, primarily responsible*

Dan Andersson, *Authorized public accountant*

Income Statement

(Figures in thousands SEK)

	Group				Parent company			
	Oct-Dec	Oct-Dec	Full year	Full year	Oct-Dec	Oct-Dec	Full year	Full year
	2002	2001	2002	2001	2002	2001	2002	2001
Net sales	10 630	5 605	22 469	14 097	12 878	6 219	24 693	14 821
Cost for goods sold*	-10 385	-4 111	-19 334	-10 410	-10 000	-4 721	-18 875	-10 685
Gross profit/loss	254	1 494	3 135	3 687	2 878	1 498	5 818	4 136
Sales costs**	-8 672	-11 869	-38 023	-38 196	-6 492	-9 521	-30 394	-32 286
Administration costs***	-1 771	-2 316	-8 415	-7 450	-1 770	-2 316	-8 414	-7 449
R&D costs	-7 933	-6 984	-28 394	-29 012	-7 933	-6 985	-28 394	-29 012
Changes in company management	0	413	0	-825	0	412	0	-825
Other operating income	138	-191	299	560	138	-190	299	560
Other operating costs	-1 214	-2	-2 970	-78	-1 214	-2	-2 970	-78
Operating profit/loss	-19 207	-19 455	-74 368	-71 314	-14 393	-17 104	-64 055	-64 954
<u>Income/expense from financial investments</u>								
Other interest revenue and similar items	160	1 025	952	3 636	156	1 150	1 139	3 755
Interest costs and similar items	-110	-274	-191	-465	-72	-253	-834	-468
Total income from financial investments	50	751	761	3 171	84	897	305	3 287
Profit/loss after financial income/expenses	-19 157	-18 704	-73 607	-68 143	-14 309	-16 207	-63 750	-61 667
Deferred tax	-10	14	-4	30	-	-	-	-
Profit/loss for the period	-19 167	-18 690	-73 611	-68 113	-14 309	-16 207	-63 750	-61 667

* During the fourth quarter, write-downs for obsolescence have been made in the order of SEK 2 033 thousand, which is included in the figure for cost for goods sold.

** The division between the functions Sales, Administration and Research and Development has changed during the first quarter of 2002.

The previous year's figures have been adjusted in accordance with the new functional division, thereby becoming comparable.

*** The operating costs for the fourth quarter of 2002 include costs of SEK 1,204 thousand in connection with moving the company's headquarters.

Balance Sheet

(Figures in thousands SEK)

	Group		Parent company	
	2002-12-31	2001-12-31	2002-12-31	2001-12-31
Assets				
Fixed assets				
Intangible fixed assets	34 730	37 028	34 730	37 028
Tangible fixed assets	3 105	4 119	3 044	4 019
Financial assets	0	0	1 058	1 058
Total fixed assets	37 835	41 147	38 832	42 105
Current assets				
Inventories				
Inventories	6 790	10 522	6 484	10 164
Current receivables				
Accounts receivable	11 142	5 172	2 956	3 417
Other receivables	1 986	2 317	26 740	12 005
Prepaid expenses and accrued income	1 428	1 270	1 422	1 211
	14 556	8 759	31 118	16 633
Cash and bank	28 004	38 744	26 794	36 794
Total current assets	49 350	58 025	64 396	63 591
Total assets	87 185	99 172	103 228	105 696
Shareholders' Equity and Liabilities				
Shareholders' equity				
Restricted shareholders' equity				
Capital stock	1 583	1 411	1 583	1 411
Share premium reserve	127 884	157 588	127 915	158 311
New issue in progress	27 367	0	27 367	0
Total restricted equity	156 834	158 999	156 865	159 722
Accumulated deficit				
Profit/loss brought forward	-15 978	-8 270	-8 679	-8 109
Profit/loss for the period	-73 611	-68 113	-63 750	-61 667
Total accumulated deficit	-89 589	-76 383	-72 429	-69 776
Total shareholders' equity	67 245	82 616	84 436	89 946

Reserves

Other reserves	1 452	381	1 452	381
Total reserves	1 452	381	1 452	381

Long-term liabilities

Loans from credit institutions	0	179	0	179
Total long-term liabilities	0	179	0	179

Current liabilities/accounts payable

Loans from credit institutions	179	3 358	179	3 357
Accounts payable – trade	7 285	5 479	6 869	5 430
Other liabilities	886	2 573	885	1 817
Accrued expenses and deferred income	10 138	4 586	9 407	4 586
Total current liabilities	18 488	15 996	17 340	15 190

Total shareholders' equity and liabilities

87 185	99 172	103 228	105 696
---------------	---------------	----------------	----------------

Pledged assets

Chattel mortgages	1 715	1 715	1 715	1 715
Pledged liquid funds	200	200	200	200
1 915	1 915	1 915	1 915	

Cash Flow Analysis

(Figures in thousands SEK)

	Group		Parent company	
	Full year	Full year	Full year	Full year
	2002	2001	2002	2001
Current operations				
Profit/loss after financial income/expenses	-73 607	-68 143	-63 750	-61 667
Adjustments for non-cash items	11 258	7 340	11 223	7 287
Tax paid	-62 349	-60 803	-52 527	-54 380
Cash flow for current operations before changes in working capital	-62 602	-61 000	-52 780	-54 577
Cash flow from changes in working capital				
Change in inventories	3 732	-7 070	3 680	-6 712
Change in receivables	-5 544	-1 043	-14 232	-7 765
Change in current liabilities	5 670	2 006	5 328	939
Cash flow from current operations	-58 744	-67 107	-58 004	-68 115
Investment operations				
Capitalization of development work	-6 446	-11 764	-6 446	-11 764
Capitalization of computing fees	0	-754	0	-754
Acquisition of patents	0	-8 722	0	-8 722
Acquisition of tangible assets	-431	-3 003	-431	-2 880
Cash flow from investments	-6 877	-24 243	-6 877	-24 120
Financing operations				
New share issue	58 239	523	58 239	574
Loans raised	0	715	0	715
Repayment of loans	-3 358	-3 179	-3 358	-3 179
Cash flow from financing operations	54 881	-1 941	54 881	-1 890
Year's cash flow	-10 740	-93 291	-10 000	-94 125
Liquid assets at the beginning of the period	38 744	132 035	36 794	130 919
Liquid assets at the end of the period	28 004	38 744	26 794	36 794

Business Ratios

	Group		Parent company	
	Dec 31	Dec 31	Dec 31	Dec 31
	2002	2001	2002	2001
Working capital (thousands SEK)	30 862	42 029	47 306	48 401
Liquid ratio	230%	298%	334%	354%
Equity/assets ratio	77%	83%	82%	85%
Losses after net financial income/expenses per share, before dilution (SEK)	-18,60	-19,32	-16,11	-17,49
Losses after net financial income/expenses per share, after dilution (SEK)	-18,60	-18,76	-16,11	-17,49
Shareholders' equity per share, before dilution (SEK)	17	23	21	26
Shareholders' equity per share, after dilution (SEK)	17	23	21	25
Number of shares before dilution	3 956 700	3 526 700	3 956 700	3 526 700
Number of shares after dilution	3 956 700	3 632 191	3 956 700	3 632 191

Definitions – Business ratios

Working capital: Current assets less current liabilities.

Liquid ratio: Current assets less inventories as a percentage of current liabilities.

Equity/assets ratio: Shareholders' equity as of the balance sheet date as a percentage of the balance sheet total as of the balance sheet date.

Profit/loss per share after net financial income/expenses: Profit/loss after net financial income/expenses divided by the number of shares as of the balance date.

Shareholders' equity per share: Shareholders' equity as of the balance sheet date divided by the number of shares as of the balance sheet date.

Changes in Shareholders' Equity

(Figures in thousands SEK)

	Group		Parent company	
	Full year	Full year	Full year	Full year
	2002	2001	2002	2001
Initial shareholders' equity	91 295	158 315	98 625	159 148
Effect of change of accounting principles*	-8 679	-	-8 679	-
Initial shareholders' equity adjusted in accordance with new accounting principles	82 616	158 315	89 946	159 148
New share issue**	27 650	-	27 650	-
New share issue***	27 367	-	27 367	-
Premiums on issue of the option program	-	391	-	516
Option redemption	3 222	-	3 222	-
Profit/loss for the period	-73 611	-68 113	-63 750	-61 667
Sum at the close of the period	67 244	90 593	84 435	97 997

* The effect of altered accounting principles has been entered against accumulated deficit.

** At a subscription price of SEK 87 per share.

*** At a subscription price of SEK 4 per share.