



# Second Half-year 2019

# Second Half-year Report 2019

This is a supplementary report to the Annual Report released on 26 February 2019, outlining financials for the period 1 July to 31 December 2019. The report does not contain inside information.

## Summary Second Half-year 2019

### Financial development

- Revenues of MNOK 1.2 (MNOK 1.6), reflecting an increase in the payment segment and decrease in access control
- EBITDA MNOK -56.6 (MNOK -37.0) including joint technology investments with Idemia of MNOK 19.0 (50% of the total commitment) and restructuring costs of MNOK 5.4
- Earnings per share of NOK -2,30 (NOK -4,46)
- Cash flow from operations for the second half-year of MNOK -40.9 (MNOK -26.7) and MNOK -85.0 (MNOK -56.7) for the full year.

### Significant Events

- Zwipe raised MNOK 67 through a preferential rights issue in December 2019
- During the second half of 2019, Zwipe prepared for dual listing on Nasdaq First North Growth Market in Stockholm, in addition to trading on Merkur Market at Oslo Stock Exchange. The listing process was completed on 28 January 2020
- Zwipe continued to expand the number of partnerships with leading smart-card manufacturers with the intent of developing biometric payment card offerings. New customer partnerships in 2H 2019 included dz card, one of the largest card manufacturers in Southeast Asia
- Zwipe entered into a co-investment partnership with industry leader Idemia, securing global exclusivity for a cost-leading new generation biometric authentication platform, as well as execution and industrialization capability
- Zwipe was selected by Giesecke+Devrient (G+D), one of the world's leading digital security providers, to develop a biometric wearable payment device with the intent to pilot the technology with leading European banks
- Zwipe's first customer order of biometric card inlays was delivered in September
- The prototype Z5 chip, a dedicated energy harvesting and power management chip, was launched in October
- Zwipe unveiled the "Zwipe Experience" – a bundle of products and services to assist customers to move from concept to mass market – at the Trustech convention in November
- The joint technology collaboration with Idemia enabled a major streamlining program, leapfrogging several previously planned stages of the technology development roadmap. Implemented activities resulted in annual savings in excess of MNOK 40 from January 2020
- In December Lars Kristian Solheim was appointed new CFO of Zwipe, commencing March 2020

# Financials Second Half-year 2019

The presented figures are a sub-set of the full-year 2019 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, unless explicitly attributed to the parent company Zwipe AS.

## Revenue

Total revenue for Zwipe in the second half of 2019 was MNOK 1.2. This is down from MNOK 1.6 in the previous year and reflects an increase in payment-related customer revenues and a planned decrease of sales of access control products. The revenues relate to sale of biometric inlays in limited volumes and NREs (non-recurring engineering revenues) from customer development projects. Sales revenues are marginal at this time, as 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.

Total payroll expenses decreased in 2H 2019, at MNOK 13.3 (MNOK 15.4). The number of employees was reduced with effect from December 2019, as Zwipe implemented a streamlining program. The reported payroll expenses for 2H 2019 include MNOK 2.4 in redundancy provisions.

Cost of Goods Sold (COGS) in 2H 2019 was MNOK 4.9 (MNOK 4.3) and is unproportionately high relative to the sales revenue. This is partly because the COGS includes elements of a semi-fixed nature (manufacturing fee, logistics costs) and the contribution margin is not representative of volume manufacturing. In addition, the COGS include a write-down of inventories of MNOK 2.8 related to components impacted by the streamlining program.

Other Operating Expenses in 2H 2019 were MNOK 39.5 (MNOK 18.9), and comprise expenditures related to R&D, office overhead,

consultants, travel and marketing. The main driver of the increase in 2019 is a cost of MNOK 19.0 related to the jointly funded development collaboration with Idemia. This represents 50% of the total committed co-investment with Idemia that is payable by Zwipe, the remainder is planned to be paid in 2020 and 2021. One-time costs of professional services in connection with the listing processes at Merkur Market at Oslo Børs as well as Nasdaq First North Growth Market are included as part of other operating expenses.

## Results

Consolidated EBITDA for 2H 2019 was MNOK -56.6 (MNOK -37.0). The underlying run rate is improved, as the figure includes 50% of the cost commitment of the new joint technology platform development with Idemia, costs relating to two listing processes and structural one-off costs of the streamlining program. Zwipe has repaid the majority of its loan commitments, and total financial costs in 2H 2019 are correspondingly reduced by MNOK 3.5 from 2018. Total result for the half-year was MNOK -58.8 (MNOK -42.0).

## Financial position

At the end of 2019, cash and cash equivalents were MNOK 90.2, including the receivable relating to the capital increase which was subscribed and paid, but not yet registered on 31 December 2019. In consequence, Zwipe was able to satisfy the requirement of in excess of twelve months' working capital prior to the planned listing at Nasdaq First North Growth Market in January 2020. The capital increase was registered on 6 January 2020. The cash reserves were up from MNOK 10.8 at the end of 2018.

Total equity was MNOK 80.4 (MNOK -8.1), corresponding to an equity ratio of 73% (-27%). Total liabilities were MNOK 30.4, all of which short-term items. Zwipe did not have long-term interest-bearing debt at the end of 2019.

## Parent company

Revenue in the parent company, Zwipe AS, was MNOK 1.2 in 2H 2019, compared with MNOK 1.6 in 2018. All external revenues are invoiced from the parent company. Operating expenses were MNOK -60.3 (MNOK -40.5), and the net result for Zwipe AS in 2H 2019 was a loss of MNOK 58.9 compared to a loss of MNOK 42.2 in 2018.

Total assets were MNOK 107.1 and cash and cash equivalents were MNOK 86.5, including financial receivable related to the subscribed share issue. Zwipe AS had MNOK 0.1 in interest-bearing debt at the end of 2019.

## Share capital and shares

During the second half of 2019, the share capital was increased through a preferential rights issue in December. 9 571 973 new shares were issued at NOK 7.00. The share issue was subscribed in 2019 but registered on 6 January 2020.

The number of outstanding shares at the end of 2019 was 15 953 288 formally registered, and a grand total number of 25 525 261 including the subscribed shares registered on 6 January 2020.

At the end of 2019, the formal share capital of Zwipe was NOK 1 595 328.80 (NOK 942 566.20). Including the share capital pending registration on 6 January, the grand total was NOK 2 552 526,10.

Zwipe's shares are listed at Merkur Market under the ticker ZWIPE-ME. During the second half of 2019 the share price fell from NOK 15.63 to NOK 5.30. At the end of 2019, Zwipe's market cap (including subscribed, unregistered shares) was MNOK 135.3.

The Swedish equity analyst firm, Redeye, published an initiation report on 19 Feb 2020 and will cover Zwipe.

## Dividend

No dividend is proposed for 2019.

## Subsequent events

At the end of 2019, Zwipe had conducted a preferential rights issue with gross proceeds of MNOK 67. On 31 December the shares had been subscribed and settled in escrow but were not yet registered. The final registration of the new shares took place on 6 January 2020, at the same time as the release of the new equity to the company.

During the second half of 2019, Zwipe prepared for dual listing on Nasdaq First North Growth Market in Stockholm, in addition to trading on Merkur Market at Oslo Stock Exchange. The listing was completed in accordance with plan, and Zwipe was admitted to trading under the ticker ZWIPE, on 28 January 2020. No additional shares were issued in connection with the listing.

The company has appointed a new permanent CFO who will replace interim CFO Lars Myren. The new CFO, Lars Kristian Solheim, will commence on 1 March 2020.

## Risks and Uncertainty Factors

Risks and uncertainties are described in Zwipe's Annual Report of 26 February 2020, and in the prospectus dated 4 December 2019 written in connection with the recent rights issue. The prospectus is available at [www.zwipe.com](http://www.zwipe.com).

## Outlook

Zwipe does not provide forecasts or financial guiding.

Through the customer developments and technology partnerships established in 2019, Zwipe's ambition is to play an important role in commercial market deployment and to secure a strong market position both in the medium and long term.

Through the recent capital raise and the implementation of streamlining actions, Zwipe has the capability to continue to develop its offering and prepare for commercial high-volume market deployment of biometric authentication solutions for payment and beyond.

## Income Statement Second Half-year

(Amounts in 1000 NOK)

	<b>Zwipe Group</b>	
	<b>H2 2019</b>	<b>H2 2018</b>
<b>Operating Income</b>		
Sales revenue	1 169	1 599
Other operating income	4	0
<b>Operating income</b>	<u>1 174</u>	<u>1 599</u>
<b>Operating expenses</b>		
COGS	4 892	4 345
Payroll expenses	13 340	15 408
Depreciation, amortization & impairment	2 425	1 054
Other operating expenses	39 549	18 884
<b>Operating expenses</b>	<u>60 206</u>	<u>39 691</u>
<b>Operating profit/loss</b>	<u>-59 033</u>	<u>-38 092</u>
<b>Financial income and expenses</b>		
Other interest income	287	43
Other financial income	1 264	200
Other interest expenses	7	1 833
Other financial expenses	1 323	1 648
<b>Net financial income and expenses</b>	<u>221</u>	<u>-3 239</u>
<b>Results before tax</b>	<u>-58 811</u>	<u>-41 330</u>
Tax expense	14	657
<b>Results for the year</b>	<u>-58 825</u>	<u>-41 988</u>
<b>Profit(+)/Loss(-) for the year attributable from:</b>		
Share premium reserve	-58 825	-27 143
Uncovered loss	0	-14 844
<b>TOTAL</b>	<u>-58 825</u>	<u>-41 988</u>

## End of Year Balance Sheet – Assets

(Amounts in 1000 NOK)

	<b>Zwipe Group</b>	
	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
<b>Long-term Assets</b>		
<b>Intangible Assets</b>	7 147	6 018
Research and Development	<u>0</u>	<u>0</u>
Licenses and patents	<u>7 147</u>	<u>6 018</u>
<b>Total Intangible Assets</b>		
<b>Fixed Assets</b>	2 536	2 335
Equipment, fixtures and fittings	<u>2 536</u>	<u>2 335</u>
<b>Total Fixed Assets</b>		
<b>Financial Assets</b>	0	0
Investment in subsidiaries	<u>439</u>	<u>1 166</u>
Other financial receivables	<u>439</u>	<u>1 166</u>
<b>Total Financial Assets</b>		
	<u>10 122</u>	<u>9 519</u>
<b>Total Long-term Assets</b>		
<b>Current Assets</b>		
<b>Inventories</b>	3 104	2 307
Inventories	<u>3 104</u>	<u>2 307</u>
<b>Total Inventories</b>		
<b>Receivables</b>	375	639
Accounts receivables	<u>74 003</u>	<u>6 209</u>
Other receivables	<u>74 378</u>	<u>6 848</u>
<b>Total debtors</b>		
<b>Cash</b>	23 236	10 797
Bank deposits, cash	<u>23 236</u>	<u>10 797</u>
<b>Total cash</b>		
	<u>100 718</u>	<u>19 951</u>
<b>Total Current Assets</b>		
	<u>110 840</u>	<u>29 470</u>
<b>Total Assets</b>		

## End of Year Balance Sheet – Equity and Liabilities

(Amounts in 1000 NOK)

	<b>Zwipe Group</b>	
	<b>2019</b>	<b>2018</b>
<b>Equity and liabilities</b>		
<b>Equity</b>		
<b>Paid-up Equity</b>	1 595	943
Share capital	78 830	0
Share premium reserve	0	-9 042
Uncovered losses	<u>80 426</u>	<u>-8 100</u>
<b>Total restricted equity</b>	<u>80 426</u>	<u>-8 100</u>
<b>Total equity</b>		
<b>Liabilities</b>		
<b>Long-term liabilities</b>	0	475
Other long term liabilities	<u>0</u>	<u>475</u>
<b>Total of other long term liabilities</b>		
<b>Short-term Liabilities</b>	12 398	6 902
Accounts Payables	702	1 914
Public duties payable	0	0
Tax payable	17 315	28 278
Other short term liabilities	<u>30 415</u>	<u>37 094</u>
<b>Total short-term liabilities</b>	<u>30 415</u>	<u>37 569</u>
<b>Total liabilities</b>		
	<u>110 840</u>	<u>29 470</u>
<b>Total equity and liabilities</b>		

## Full Year Cash Flow Statement

(Amounts in 1000 NOK)

	Zwipe Group	
	2019	2018
Net Income / (Loss) before tax	-95 154	-72 042
Taxes paid	94	-657
(+) Option cost no cash effect	3 881	5 802
(+/-) Gain/Loss of fix assets	0	30
(+) Depreciation, amortisation & impairment	3 304	8 033
(-) Change in Inventory	-797	2 834
(-) Change in Accounts Receivable	1 915	-1 833
(-) Change in Other Current Assets	-64	-650
(+) Change in Accounts Payables	2 864	4 275
(+) Change in Current Liabilities	3 595	3 837
<b>Net Cash use in Operating Activities</b>	<b>-80 361</b>	<b>-50 370</b>
<b>Cash Flows from Investing Activities</b>		
Intangible Assets and Capital Expenditures	-4 636	-6 355
<b>Net Cash Provided by (used in) Investing Activities</b>	<b>-4 636</b>	<b>-6 355</b>
<b>Operational Cash Flow</b>	<b>-84 997</b>	<b>-56 725</b>
<b>Cash Flows from Financing Activities</b>		
Loan Adjustment (PIK interest no cash effect)	0	2 148
Equity Issue	120 071	20 000
Unregistered capital increase	67 004	0
Financial receivable from capital increase	-67 004	0
Transaction cost not recognized over P&L	-16 763	0
Convertible loan	9 370	8 846
Repayment of loan	-15 251	-12 478
<b>Net Cash Provided by Financing Activities</b>	<b>97 426</b>	<b>18 516</b>
Effect of Foreign Currency Translation	10	-257
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>12 439</b>	<b>-38 466</b>
Cash and Cash Equivalents at Beginning of Period	10 797	49 263
Cash and Cash Equivalents at End of Period	23 236	10 797
<b>Net cash flow</b>	<b>12 429</b>	<b>-38 466</b>

## Statement of Changes in Equity

(Amounts in 1000 NOK)

Zwipe Group	Share capital	Share premium reserve	Uncovered loss	Total equity
<b>Janary 1st 2018</b>	<b>743</b>	<b>37 854</b>	<b>0</b>	<b>38 597</b>
Proceeds from issue of shares	200	19 800		20 000
Annual net profit/loss		-57 654	-15 046	-72 700
Share based compensation			5 802	5 802
Currency effect			201	201
<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>December 31st 2019</b>	<b>1 595</b>	<b>78 830</b>	<b>0</b>	<b>80 426</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.

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