



# Second Half-year

2020

# Summary Second Half-year 2020

## Financial development

- Revenues of MNOK 1.0 (MNOK 1.2).
- Operating expenditures reduced to MNOK 31.3 (MNOK 60.2). In constant currency, this represents a 49% reduction. The reduction is due to cost of MNOK 19 in H2 2019 related to the jointly funded development collaboration with Idemia, as well as savings as a result of the streamlining program announced in November 2019.
- EBITDA improved to MNOK -29.1 (MNOK -56.6) mainly due to the implementation of the streamlining program.
- Earnings per share of NOK -0.93 (NOK -3.69).
- Cash flow from operations for the second half-year of MNOK -20.1 (MNOK -51).

## Significant Events

- During the second half of 2020, Zwipe expanded its growing network of industry partnerships with Publiccenter, areeba, Inkript and VeriTech
- Zwipe also partnered with Liveo Research, Smart Technology Services, Wisecard and CardMatix, expanding our ecosystem to enable cost-efficient mass-volume manufacturing of biometric payment cards based on Zwipe Pay ONE.
- Zwipe and TietoEVERY joined forces with a landmark agreement to deliver biometric payment solutions on Zwipe Pay ONE solution to banks in the Nordic and Baltic regions. The agreement significantly increases our market reach as TietoEVERY is the leading provider of payment cards to issuers in these regions.
- Zwipe successfully completed a private placement, followed by a subsequent public offering, issuing 7,381,315 new shares in total, and raising approximately NOK 111 million in gross proceeds in total.
- Zwipe placed an order for 300,000 units of Idex's next generation fingerprint sensors to support the rollout of Zwipe Pay ONE.
- Zwipe conducted several cardholder insight studies including some with our partners. Insights from the Nordics, UK and the United States show strong consumer interest for safer and more secure payments.
- In partnership with TietoEVERY, Zwipe secured the first pilot program on Zwipe Pay ONE with OP Financial Group, the largest Financial Services Group in Finland.

- Zwipe’s next-generation biometric card chip, in which Zwipe has co-invested with Idemia, obtained the ICCN security certification from EMVCo.

## Significant Events after the period

- Swedish fintech Vopy chose Zwipe’s biometric payment platform, Zwipe Pay ONE, for its biometric payment cards. Vopy’s partner network consists of telecom providers and financial institutions that reach millions of consumers.
- Announced agreements with 4 new smart card manufacturers.

## Financials Second Half-year 2020

The presented figures are a sub-set of the full-year 2020 audited financial accounts of Zwipe, prepared in accordance with Norwegian Generally Accepted Accounting Principles (NGAAP). All figures are presented on a consolidated basis for the Group. The half-year report has not been reviewed by Zwipe’s auditors.

### Revenues

Revenues for Zwipe in the second half of 2020 was MNOK 0.96. This is down from MNOK 1.2 in the previous year. The revenues relate to sale of biometric inlays in limited volumes and NREs (non-recurring engineering revenues). Sales revenues are marginal at this time, as the regular commercial deployment of Zwipe’s products is not yet initiated.

### Operating expenses

Zwipe’s operating expenses mainly consist of people cost (employees and contractors) and professional services from third parties contributing to Zwipe’s development projects and supply chain preparations.

After successfully executing on our streamlining program in November 2019, operating expenses were reduced by 48% (49% decrease in constant currency terms) to MNOK 31.3 (60.2).

Total payroll expenses decreased in H2 2020 to MNOK 12.1 (MNOK 13.3). The number of employees decreased in the last month of 2019, as Zwipe implemented a streamlining program. During the last quarter of 2020, Zwipe has increased the staff in preparation for piloting and deployment of our card payment solutions and services.

Cost of Goods Sold (COGS) in H2 2020 were MNOK 4.6 (MNOK 4.9) which is disproportionately high relative to the sales revenue. This is partly because the COGS include elements of a semi-fixed nature (manufacturing fee, logistics costs). Consequently, the contribution margin is not representative of volume manufacturing. Following the acceleration of Zwipe’s technology roadmap, inventory related to bypassed versions of the payment inlay were written off by MNOK 2.9 in H2 2020. The same reason caused an impairment-driven write-down of fixed assets of MNOK 0.6 in the same period.

Other Operating Expenses in H2 2020 were MNOK 13.4 (MNOK 39.5), and comprise expenditures related to R&D, office equipment, leasing of office space, IT infrastructure, consultants, travel, marketing and others. Expenses related to the management of Zwipe's IP are also included in operating expenses and comprise external costs of obtaining and maintaining patents.

## Results

EBITDA for H2 2020 ended at MNOK -29.1 (MNOK -56.6). The improved EBITDA largely reflects the streamlining program implemented in November 2019. Zwipe has repaid the majority of its loan commitments. At the end of 2020, Zwipe's loan commitment consists of a bank loan granted to Zwipe America, Inc. of \$248 000 through the US Paycheck Protection Program (PPP), at 1% interest rate. Total financial costs in H2 2020 are correspondingly reduced by MNOK 0.2 from H2 2019. Total result for the second half-year was MNOK -30.4 (MNOK -58.9).

## Financial position

In July, Zwipe received an additional MNOK 9.8 out of a total MNOK 23 grant awarded through EU's Horizon 2020 program. In October, Zwipe received a MNOK 5 grant from the Norwegian government in Q4 2020 as a result of the approval of Zwipe's grant application ("Skattefunn").

During 2020 Zwipe raised net MNOK 103 through a private placement in September and a subsequent repair offering in October, further strengthening the balance sheet. At the end of 2020, bank deposits and cash were MNOK 125.3 (23.2).

Total equity was MNOK 122.6 (MNOK 80.4), corresponding to an equity ratio of 89% (73%). Total liabilities were MNOK 14.7, whereof MNOK 0.9 are long term liabilities

related to the loan of \$248 000 that was granted to Zwipe America, Inc. in Q2 2020 through the US Paycheck Protection Program (PPP). The loan is at 1% interest rate, payable in two years. Zwipe may be eligible for partial or full loan forgiveness given fulfilment of a set of requirements. If the loan is not forgiven, down-payment starts in August 2021. The loan matures in April 2022. The short-term part of the loan is classified as other short-term liabilities.

## Subsequent events

Zwipe America, Inc. was granted a second bank loan of \$248 285 in February 2021 through the second draw of the US Paycheck Protection Program (PPP). The loan is at 1% interest rate, payable in five years. Zwipe may be eligible for partial or full loan forgiveness given fulfilment of a set of requirements.

A share capital increase of 21 832 new shares in Zwipe AS was registered 18 February 2021. The new share capital is NOK 3 292 840.80, and the new number of shares and votes is 32 928 408.

## Dividend

Zwipe's dividend policy is that no dividend shall be paid until the company is in an established cash positive position with predictable positive business results. Consequently, the Board of Directors proposes that no dividend be paid for 2020.

## Upcoming reporting days

Annual General Meeting, May 19, 2021

Interim Report January-June 2021, August 26 2021

## Income Statement Second Half-year

(Amounts in 1000 NOK)

	<b>Zwipe Group</b>			
	<b>H2 2020</b>	<b>2020</b>	<b>H2 2019</b>	<b>2019</b>
<b>Operating Income</b>				
Sales revenue	794	1 655	1 169	1 517
Other operating income	164	182	4	4
<b>Operating income</b>	<b>957</b>	<b>1 837</b>	<b>1 174</b>	<b>1 522</b>
<b>Operating expenses</b>				
COGS	4 597	4 808	4 892	5 882
Payroll expenses	12 072	18 973	13 340	26 591
Depreciation, amortization & impairment	1 241	2 008	2 425	3 304
Other operating expenses	13 436	37 947	39 549	60 999
<b>Operating expenses</b>	<b>31 346</b>	<b>63 736</b>	<b>60 206</b>	<b>96 776</b>
<b>Operating profit/loss</b>	<b>-30 389</b>	<b>-61 899</b>	<b>-59 033</b>	<b>-95 255</b>
<b>Financial income and expenses</b>				
Other interest income	122	148	287	295
Other financial income	-546	441	1 264	1 719
Other interest expenses	0	3	7	246
Other financial expenses	-463	569	1 324	1 458
<b>Net financial income and expenses</b>	<b>38</b>	<b>17</b>	<b>221</b>	<b>310</b>
<b>Results before tax</b>	<b>-30 351</b>	<b>-61 882</b>	<b>-58 812</b>	<b>-94 944</b>
Tax expense	132	191	14	210
<b>Results for the year</b>	<b>-30 482</b>	<b>-62 073</b>	<b>-58 826</b>	<b>-95 154</b>
<b>Profit(+)/Loss(-) for the year attributable from:</b>				
Share premium reserve	-30 482	-62 073	-58 825	-95 154
Uncovered loss	0	0	0	0
<b>TOTAL</b>	<b>-30 482</b>	<b>-62 073</b>	<b>-58 825</b>	<b>-95 154</b>
Number of shares end of period	32 906 576	32 906 576	15 953 288	15 953 288
Average number of shares in the period before dilution	29 475 739	27 367 556	15 952 265	15 514 552
Average number of shares in the period after dilution	30 321 486	28 186 644	16 558 891	16 045 042
<b>Profit pr. share before dilution</b>	<b>- 1.03</b>	<b>- 2.27</b>	<b>- 3.69</b>	<b>- 6.13</b>
<b>Profit pr. share after dilution</b>	<b>- 1.01</b>	<b>- 2.20</b>	<b>- 3.55</b>	<b>- 5.93</b>

## End of Year Balance Sheet – Assets

(Amounts in 1000 NOK)

	<b>Zwipe Group</b>	
	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
<b>Long-term Assets</b>		
<b>Intangible Assets</b>		
Research and Development	7 359	7 147
<b>Total Intangible Assets</b>	<u>7 359</u>	<u>7 147</u>
<b>Fixed Assets</b>		
Equipment, fixtures and fittings	2 568	2 536
<b>Total Fixed Assets</b>	<u>2 568</u>	<u>2 536</u>
<b>Financial Assets</b>		
Investment in subsidiaries	0	0
Other financial receivables	436	439
<b>Total Financial Assets</b>	<u>436</u>	<u>439</u>
<b>Total Long-term Assets</b>	<u>10 362</u>	<u>10 122</u>
<b>Current Assets</b>		
<b>Inventories</b>		
Inventories	313	3 104
<b>Total Inventories</b>	<u>313</u>	<u>3 104</u>
<b>Receivables</b>		
Accounts receivables	72	375
Other receivables	1 361	74 003
<b>Total debtors</b>	<u>1 433</u>	<u>74 378</u>
<b>Cash</b>		
Bank deposits, cash	125 255	23 236
<b>Total cash</b>	<u>125 255</u>	<u>23 236</u>
<b>Total Current Assets</b>	<u>127 001</u>	<u>100 718</u>
<b>Total Assets</b>	<u>137 363</u>	<u>110 840</u>

## End of Year Balance Sheet – Equity and Liabilities

(Amounts in 1000 NOK)

	<b>Zwipe Group</b>	
	<b>2020</b>	<b>2019</b>
<b>Equity and liabilities</b>		
<b>Equity</b>		
<b>Paid-up Equity</b>		
Share capital	3 291	1 595
Share premium reserve	119 309	78 830
Uncovered losses	0	0
<b>Total restricted equity</b>	<u>122 599</u>	<u>80 426</u>
<b>Total equity</b>	<u>122 599</u>	<u>80 426</u>
<b>Liabilities</b>		
<b>Long-term liabilities</b>		
Other long term liabilities	942	0
<b>Total of other long term liabilities</b>	<u>942</u>	<u>0</u>
<b>Short-term Liabilities</b>		
Accounts Payables	3 119	12 398
Public duties payable	2 464	702
Tax payable	0	0
Other short term liabilities	8 239	17 315
<b>Total short-term liabilities</b>	<u>13 822</u>	<u>30 415</u>
<b>Total liabilities</b>	<u>14 764</u>	<u>30 415</u>
<b>Total equity and liabilities</b>	<u>137 363</u>	<u>110 840</u>

## Full Year Cash Flow Statement

(Amounts in 1000 NOK)	Zwipe Group	
	2020	2019
Net Income / (Loss) before tax	-62 073	-95 154
Taxes paid	0	94
(+) Option cost no cash effect	1 888	3 881
(+) Depreciation, amortisation & impairment	2 008	3 304
(-) Change in Inventory	2 791	-797
(-) Change in Accounts Receivable	255	1 915
(-) Change in Other Current Assets	4 967	-64
(+) Change in Accounts Payables	-7 549	2 864
(+) Change in Current Liabilities	-2 118	3 595
<b>Net Cash use in Operating Activities</b>	<b>-59 831</b>	<b>-80 361</b>
<b>Cash Flows from Investing Activities</b>		
Intangible Assets and Capital Expenditures	-2 259	-4 636
<b>Net Cash Provided by (used in) Investing Activities</b>	<b>-2 259</b>	<b>-4 636</b>
<b>Operational Cash Flow</b>	<b>-62 090</b>	<b>-84 997</b>
<b>Cash Flows from Financing Activities</b>		
Equity Issue	177 724	120 071
Unregistered capital increase	0	67 004
Financial receivable from capital increase	0	-67 004
Transaction cost not recognized over P&L	-16 313	-16 763
PPP Loan	2 334	0
Convertible loan	0	9 370
Repayment of loan	730	-15 251
<b>Net Cash Provided by Financing Activities</b>	<b>164 475</b>	<b>97 426</b>
Effect of Foreign Currency Translation	-365	10
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>102 020</b>	<b>12 439</b>
Cash and Cash Equivalents at Beginning of Period	23 236	10 797
Cash and Cash Equivalents at End of Period	125 255	23 236
<b>Net cash flow</b>	<b>102 020</b>	<b>12 439</b>

## Statement of Changes in Equity

(Amounts in 1000 NOK)

### Zwipe Group

	Share capital	Share premium reserve	Uncovered loss	Total equity
<b>January 1st 2019</b>	<b>943</b>	<b>0</b>	<b>-9 042</b>	<b>-8 100</b>
Proceeds from issue of shares	653	128 788		129 441
Unregistered capital increase/decrease		67 004		67 004
Issue costs		-16 764		-16 764
Uncovered loss		-9 042	9 042	0
Annual net profit/loss		-95 154		-95 154
Share based compensation		3 267		3 267
Other changes in equity		657		657
Currency effect		74		74
<b>January 1st 2020</b>	<b>1 595</b>	<b>78 830</b>	<b>0</b>	<b>80 426</b>
Proceeds from issue of shares	1 695	109 024		110 720
Issue costs		-8 199		-8 199
Uncovered loss				0
Annual net profit/loss		-62 073		-62 073
Share based compensation		1 888		1 888
Other changes in equity				0
Currency effect		-163		-163
<b>December 31st 2020</b>	<b>3 291</b>	<b>119 309</b>	<b>0</b>	<b>122 599</b>

## Zwipe AS

The parent company Zwipe AS is a private limited liability company incorporated and existing under the laws of Norway. Zwipe AS has one wholly owned subsidiary, Zwipe America Inc., a corporation incorporated under the laws of the State of Delaware in the United States. The company has no other ownership positions.

## Contact Information

**Zwipe AS**  
Rådhusgata 23  
0151 Oslo, Norway

[ir@zwipe.com](mailto:ir@zwipe.com)

[www.zwipe.com](http://www.zwipe.com)

Zwipe's Certified Adviser is FNCA AB, [info@fnca.se](mailto:info@fnca.se), +46 8 528 00399

