

23 April 2019

Zwipe Q1 2019 operational update

Q1 2019 highlights and recent developments

- Continued focus on securing a leading position within biometric payment cards through partnerships with stakeholders covering the biometric payment card value chain, including card manufacturers, global payment schemes, issuers and financial institutions
- Participation in the majority of ongoing biometric payment card pilots in collaboration with partners in Europe and the Middle East
- New partnerships secured in Europe and Latin America, expanding technology reach and commercialisation potential within biometric payment card market
- NOK 120 million capital raise and subsequent admission to trading on Oslo Stock Exchange's Merkur Market completed in January 2019
- Organizational development with new CTO and opening of a European Tech Hub based out of Munich, Germany

Status and outlook

- Zwipe is at the forefront of a global shift towards more secure and convenient contactless payments and the market is primed for growth. The company's ambition is that Zwipe's industry leading technology and partnerships will secure a strong market position.
- On 21 January 2019, Zwipe announced the successful completion of a NOK 120 million capital raise from an offering of new shares. The offering was substantially over-subscribed, attracting strong interest from institutional and professional investors as well as retail investors in Sweden and Norway. The capital raise was conducted to strengthen the company's financial position and fund the further development and commercialization of the company's technology. On 28 January 2019, Zwipe was admitted to trading on Oslo Stock Exchange's Merkur Market under the ticker symbol ZWIPE-ME. These were important milestones for Zwipe, as the company seeks to capitalise on its first mover position in the biometric payment marketplace and as the payment industry moves towards bringing biometric payment cards to consumers.
- Payment card pilots remain an integral part of Zwipe's go-to-market strategy and a vehicle to verify and showcase Zwipe's competitive position. Zwipe's technology was featured in 12 out of 17 biometric payment card pilots announced during 2018, with positive preliminary feedback from pilot stakeholders. There are currently 11 biometric payment card pilots featuring Zwipe's technology: Intesa Sanpaolo pilot in Italy with Gemalto and Mastercard; and pilots with 10 banks across the Middle East with Areeba, Gemalto and Visa.
- As the market for biometric payment cards matures, new and existing players are scaling up their operations in anticipation of large-scale commercialization of biometric payment cards. Zwipe regards this trend as positive because it accelerates market development and opens a host of new opportunities for Zwipe. Furthermore, Zwipe believes that the availability of multiple credible suppliers is a prerequisite for the market to take off.
- Zwipe partnered with TAG Systems to target European-based challenger banks that are expected to be among the first movers in the market for biometric payment cards. Zwipe also

partnered with Thomas Greg & Son do Brasil, one of Latin America's largest card manufacturers, to co-develop and launch biometric payment cards in the Latin American markets.

- Late February, VP Program and Supply Chain Management, Eric Mercer, was appointed CEO of Zwipe America Inc and part of Zwipe's management team.
- In April, Zwipe announced the appointment of Dr. Robert Mueller as its Chief Technology Officer. Dr. Mueller joins Zwipe with over 20 years' experience in senior technical development positions focusing on biometrics and smart card technology at leading companies such as Siemens, Giesecke+Devrient and BMW. His most recent role was serving as Chief Technology Officer at Next Biometrics.
- Zwipe also established a European tech hub, which will complement the company's existing research and development center in Colorado Springs, USA. Based out of Munich, the new hub will add further expertise to Zwipe on biometrics, algorithms, payment card integration, enrolment solutions and product management.
- A new solution for the JavaCard-based operating system was announced in April, further broadening the company's scope in meeting various customer preferences and needs in the biometric payment card marketplace. With a broader product portfolio, Zwipe is uniquely positioned to be able to offer products that address both Multos and Java.
- A pilot featuring Zwipe's at-home enrolment for the first time is planned to start late Q2 2019. Ensuring simple, effective consumer enrolment and activation of biometric payment cards will be key to driving commercialization.
- Zwipe contributed to the Wearable Summit at World Mobile Congress in March, arranged by Zwipe partner Tappy Tech, highlighting that Zwipe also aims to develop a range of solutions for banks, including biometric wearables and digital services (card not present).
- Zwipe's revenues in Q1 2019 were negligible. Average monthly operational cash burn throughout Q1 2019 was NOK 5.3m for a total in Q1 2019 of NOK 15.9m, primarily related to personnel expenses and IP protection. Total cash burn in the quarter, including extraordinary expenses related to fundraising activities and debt repayment, was NOK 46.4m. Total cash balance as at 31.03.2019 was NOK 82.8m.
- In April, Zwipe received NOK 10m out of a total NOK 23m grant awarded through EU's Horizon 2020 program. Another NOK ~1.5m is expected to be paid out in 2019, with the residual expected to be paid out in 2020. Zwipe expects to receive a NOK 5m grant from the Norwegian government in Q4 2019 as a result of the approval of Zwipe's grant application ("Skattefunn") in Q4 2018.
- Monthly operational cash burn is expected to increase going forward as Zwipe continues to execute on its Generation NxT program, developing its organization and supply chain in preparation for biometric payment card commercialization. Zwipe expects to remain fully funded through 2019 and into 2020.

André Løvestam, Chief Executive Officer at Zwipe, said:

"Throughout the first quarter, we have continued to execute on our Generation NxT program, focusing on technological and supply chain advancements and cost reductions, making sure we have a competitive offering available as the industry is moving forward towards making biometric payment cards an offering to paying consumers. We have also made progress in ongoing pilots and continuously gained valuable feedback, enabling us to develop our products' performance and functionality to even better meet the needs of the marketplace. We remain dedicated to ensuring



continuous organizational improvements, which will be a vital differentiating factor as we move towards the large-scale, commercial adoption of biometric payment technology.

A strong and diverse partner ecosystem will also be increasingly important going forward. We see a trend that stakeholders across the value chain are branching out to multiple partners to reduce dependency on single partners or technologies, and we expect banks, payment networks and card manufacturers alike to secure at least dual-sourcing of their solutions for continuity of supply and general risk mitigation.

The feedback we have received and the experiences we have gained as supplier of inlays to the absolute majority of battery-less contactless biometric payment cards pilots to date, as well as the improvements we have achieved in both improving performance and reducing manufacturing cost for our Generation NxT-based inlay, which is our solution for the certification process and the anticipated subsequent roll-out of commercial biometric payment cards, make us confident that we remain well-placed to be a leading supplier of inlays in this phase.

Throughout the first quarter, we continued to strengthen our market position by building new important strategic partnerships, supporting our long-term ambition of catering to the unique needs of different regions.

The scale and scope of the opportunity we face is continually confirmed with increasing interest from stakeholders globally and we remain confident in Zwipe's strong position in the biometric payment card value chain as we continue on our mission of making convenience secure."

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About Zwipe

Zwipe is a technology solution provider that enables battery-less, ultra-low-power, self-contained biometric authentication solutions. Together with an ecosystem of partners including global brands within security, financial services and ID applications, Zwipe is "Making Convenience Secure™" for banks, merchants and consumers. Using advanced fingerprint recognition while protecting personal information, Zwipe's solutions address the data theft pitfalls inherent in traditional authentication methods. Headquartered in Oslo, Norway, Zwipe has spent the last 10 years developing its unique power harvesting technology platform in combination with security solutions based on international infrastructure standards. To learn more, visit www.zwipe.com

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