



Annual Report 2018



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BOARD OF DIRECTOR'S REPORT



About Zwipe AS

Zwipe AS is a private limited liability company (Norwegian: "aksjeselskap") incorporated and existing under the laws of Norway. Zwipe AS has a 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. While administrative, finance, IP, product management and sales activities are conducted at the parent level, R&D and supply chain activities are conducted by its subsidiary. The parent company and its wholly owned subsidiary forms a group hereinafter referred to as "the Group", "Zwipe" and "the company".

Zwipe is a biometric technology company focused on the development and commercialisation of secure, fast and easy to use biometric authentication solutions with an opportunity for application across verticals such as payment, access control and government identification. Its core technology comprises i) energy harvesting and power management systems, ii) firmware, iii) biometric algorithms, all designed for ultra-thin and ultra-low power high performance embedded applications and iv) biometric and payment system integrations.

Zwipe's current focus is on biometric payment cards and wearables and together with an ecosystem of partners including global brands within financial services, security 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. The company's versatile technology functions in conjunction with existing infrastructure and systems without the need for external databases and without the need for batteries.

Zwipe's partners in the biometric payment card value chain include both suppliers and customers. Zwipe buys components from partners, which are integrated by Zwipe alongside its unique technology platform into a biometric inlay. This biometric inlay is sold to customers, the card manufacturers, who integrate the biometric inlay into dual-interface payment cards, which are subsequently sold to card issuers, such as banks, who issue them to their end customers, the card holders.

Purpose and strategic development

Zwipe's mission statement is "Making Convenience Secure". At the heart of the company's value proposition is a solution to the unnecessary trade-off between security and convenience.

Zwipe's vision is to be recognized as a global leader in ultra-low power, self-contained, biometric authentication solutions for physical and digital applications.

Increased use of biometrics in everyday life has normalized biometric technology solutions globally. Thanks to smartphones and other devices utilizing biometrics, consumers are familiar with biometric authentication, and have embraced the use of biometrics for secure and convenient user verification. Recent market surveys confirm that consumers have strong interest and confidence in biometric solutions and the outlook for biometric authentication technology is positive in both developed and developing markets¹.

Today, contactless technology is the most convenient means by which to conduct payment transactions. The challenge lies in the lack of security inherent in the contactless solution, which has prompted the introduction of transaction limits. Zwipe's solution eliminates security concerns and avoids any need for transaction limits by integrating biometrics into contactless transactions. This is done without compromising the user's right to privacy, as the biometric authentication is performed by the card without the need for databases. In addition, the solution is compatible with existing legacy infrastructure at point of sales around the world.

While banks and other conventional financial service providers are exploring the possibilities within biometrics, e-commerce platforms and financial apps are using biometrics to authenticate and approve payment transactions. At present, growth in social payments and e-commerce platforms is accelerating the penetration of biometrics into financial systems.

A well thought out strategy for implementing biometrics needs to consider the concerns of industry bodies, regulators and consumer-interest groups. The use of biometric technology raises regulatory questions regarding

data security and privacy, while financial institutions worry about sharing security aspects with technology companies or becoming dependent on device-specific solutions. Zwipe spent 2018 continuing its collaboration with different stakeholders to understand, qualify and address their needs, including regulatory questions such as data protection, with the objective to help all stakeholders find appropriate solutions to expedite the prevalence of biometrics in financial services while offering best-of-breed technology solutions.

Zwipe believes that the financial services industry is ripe for innovation across the entire biometric spectrum. The race to integrate biometrics in financial services is heating up across many different segments and the frontrunners will be those who can provide the best in class mix of convenience and security to ultimately optimise end-user experiences, all at a competitive cost.

Zwipe's strategy is to leverage its core technology across three mass markets, payment, access control and identification. Six strategic pillars form the foundation for long-term success:

- *Focus initially on securing a leading position within Biometric Payment Cards*
- *Build on first mover position in biometric payment vertical for retail banking to become a trusted digital authentication partner for financial services, including a broadening of the offering to biometric wearables and other potential means of authentication – for use cases at both Point of Sale and digital banking*
- *Build a platform for growth through Zwipe Generation NxT project, which comprises initiatives related to supply chain readiness and scalability, performance improvements, technical differentiation and cost reduction*
- *Transition from selling biometric inlays to selling integrated circuits and embedded systems to solution providers in multiple industries*
- *Licensing of Intellectual Property (IP) essential for biometric authentication across multiple verticals, platforms and form factors*
- *Take advantage of previous investments, exploring opportunities within access control and government ID*

¹ Research conducted by AYT Market Research, September 12-19, 2017

During 2018, Zwipe focused on the commercial and technological development of its primary product offering, the biometric inlay for payment cards. Furthermore, in preparing for the planned commercialisation of Zwipe-enabled biometric payment cards in 2019, the company initiated an internal development program, Generation NxT, focused on scaling the company around three major commercialization initiatives; i) supply-chain readiness and scalability to take its inlays to commercial deployments, ii) performance improvements and technical differentiation and iii) cost competitiveness.

Generation NxT is also Zwipe's development vehicle for adopting its inlay to the next architecture of biometric payment cards, where fingerprint sensors are expected to be post-placed by the card manufacturer, which means that Zwipe will no longer embed the fingerprint sensor of the biometric payment card onto its inlays. For the industry as well as for Zwipe this approach brings many advantages including cost reductions, and Zwipe has secured a strong patent position for this approach.

With its first mover advantage and unique technology platform, Zwipe has built a strong position in the biometric payment card value chain. The market for biometric payment cards is typically split into groups of stakeholders, which provide different technologies and solutions to enable biometric payment cards. Zwipe provides several functions and offerings to card manufacturers, and therefore faces a variety of competitors in different product categories, such as inlays, energy harvesting and biometric algorithms.

To bring its technology to the market, Zwipe has a close cooperation with the world's largest card manufacturer, Gemalto, and will continue to pursue similar partnership with other card manufacturers. Together with Gemalto and Bank of Cyprus, Zwipe launched the world's first battery-less dual-interface (i.e. contact based and contactless) biometric payment card pilot in the first quarter of 2018. Several additional pilots were launched throughout the year and into 2019 together with both Visa and MasterCard. Zwipe believes that its offering to enable contactless battery-less biometric payments incorporating Zwipe's energy harvesting and power management system is a major reason why Zwipe's inlays have been used by these global industry leaders.

In addition to its strong product offering and ecosystem of partners, Zwipe's competitive strengths lie in its strong IP portfolio with several key patents being granted in key markets during 2018.

Zwipe's strong IP and technology, including its unique energy harvesting, power management and biometric technologies, together with its partners and market position, makes the company positioned to take a significant share of the biometric payment card market and, subsequently, to expand its business into the biometric access control and identification markets.

Biometric payment card market development

The biometric payment card industry is an emerging marketplace rooted in the technical advancement of payment cards, transitioning over the last twenty-five years from the magnetic stripe to the EMV chip and more recently to dual-interface.

Payment card volumes are expected to grow, driven especially by developing markets, where governments and issuers are pushing for financial inclusion and the migration from cash to electronic based payments. While alternative payment technologies are gaining traction, it may take a long time for them to gain critical mass, especially in places that will require substantial infrastructure investments. The total number of payment cards in circulation is estimated to reach 18 billion in 2027, up from 11 billion in 2018². The total number of EMV payment cards shipped is estimated by the company to reach approximately 4,400 million cards in 2025, representing a CAGR of 16% from 3,000 million cards in 2017³.

Contactless technology continues to proliferate as a widely adopted form of electronic payment, and the total number of dual-interface payment cards is expected to reach approximately 15 billion in 2027¹. Already, European countries are shifting their consumer behaviour to embrace contactless technology with countries such as Poland and the Czech Republic, where contactless transactions now constitute over 75%, leading the way⁴.

² Edgar, Dunn and Company: Biometric Payment Cards Market Research and Addressable Market Sizing Result, September 2018

³ <http://www.eurosmart.com/facts-figures.html>. Projections based on Company estimates

⁴ MULTOS Consortium Member Market Feed, September 2018

Highlights 2018

- In early 2018, Zwipe announced partnerships with Visa and the world's largest card manufacturer, Gemalto, and launched the world's first dual-interface biometric card pilot with the Bank of Cyprus
- Throughout 2018, Zwipe entered into business partnerships with major stakeholders covering the entire biometric payment card value chain, including global payment schemes, issuers, financial institutions and card manufacturers
- In March 2018, André Løvestam was appointed to the position of Chief Executive Officer (CEO). Kim Humborstad, the founder and former CEO, moved to the position of Chief Growth Officer (CGO) and was appointed deputy chairman of the board of directors
- In June, the Company completed a capital raise in the form of a preferential rights issue, raising gross proceeds of NOK 20 million
- In August, Zwipe announced a partnership with Silone CardTech, a card manufacturer based in Shenzhen, China. The aim is to launch battery-less dual-interface biometric payment cards with banks and loyalty programs in China
- In September, Zwipe successfully raised NOK 8.4 million in funds through the issuance of a convertible loan
- In October, Zwipe announced a partnership with wearables technology company Tappy Technologies to jointly develop and launch biometric enabled wearable payment, access and digital authentication devices
- In November, Zwipe announced the launch of a pilot with Banca Intesa Sanpaolo (Italy), MasterCard and Gemalto with over 150 bank employees testing the technology over a period of 16 weeks, as well as a pilot program with its partners Gemalto, Aareba and Visa, piloting biometric payment cards with 10 different banks across the Middle East
- In November, Zwipe announced an achievement of 70% reduction in power consumption while simultaneously reducing cost. Zwipe has collaborated with Cypress Semiconductor Corp., an embedded solutions provider, to support the launch of Zwipe's next generation card inlay solution by developing a micro controller unit that is specifically designed for Zwipe's use in ultra-low power biometric applications in ultra-thin solutions
- In November, Zwipe announced an innovative fingerprint enrolment solution developed by the company for the planned mass-market deployment of biometric payment cards
- In December, Zwipe was awarded a NOK 23 million grant from Horizon 2020, the largest European Union research and innovation program, promoting European innovation and competitiveness on a global scale. Payment of the grant is subject to project milestones completion and project costs being approved.
- At the end of 2018, Zwipe had pending patent applications across 31 patent families of which 8 patents families had been granted in at least one jurisdiction. Some of the patents, granted or applied for, are essential to Zwipe's biometric payment card platform and some are related to inventions relevant to the production process. Some of these inventions are relevant to the technology roadmap or valuable in a broader context for Zwipe through the potential licensing of its intellectual property
- In 2018 Zwipe retained financial advisers and made substantial preparations for its capital raise and listing on Merkur Market at the Oslo Stock Exchange, which were completed in January 2019

Group financial review

This review is based on Zwipe's consolidated financial accounts for 2018 and 2017 prepared in accordance with Norwegian Generally Accepted Accounting Principles (NGAAP). Zwipe AS previously reported according to NGAAP for smaller enterprises, NRS 8. The transition from NRS to NGAAP only impacts the accounting procedures related to the share-based remuneration program, which must be recognized as an expense. As a result, the company has assessed the fair value of its share-based incentive program and recognized the expense in the income statement. This resulted in increased payroll cost of NOK 1.1 million in 2017 and NOK 5.8 million in 2018.

All figures are presented on a consolidated basis for the Group. The main impact of the transition from unconsolidated to consolidated financial statements for Zwipe AS and Zwipe America, Inc. is the reclassification of other operating expenses in Zwipe AS to payroll expense and depreciation of tangible and intangible fixed assets in the consolidated financial statements. In addition, tax paid by Zwipe America, Inc. affects the consolidated statements, as Zwipe AS has not yet paid taxes. Balance sheet effects include adjustments to financial fixed assets, total cash balance, equity and accounts payable. The consolidation effect in 2017 of NOK 1.1 million is the profit from 2017 from Zwipe America, Inc. The equivalent figure for 2018 is NOK 1.4 million.

Revenue

Historically, Zwipe's revenues have been negligible. The company has sold some cards within the access control vertical to system integrators and distributors and, from 2018, a few biometric inlays and demo cards within the payment vertical. Other operating income is related to the sublease of office space not used by Zwipe.

In 2018, Zwipe reported total revenue of NOK 2.3 million, generated from the sale of access control cards and biometric inlays for payment cards for battery-less dual-interface biometric payment card pilots. Excluding revenue from the subleasing of office space in 2017, revenue increased by NOK 1.2 million compared to 2017.

Operating expenses

Total operating expenses in 2018 were NOK 70.6 million, up from NOK 51.7 million in 2017. This was largely driven by increased payroll expenses as a result of new hires and increased cost from the share-based remuneration program. In addition, R&D expenses increased compared to the previous year combined with a write down of intangible assets of NOK 5.3 million.

Total payroll expense in 2018 was NOK 26.7 million, up from NOK 17.7 million in 2017, driven by new hires, increased cost of the share-based remuneration program and change in payroll payment routines. Payroll expense

largely reflects the number of employees in each period, but the stock option compensation is more volatile as it will vary over time due to grants, cancellations and vesting periods of each grant. The calculated employer's tax debt also varies with share price development.

Cost of goods sold (COGS) comprises component cost, manufacturing fee and shipping expenditures. In 2018, COGS was NOK 5.1 million, up from NOK 2.5 million in 2017, mainly due to inventory write down for access control cards and obsolete biometric inlays. COGS reflects the production cost from manufacturing at low volumes, as opposed to mass volume manufacturing. The gross margin to date is therefore not representative for the expected and planned gross margin for the business in full operational mode.

Other operating expenses in 2018 were NOK 30.8 million compared with NOK 27.4 million in 2017. Other operating expenses comprise expenditures related to R&D, office equipment, leasing of office space, IT infrastructure, consultants, travel, marketing and more. IP expenses are also recognized as part of other operating expenses and comprise external costs of obtaining and maintaining patents as well as incurred license fees. The increase in other operating expenses in 2018 reflects new hires and increased use of external advisors and consultants.

Zwipe made changes to its management team and completed a reorganization during the year following the strategic decision to focus on the payment card vertical. Zwipe had a net increase in staff of 3 employees throughout 2018. Zwipe plans to further grow its organization in preparation for the commercialisation of Zwipe-enabled biometric payment cards.

Results

EBITDA amounted to negative NOK 60.3 million in 2018. The result for the year reflects the company's operational expansion and R&D efforts towards commercialisation of the technology platform and resulted in a net loss of NOK 72.7 million. This is up from negative NOK 53.7 million in 2017, driven primarily by operational expansion, higher cost of the share-based remuneration program and change in accounting methodology for IP expenses.

Financial position

By year-end 2018, cash and cash equivalents were NOK 10.8 million, down from NOK 49.3 million in 2017. Total equity was negative NOK 8.1 million, corresponding to a negative equity ratio of 27%. Total liabilities were NOK 37.6 million, of which NOK 24.3 million were short-term interest-bearing debt. Total assets were NOK 29.5 million, of which NOK 6.0 million were intangible assets related to research and development activities.

During 2018 Zwipe strengthened its balance sheet through a preferential rights issue, raising NOK 20 million at a price of NOK 10 per share. In September 2018 Zwipe also raised NOK 8.4 million through the issuance of a convertible loan.

Parent company financial review

Revenue in the parent company, Zwipe AS, was NOK 2.3 million in 2018, compared with NOK 1.2 million in 2017. Operating expenses were NOK 72.6 million, up from NOK 53.3 million in 2017. The increase was mainly due to higher payroll expense as a result of new hires and increased cost of the share-based remuneration program. The parent company had 8 employees on average throughout 2018, which was at the same level as in 2017.

COGS amounted to NOK 5.1 million, up from NOK 2.5 million in 2017. Other operating expenses were NOK 43.4 million compared with NOK 39.6 million in 2017. The increase was driven mainly by new hires and increased use of external advisors and consultants and a write down of intangible assets of NOK 5.3 million

The net result for Zwipe AS was a loss of NOK 74.1 million, compared to a loss of NOK 54.9 million in 2017.

Total assets were NOK 28.3 million, of which NOK 6.0 million were intangible assets related to research and development activities. Cash and cash equivalents were NOK 9.3 million, down from NOK 47.6 million in 2017. Total equity was negative NOK 11.8 million, corresponding to a negative equity ratio of 42%. Total liabilities were NOK 40.1 million, of which NOK 24.3 million were short-term interest-bearing debt.

Share capital and shareholders

The issued and fully paid share capital of the company at the end of 2018 amounted to NOK 942,566.20, consisting of 9,425,662 shares. At the end of 2018 there were a total of 173 registered shareholder accounts.

Subsequent events

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 Norway and Sweden.

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.

A total of 6,000,000 new ordinary shares were issued in the share offering at a price of NOK 20 per share. In addition, a convertible loan of NOK 9.4 million (including approximately NOK 0.7 million in accrued interest) was converted to 520,543 new ordinary shares in the company, resulting in a total of 6,520,543 new shares.

Late February 2019, VP Program and Supply Chain Management, Eric Mercer, was appointed CEO of Zwipe America Inc and part of Zwipe's management team.

Risks and uncertainty factors

Zwipe is exposed to various types of market-, operational- and financial risks. Zwipe continuously monitors risk factors at a corporate and subsidiary level and take appropriate action when needed to eliminate or mitigate any potential negative impact on operational and financial performance. Please refer to the prospectus dated 9 January 2019 for a more detailed description of risk factors, this is available at www.zwipe.com.

Zwipe's activities are subject to economic, business and social conditions and a deteriorating macroeconomic situation may lead to a decrease in activity across the company's business areas.

Zwipe is operating within the unpredictable and rapidly evolving contactless payment and biometric authentication market and value chain together with market leading manufacturers and payment networks. As such, it is difficult to predict important market trends, including how large this market will be or when and which products will be adopted, as well as timing of significant market events such as commercial launch of biometric payment cards to consumers. Zwipe's operational and financial performance will depend on the timely and successful certification and commercialisation of existing and new technologies and enhancements to such technologies. Certification, customer roll-out and/or market adoption might take longer, or the market penetration may not be as strong as Zwipe plans for.

The markets in which the company operates are highly competitive, fragmented and rapidly changing and the Group expects to continue to experience competition from new- and incumbent market players. The introduction of new technologies could cause existing products to be less attractive and Zwipe must therefore be able to successfully anticipate or adapt to changing technologies or customer requirements on a timely basis.

Despite efforts to protect Zwipe's proprietary technology and trade secrets, unauthorized parties may attempt to misappropriate, reverse engineer or otherwise infringe the proprietary technology. Zwipe may be unable to determine the extent of any unauthorized use or infringement of their products, technologies or intellectual property rights.

Going concern

Zwipe had negative equity per 31.12.2018, but as it was completed a NOK 120 million capital raise in January 2019, the Board of Directors confirms that the going concern assumption is present, and that the financial statements for 2018 is prepared under this assumption. Costs are expected to continue to exceed revenue in several more quarters, however, the board considers that the company has access to capital. The company's financial position and financing is in accordance to the Board's expectations and the necessary activities for future financing of the company's growth strategy are progressing according to plan.

External environment

Zwipe's operations has limited impact on the environment. The company emphasizes compliance with all government environmental requirements, and that control routines are established and function in accordance with regulations.

Working environment, employees and equality

During 2018, Zwipe completed a reorganization, including the appointment of a new CEO in March. A total of six new employees and consultants were engaged in the Group, and the company is currently organised to comprise the following departments: Commercial team (Payment Sales & Business Development), Administration, R&D, New Business and IP and Supply Chain. At the end of 2018 the Zwipe had a total staff of 31, including engaged consultants.

Excluding consultants, the average number of employees in the Norwegian parent company in 2018 was 8. The workforce comprised two women and six men.

The Board believes Zwipe's ability to attract experienced employees is a validation of its position and potential.

Zwipe aims to be an equal opportunity workplace and the working environment is regarded as good. The total sick leave in the parent company was 0.9% in 2018. This level is

considered satisfactory and no special measures are implemented in this area. There have been no material injuries or work-related accidents in 2018.

The Board of Directors consisted of eight members, one woman and seven men.

Other

The Board of Directors is not aware of any matters of importance for the assessment of the company's position and performance, which is not reflected by the financial statement and balance sheet with notes. Post 31.12.2018, there has not, in the Board of Directors' view, occurred any matters which will affect the annual accounts.

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 both in the short and long-term.

The capital raise and subsequent admission to trading at Oslo Stock Exchange's Merkur Market in January 2019 were important milestones for Zwipe, as the company seeks to capitalise on its strong position in the biometric payment marketplace and as the payment industry moves towards bringing biometric payment cards to consumers.

Zwipe's revenue growth going forward is dependent on the market development of biometric payment cards, as well as Zwipe's ability to capture a sufficient share of the market. The key determinants of the timing and speed of adoption of biometric payment card are i) timing and completion of certification processes and systems for enrolment; ii) the successful execution of pilot programs and consumer acceptance and adoption of the new technology; iii) inlay production capacity; iv) the competitive intensity at every step in the value chain (from technology solution providers to issuers); and v) manufacturing cost development for biometric payment cards.

In addition to revenues from the payment vertical, Zwipe sees additional upside potential from additional product offering within the wearables and digital authentication verticals as well as through the licensing of IP.


OSLO, 11 MARCH 2019



ANDRÉ LØVESTAM
CEO



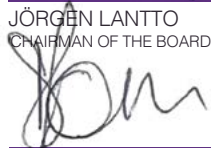
JÖRGEN LANTTO
CHAIRMAN OF THE BOARD



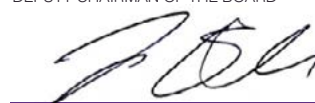
KIM KR. HUMBORSTAD
DEPUTY CHAIRMAN OF THE BOARD



FRANCIS VAN DEN BOSCH
BOARD MEMBER



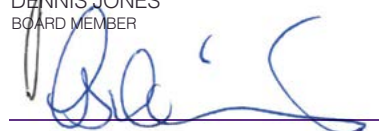
DENNIS JONES
BOARD MEMBER



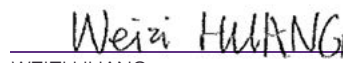
JOHAN BIEHL
BOARD MEMBER



ESPEN TØNDEL
BOARD MEMBER



LARS WINDFELDT
BOARD MEMBER



WEIZI HUANG
BOARD MEMBER

MANAGEMENT OVERVIEW

Executive Management



André Løvestam
CEO

- Extensive previous experience at the C-level, incl. CEO of Tomra Europe, Telecomputing, Umoe IKT and Kjedehuset
- Proven track record of commercial success from a variety of industries and markets



Lisbeth Breum
CFO

- Broad experience in Finance & M&A transactions
- Previously manager of Investor Relations and Investment Associate at private equity fund Herkules Capital & Senior Analyst with Danske Bank's Acquisition and Leveraged Finance team



Kim Humborstad
CGO

- Founded Zwipe (then OrigolD) in 2009
- Winner of several awards, including the FERD-award for highest international potential and FinTech Award for innovation in payments



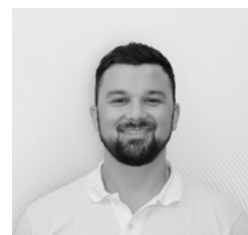
Eric Mercer
* CEO Zwipe America

- Highly experienced former program manager with an extensive background in supply chain management working for tech companies both large and small with the longest tenure prior to Zwipe being with Intel Corporation



Marcio Stervid
CCO

- Over 28 years of experience successfully working in senior positions at companies such as 3M, Bank of America, Gemalto, Verifone and AltaPay
- Has a broad and established skillset in the payments ecosystem



Ado Fazlic
VP Marketing

- Over 10 years of diverse experience working in a wide range of senior business development and marketing functions in organizations in the United States and across Europe

*Eric Mercer appointed CEO Zwipe America effective 21 February 2019

BOARD OF DIRECTOR'S OVERVIEW

Board of Director's



Jörgen Lantto
Chairman of the Board

- Former CEO of Fingerprint Cards
- 20+ year experience from various positions in Ericsson Group
- Chairman of myFC Holding AB, Board member of Dirac Research AB and Wirepas Oy, Advisory board of a handful of companies in the US, UK and Scandinavia



Kim Humborstad
Deputy Chairman

- Founded Zwipe (then OrigolD) in 2009
- Winner of several awards, including the FERD-award for highest international potential and FinTech Award for innovation in payments



Lars F. Windfeldt
Board Member

- Founder and CEO of Winta Eiendom AS
- More than 30 years of experience in real estate development, technology investments and asset management
- Funded Song Networks, a data and telecommunications operator in 1997



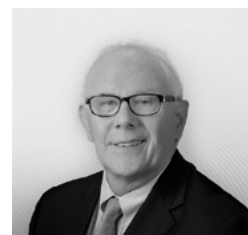
Espen Tøndel
Board Member

- Partner at Simonsen Vogt Wiig law firm
- Extensive experience within IT / Telecom / IP and M&A transactions
- Several awards including "Leading Individual" in Chambers Europe and Legal500



Francis van den Bosch
Board Member

- Advisory and board roles in several start-up companies within retail banking and payments markets
- Held a number management roles in the consumer banking sector of Citibank
- Former general manager for the European business in MasterCard



Dennis Jones
Board Member

- Recently retired as the COO of TSYS Issuer Solutions with extensive experience in the fintech, payments and processing sectors
- Former Chairman of Pay safe (a UK based global payments company), Former Chairman of MasterCard UK, Various executive roles within RBS and NatWest



Johan Biehl
Board Member

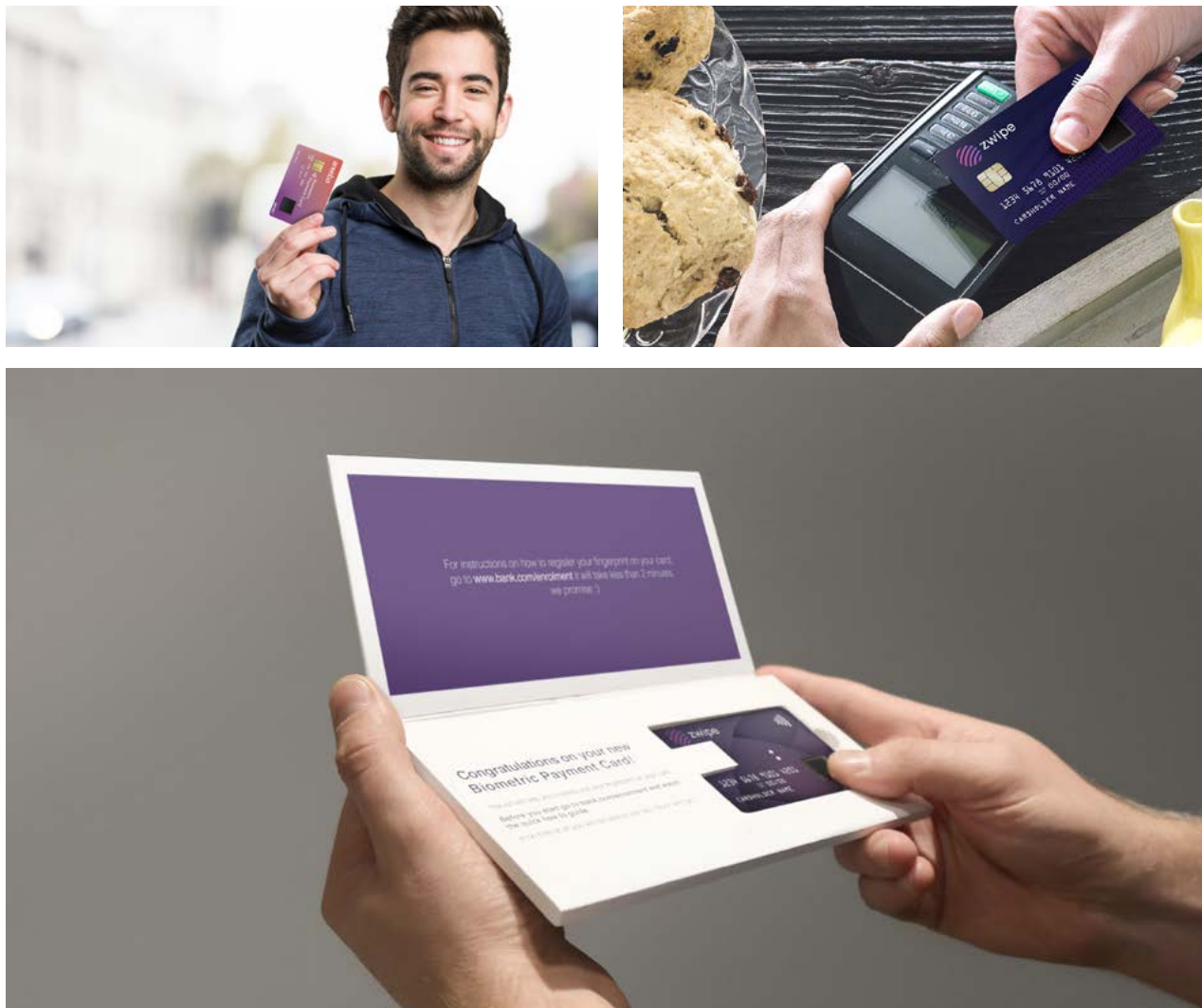
- Private investor
- Board member and Investment manager at Feat Invest AB since 2016
- Extensive experience with financial markets



Weizi Huang
Board Member

- Co-founder of Kuang-Chi, a privately owned diversified technology group based in China
- COO of KuangChi Science Ltd., a Hong Kong Exchange publicly listed affiliate of Kuang-Chi

ABOUT ZWIPE



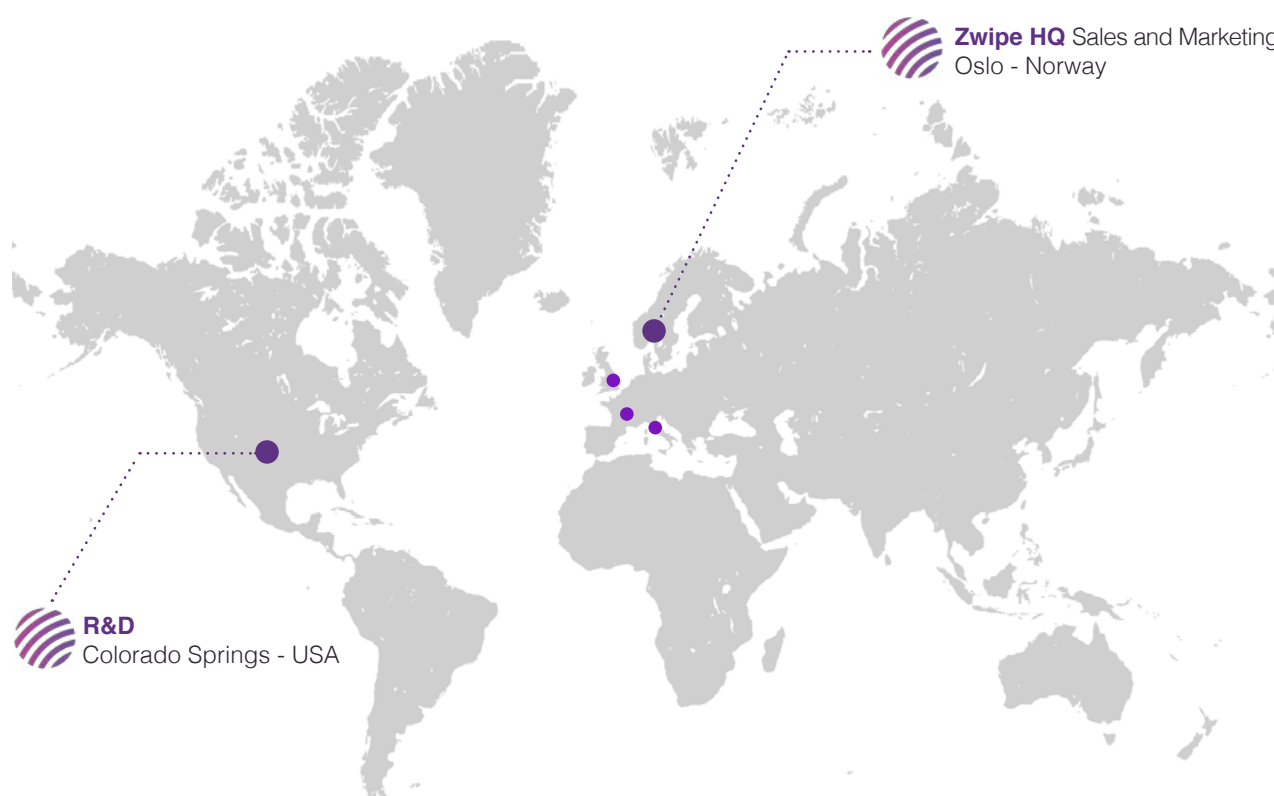
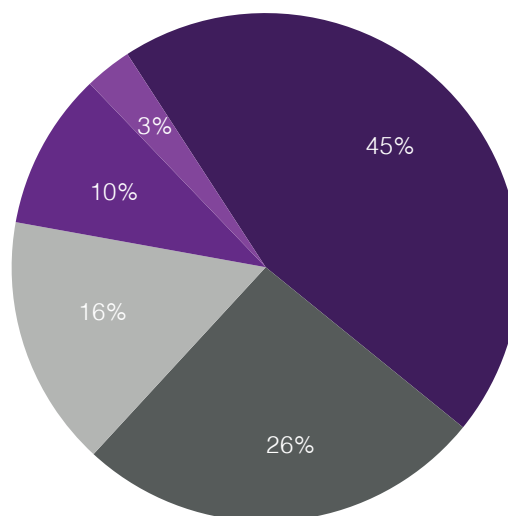
Zwipe's Mission and Vision

Zwipe's mission statement is "Making Convenience Secure". At the heart of our value proposition is a solution to the unnecessary trade-off between security and convenience.

Zwipe's vision is to be recognized as a global leader in ultra-low power, self-contained, biometric authentication solutions for physical and digital applications.

Employees

The Group had a total of 31 employees including contractors at the end of 2018. The chart below sets forth the respective departments that these employees belong to.



LEGAL STRUCTURE

Zwipe AS owns Zwipe America Inc 100%.

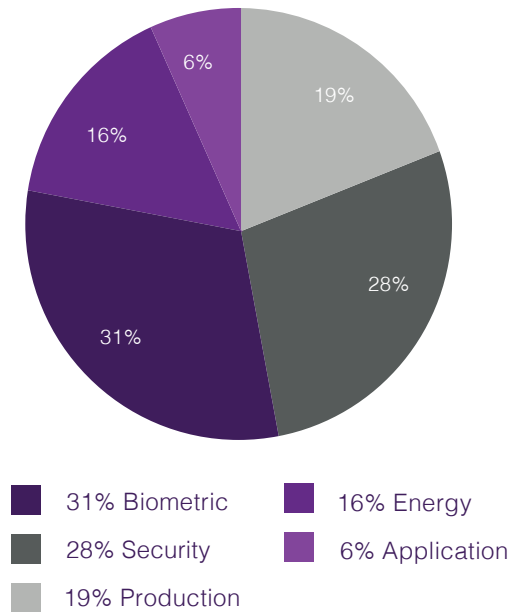
8 of the 31 employees were based at the Group's head office in located Oslo, Norway, whilst 19 employees were based in the United States. 2 consultants were based in the UK, 1 in Italy and 1 in France.

Zwipe IP

As per 31 December 2018 Zwipe had 32 patent families in its IP portfolio, with 8 patent families that include a granted patent in at least one jurisdiction. The company has pending patent applications spread across 31 patent families.

A patent family refers to a group of patents and/or patent applications for the same invention in various different jurisdictions. Zwipe has chosen to group its patent families in order to provide an indication of the areas of expertise within which the company has secured its IP protection: Production, Security, Biometric, Energy and Application.

The chart shows the percentage of patent families within each category:

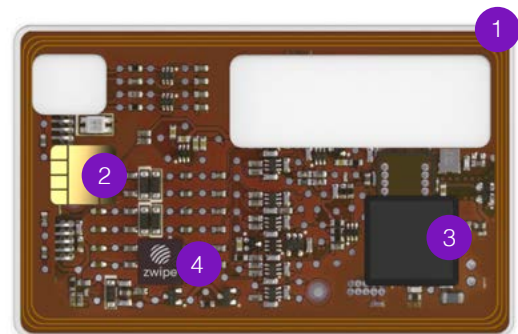


Zwipe's Products

During 2018, Zwipe focused on the commercial and technological development of its primary product offering, the biometric inlay for payment cards. A biometric inlay is the electronic circuit board inside of the payment card, notably containing the combination of Zwipe's biometric algorithms, card firmware and biometric processor, performing power harvesting and power management functionality.

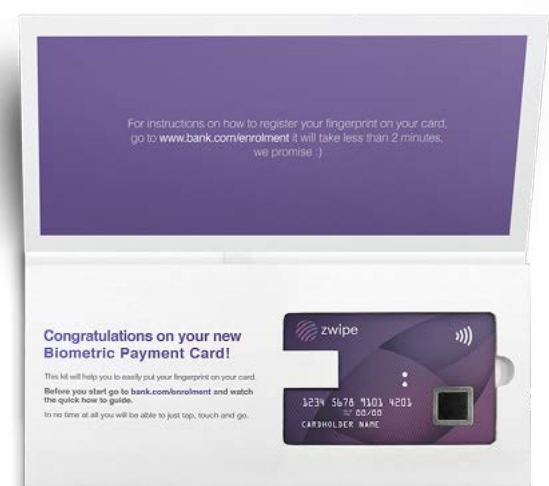
The image is an illustration of a "dummy" biometric inlay with explanations of some of the components:

- 1: Energy harvesting inlay design and IP
- 2: Biometric interface integration into EMV chip
- 3: Fingerprint Sensor and protective bezel
- 4: Ultra-low power biometric MCU with proprietary firmware and algorithm



Enrollment Solutions

Zwipe's intuitive at-home enrolment kit has the card neatly fixed to a power source in a design much like a "powered greeting card", which fits inside a traditional envelope, effectively turning the card on and off by opening and closing the enrolment kit. In this way, cardholders can securely register their unique fingerprint in the privacy of their own homes.





Zwipe Generation NxT – Platform for growth

In preparing for the planned commercialisation of Zwipe-enabled biometric payment cards in 2019, Zwipe has initiated an internal development program, Generation NxT, focused on scaling the company around three major commercialization initiatives;

- i) Supply-chain readiness and scalability
- ii) Performance improvements and technical differentiation
- iii) Cost competitiveness

DECLARATION FROM THE BOARD OF DIRECTOR'S AND CEO

We confirm that the annual financial statements for the period 1 January to 31 December 2018, to the best of our knowledge, have been prepared in accordance with applicable accounting standards and provide a true and fair view of the Group and of the Group's assets, liabilities, financial position and overall results. We also confirm that the Board of Directors' Report provides a true and fair view of the development and performance of the business and the position of the Company and the Group, as well as a description of the principal risks and uncertainties facing the Company and the Group.

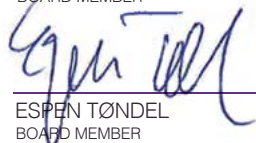
OSLO, 11 MARCH 2019



ANDRÉ LØVESTAM
CEO



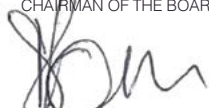
FRANCIS VAN DEN BOSCH
BOARD MEMBER



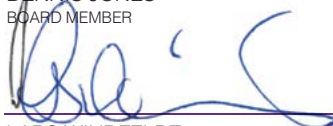
ESPEN TØNDEL
BOARD MEMBER



JÖRGEN LANTTO
CHAIRMAN OF THE BOARD



DENNIS JONES
BOARD MEMBER



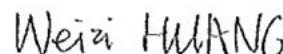
LARS WINDFELDT
BOARD MEMBER



KIM KR. HUMBORSTAD
DEPUTY CHAIRMAN OF THE BOARD



JOHAN BIEHL
BOARD MEMBER



WEIZI HUANG
BOARD MEMBER

FINANCIAL STATEMENTS GROUP AND PARENT COMPANY

Income Statement

Zwipe AS

Zwipe AS Group Consolidated

2018	2017	(Amounts in 1000 NOK)	Note	2018	2017
Operating Income					
2 276	1 073	Sales revenue	1	2 276	1 073
0	152	Other operating income		0	152
2 276	1 224	Operating income		2 276	1 224
Operating expenses					
5 088	2 454	COGS	6	5 088	2 454
16 063	7 334	Payroll expenses	2, 13, 15, 16	26 650	17 654
8 027	3 900	Depreciation and amortization of tangible and intangible fixed assets	3, 4	8 033	4 166
43 443	39 643	Other operating expenses	13, 15	30 793	27 420
72 622	53 331	Operating expenses		70 564	51 694
-70 346	-52 107	Operating profit/loss		-68 289	-50 469
Financial income and expenses					
43	46	Other interest income		43	47
405	706	Other financial income		405	706
2 223	2 509	Other interest expenses		2 225	2 509
1 980	1 013	Other financial expenses		1 977	1 013
-3 754	-2 770	Net financial income and expenses		-3 754	-2 769
-74 100	-54 877	Results before tax		-72 042	-53 239
0		Tax expense	10	657	506
-74 100	-54 877	Results after tax		-72 700	-53 745
-74 100	-54 877	Results for the year		-72 700	-53 745
Profit(+)/Loss(-) for the year attributable from:					
-55 561	-54 877	Share premium reserve		-57 855	-53 745
-18 539	0	Uncovered loss		-14 844	0
-74 100	-54 877	TOTAL	9	-72 700	-53 745

Balance Sheet

Zwipe AS			Zwipe AS Group Consolidated		
2018	2017	(Amounts in 1000 NOK) Assets	Note	2018	2017
Fixed Assets					
Intangible Fixed Assets					
6 018	2 157	Research and Development	4, 13,15	6 018	2 157
0	5 333	Licenses and patents	4, 11	0	5 333
0	0	Deferred tax asset	10		
6 018	7 490	Total Intangible Fixed Assets		6 018	7 490
Tangible Fixed Assets					
2 335	2 507	Equipment, fixtures and fittings	3, 13	2 335	2 542
2 335	2 507	Total Tangible Assets		2 335	2 542
Financial Fixed Assets					
386	386	Investment in subsidiaries	5	0	0
1 166	1 136	Other receivables (long term)	7	1 166	1 136
1 552	1 522	Total Financial Fixed Assets		1 166	1 136
9 905	11 519	Total Fixed Assets		9 519	11 168
Current Assets					
Inventories					
2 307	5 141	Inventories	6,11	2 307	5 141
2 307	5 141	Total Inventories		2 307	5 141
Receivables					
639	107	Accounts receivables	7, 11, 14	639	107
6 143	5 515	Other receivables	7,13	6 209	5 586
6 782	5 622	Total debtors		6 848	5 693
Cash					
9 302	47 635	Bank deposits, cash	8	10 797	49 263
9 302	47 635	Total cash		10 797	49 263
18 390	58 398	Total Current Assets		19 951	60 097
28 296	69 917	Total Assets		29 470	71 265

Balance Sheet

Zwipe AS

Zwipe AS Group Consolidated

2018	2017	(Amounts in 1000 NOK)	Note	2018	2017
Equity and liabilities					
Equity					
Paid-up Equity					
943	743	Share capital	9,12,16	943	743
0	35 762	Share premium reserve	9,16	0	37 855
-12 737	0	Uncovered losses	5,9, 18	-9 042	0
-11 795	36 504	Total restricted equity		-8 100	38 597
-11 795	36 504	Total equity		-8 100	38 597
Liabilities					
Long-term liabilities					
475	888	Other long term liabilities	11	475	888
475	888	Total of other long term liabilities		475	888
Short-term Liabilities					
9 471	5 153	Accounts Payables	14	6 902	4 065
1 914	541	Public duties payable	16	1 914	541
0	0	Tax payable	10	0	291
28 230	26 831	Other short term liabilities	11	28 278	26 884
39 615	32 524	Total short-term liabilities		37 094	31 780
40 090	33 412	Total liabilities		37 569	32 668
28 295	69 917	Total equity and liabilities		29 470	71 266


OSLO, 11 MARCH 2019



ANDRÉ LØVESTAM
CEO



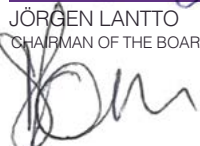
JØRGEN LANTTO
CHAIRMAN OF THE BOARD



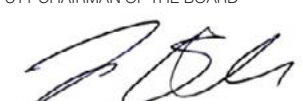
KIM KR. HUMBORSTAD
DEPUTY CHAIRMAN OF THE BOARD



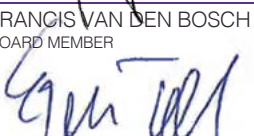
FRANCIS VAN DEN BOSCH
BOARD MEMBER



DENNIS JONES
BOARD MEMBER



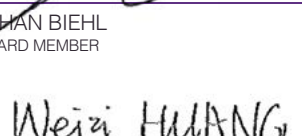
JOHAN BIEHL
BOARD MEMBER



ESPEN TØNDEL
BOARD MEMBER



LARS WINDFELDT
BOARD MEMBER



WEIZI HUANG
BOARD MEMBER

Cash Flow Statement

Zwipe AS

Zwipe AS Group Consolidated

2018	2017	(Amounts in 1000 NOK)	Note	2018	2017
-74 100	-54 877	Net Income / (Loss) before tax		-72 042	-53 239
		Taxes paid	10	-657	-391
5 802	1 078	(+) Options no cash effect	9	5 802	1 078
-	-	(-/+) Gains/Losses fixed assets		30	-
8 027	3 900	(+) Depreciation & amortisation	3,4	8 033	4 166
2 835	-1 033	(-) Change in Inventory	6	2 834	-1 033
-532	2	(-) Change in Accounts Receivable	7	-1 833	2
-658	-1 997	(-) Change in Other Current Assets		-650	-2 025
4 318	2 520	(+) Change in Accounts Payables		4 276	2 330
3 843	100	(+) Change in Short Term Liabilities		3 837	100
-50 465	-50 307	Net Cash use in Operating Activities		-50 370	-49 012
		Cash Flows from Investing Activities			
-6 384	-5 093	Intangible Assets and Capital Expenditures	3,4	-6 355	-5 336
-6 384	-5 093	Net Cash Provided by (used in) Investing Activities		-6 355	-5 336
-56 849	-55 400	Operational Cash Flow		-56 725	-54 348
		Cash Flows from Financing Activities			
		Interest			
2 148	1 758	Loan Adjustment (PIK interest no cash effec	12	2 148	1 789
20 000	81 987	Share issue	9	20 000	81 988
8 846		New short term loan	12	8 846	
-413		Repayment of Inovation Norway loan		-413	
-12 065		Repayment of shareholder loan		-12 065	
18 516	83 745	Net Cash Provided by Financing Activities		18 517	83 776
		Effect of Foreign Currency Translation		-257	10
-38 333	28 345	Net Increase / (Decrease) in Cash and Cash Equivalents		-38 466	29 438
47 635	19 289	Cash and Cash Equivalents at Beginning of Period		49 263	19 825
9 302	47 635	Cash and Cash Equivalents at End of Period	8	10 797	49 263
-38 333	28 345	Net cash flow		-38 466	29 438

NOTES TO THE FINANCIAL STATEMENTS

Accounting policies

Consolidated Zwipe Group and Zwipe AS

The financial statements have been prepared in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Consolidation

The Group's accounts include the parent company Zwipe AS and its 100% owned US subsidiary Zwipe America Inc (hereafter referred to as the Group). The parent company has controlling influence as it owns more than 50% of the shares in the subsidiary and the Group is in a position to exercise actual control over the company. Transactions and receivables between companies in the group have been eliminated. The Group accounts have been prepared applying uniform principles, in that the subsidiary follows the same accounting principles as the parent company.

The consolidated financial statements are presented in NOK. Zwipe AS is reporting in NOK and Zwipe America Inc is reporting in USD. The balance sheet has been translated from USD at the exchange rate on 31 December 2018, USD = NOK 8,6855. The profit and loss statement has been translated at the average exchange rate for the year in 2018 of USD = NOK 8,1338. Translation differences are presented as part of the equity.

Use of estimates

The preparation of financial statements in compliance with the Norwegian Accounting Act requires the use of estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies.

Revenue

Income from sale of goods and services are recognised at fair value, net after deduction of VAT, returns, discounts and reductions.

Income from sale of goods is recognised in the income statement when both risk and control have passed on to the buyer, the risk being the asset's profit and loss potential, whilst control is defined as having both the de-

cision-making rights as well as the jurisdiction. Historical data are applied to estimate and make provisions for quantity discount and returns at the date of sales.

Classification and assessment of balance sheet items

Assets intended for long-term (3 years or more) ownership or use have been classified as fixed assets. Assets relating to the operating cycle have been classified as current assets. Other receivables are classified as current assets if they are to be repaid within one year of the transaction date. Similar criteria apply to liabilities. First year's instalment on long term liabilities and long term receivables are, however, not classified as short term liabilities and current assets.

Intangible assets

An intangible asset is capitalized only when the Group can reliably measure the expenditure and a future financial benefit relating to the asset can be identified. Otherwise, such expenditure is expensed as and when incurred. Capitalised costs are amortised linearly over the asset's expected useful life.

Fixed assets

Tangible fixed assets are capitalised and depreciated linearly down to the residual value over the expected useful economic life of the assets. When the depreciation plan is changed, the effect is distributed over the remaining depreciation period. Maintenance of operating equipment is expensed on an ongoing basis. Upgrades or improvements are added to the acquisition cost of the asset and depreciated in line with the asset. The difference between maintenance and upgrade / improvement is assessed based on the condition of the asset when purchased. Plots and land are not depreciated.

Impairment of fixed assets

Impairment tests are carried out if there is indication that the carrying amount of an asset exceeds the estimated recoverable amount. The test is performed on the lowest level of fixed assets at which independent ingoing cashflows can be identified. If the carrying amount is higher than both the fair value less cost to sell and the value in use (net present value of future use/ownership), the asset is written down to the highest of fair value less cost to sell and the value in use.

Investments in other companies

The cost method is applied to investments in Zwipe America Inc. Investments are written down to fair value if the fair value is lower than the carrying amount.

Inventory

The inventory of purchased goods is valued at the lower of cost according to the FIFO principle and net realisable value. Finished goods of own production and work in progress inventories are valued at variable cost of production.

Receivables

Accounts receivable and other receivables are recorded in the balance sheet at nominal value after deduction of provisions for expected loss. Provisions for losses are made on the basis of individual assessments of the individual receivables.

Pensions

For the Norwegian parent company a defined contribution plan is implemented where the company pays contributions to an insurance company. The contribution is recognised as payroll expenses in the period to which the contribution relates. No pension contribution is covered for employees in the US.

Tax

The tax charge in the income statement consists of tax payable and changes in deferred tax. Deferred tax is calculated at 22% on the basis of the temporary differences that exist between accounting and tax values, as well as any possible taxable loss carried forwards at the end of the accounting year. Tax enhancing or tax reducing temporary differences which are reversed, or may be reversed in the same period, have been offset and netted.

The net deferred tax receivable is entered on the balance sheet to the extent that it is likely that it can be utilised. As a precaution, net deferred tax is not booked in the balance sheet.

Currencies

The consolidated financial statements and Zwipe AS are presented in NOK. Receivables and liabilities in foreign currency are valued at the exchange rate at the end of the financial year. Exchange gains and losses associated with sales of goods and goods purchases in foreign currency are recorded as other financial income and cost.

Comparison with previous accounts

The equity is presented in net figures where uncovered losses are deducted from the share premium reserve.

Cash flow statement

The cash flow statement has been prepared using the indirect method. Cash and cash equivalents consist of cash, bank deposits and other short-term, liquid investments.

Changes in accounting policies

Zwipe AS reported according to NGAAP for smaller enterprises, NRS 8, up until the company had to prepare a prospectus and comply with the requirements of admission to trading on Merkur Market, in 2018. Zwipe AS restated its financial accounts for 2017 and presented consolidated accounts according to NGAAP for the first time. The transition from NRS 8 to NGAAP only impacted the accounting procedures related to the share-based remuneration program, with NOK 1 084 000 being expensed, as the effect in the accounts for 2017.

Besides the change to NGAAP, there has not been any accounting policy change in 2018.

NOTES

All amounts are presented in TNOK

Note 1 Revenues

Zwipe AS / Group

Activity distribution	2018	2017
Revenues from sale of goods	2 276	1 073
Revenues from sub lease of offices	-	152
Total	2 276	1 224

Geographical distribution	2018	2017
Norway	25	285
Other countries	2 251	939
Total	2 276	1224

Note 2 Personnel expenses, number of employees, remuneration, loan to employees

	Zwipe AS		Group	
	2018	2017	2018	2017
Payroll expenses				
Salaries/wages	7 609	5 244	18 196	15 043
Social security fees	1 276	826	1 276	826
Pension expenses	161	91	161	91
Other remuneration	35	95	35	615
Share based remuneration (salary part)	5 802	1 079	5 802	1 079
Share based remuneration (employer's tax)	1 180	-	1 180	-
Total	16 063	7 334	26 650	17 654

Payroll expenses in 2018 for Zwipe AS includes 13 payrolls compared to 12 in 2017, as the company in 2018 changed payment routines from arrears pay to payment in advance.

Average number of employees	8	8	29	24
	2018		2017	
Remuneration	CEO	Board	CEO	Board
Salaries/wages	2 050	-	1 010	-
Pension expenses	21	-	18	-
Other remuneration	9	288		
Share based remuneration	3 683	733	194	595
Sum	5 763	1 021	1 222	595

New CEO in the Group from 1 March 2018. The January and February 2018 salary for the former CEO is included in the table.

In the table above, only the new CEO's stock options are included under share-based remuneration for the CEO.

Guidelines for determining the remuneration of senior executives

The Compensation Committee, appointed by the Board of Directors, proposes remuneration for the CEO to the Board of Directors. The CEO proposes and discusses senior executive remuneration with the Compensation Committee. The Compensation Committee develops the share-based incentive program in collaboration with the CEO and CFO.

OTP (Statutory occupational pension)

The company is required to have a pension scheme in accordance with the Norwegian law on mandatory occupational pension ("lov om obligatorisk tjenestepensjon").

The company's pension scheme meets the requirement of this law with a contribution of 2% of salary.

Share based remuneration (number of options and value)

	Granted	Vested	Unvested	Value of options granted (1000 NOK)
Management/employees				
André Lovestam	440 000	250 000	190 000	3 683
Kim Humberstad	92 000	42 000	50 000	544
Lisbeth Breum	60 000	8 000	52 000	117
Orlando Martinez	60 000	7 083	52 917	142
Adnan Fazlic	20 000	2 833	17 167	54
Marcio Stervid	60 000	0	60 000	44
Total value of options granted to other employees	105 000	20 426	124 574	470
Total share based remuneration (Management/employees)	837 000	330 343	546 657	5 053
Members of the Board				
Francis van den Bosch	42 500	2 500	40 000	95
Espen Tøndel	50 000	10 000	40 000	157
Lars Windfeldt	10 000	10 000	0	81
Jörgen Lantto	90 000	10 000	80 000	242
Dennis Jones	40 000	0	40 000	80
Johan Biehl	40 000	0	40 000	80
Total share based remuneration (Board)	272 500	32 500	240 000	733
Nomination Committee				
Magnus Berner	20 000	0		8
Paal Raaholt	20 000	0		8
Total share based remuneration (Nomination committee)	40 000	0	0	16
Total share based remuneration	1 149 500	362 843	786 657	5 802

Expensed audit fee

	Zwipe AS		Group	
	2018	2017	2018	2017
Statutory audit fee	185	183	185	183
Other audit assistance	49		49	
Other services	632	52	632	52
Total audit fees	866	235	866	235

Note 3 Fixed assets

	Zwipe AS			Group		
	Office machinery	Tools	Total	Office machinery	Tools	Total
Acquisition cost 01.01.2018	256	3 602	3 858	796	3 602	4 398
Additions	0	1 012	1 012	0	1 012	1 012
Skattefunn	0	-130	-130	0	-130	-130
Disposals	0	0	0	-540	0	-540
Acquisition cost 31.12.2018	256	4 484	4 740	256	4 484	4 740
Acc. depreciation/ impairment 31.12.2018	163	2 242	2 405	163	2 242	2 405
Book value 31.12.2018	93	2 242	2 335	93	2 242	2 335
Depreciation in the year	73	980	1 054	79	980	1 059
Depreciation plan	Linear	Linear		Linear	Linear	
Economic useful life	3 year	5 year		3 year	5 year	

Note 4 Intangible assets

	Zwipe AS			Group		
	Research and development	Concessions, patents etc.	Total	Research and development	Concessions, patents etc.	Total
Acquisition cost 01.01.2018	9 224	7 581	16 804	9 224	7 581	16 804
Additions	6 126	0	6 126	6 126	0	6 126
Skattefunn	-624	0	-624	-624	0	-624
Disposals	0	0	0	0	0	0
Acquisition cost 31.12.2018	14 726	7 581	22 306	14 726	7 581	22 306
Accumulated depreciation/ impairment 31.12.2018	8 708	7 581	16 288	8 708	7 581	16 288
Book value 31.12.2018	6 018	0	6 018	6 018	0	6 018
Depreciation in the year	1 641	0	1 641	1 641	0	1 641
Amortization in the year	0	5 333	5 333	0	5 333	5 333
Total Depreciation and amortization in the year	1 641	5 333	6 974	1 641	5 333	6 974
Depreciation plan	Linear			Linear		
Economic useful life	5 year			5 year		

At the end of 2018, Zwipe wrote down the value of its patents by NOK 5,3 million. The charge reflects the uncertainty in estimating the future revenues. Due to uncertainty in estimating future revenues, Zwipe will only capitalize patent costs incurred after a patent has been licensed and will amortize the patents over the potential lifetime of the license. As per 31 December 2018 Zwipe had 32 patent families in its IP portfolio, with 8 patent families that include a granted patent in at least one jurisdiction. The company has pending patent applications spread across 31 patent families. Some of the patents, granted or applied for, are fundamental to Zwipe's technology platform and some are relating to inventions relevant to the production process of the biometric inlay, of certain functionalities of a payment card, the embedding of components to a payment card, etc.

Note 5 Investment in subsidiaries and associates and joint ventures

The US subsidiary provide various services to the parent company, mainly within technical development and supply-chain activities.

Zwipe AS	Location	Ownership/ voting rights	Investment
Zwipe America Inc.	Colorado Springs, USA	100 %	386 101

Note 6 Inventories

Zwipe AS / Group	2018	2017
Raw materials	3 017	3 413
Goods in production	643	1 125
Finished goods	967	603
Write-off	-	-
Total net inventory	2 307	5 141

Following the decision to focus on the payment vertical and discontinue access control sales efforts, inventory related to the access control vertical was written off 31.12.2018. Obsolete versions of the payment inlay were also written off.

Note 7 Receivables

Receivables due later than one year	Zwipe AS		Group	
	2018	2017	2018	2017
Loan to employees	731	716	731	716
Receivables due later than one year	434	420	434	420
Total receivables due later than one year	1 166	1 136	1 166	1 136

Zwipe has issued loans in favour of two key employees. The purpose of the loans was to finance purchase of shares in Zwipe. The total outstanding amount to employees is TNOK 731 (including accumulated interests). The loans carry an interest equal to the prescribed interest rate (Norwegian: "normrente") for loans to employees as applicable from time to time (currently 2.1%). No loans/sureties have been granted to the CEO, Chairman of the Board or other related parties.

Other receivables

A grant of NOK 5 million for 2018 to fund R&D projects approved by the Research Council of Norway (Governmental grant SkatteFunn), is expected to be received second half of 2019. The grant is subject to final approval by the tax authorities. The corresponding received amount for 2017 was NOK 5 million.

Accounts receivables	Zwipe AS		Group	
	2018	2017	2018	2017
Accounts receivables	639	107	639	107
Provision for losses	0	0	0	0
Book value of accounts receivables 31.12	639	107	639	107
Realised losses	0	0	0	0

Note 8 Restricted bank deposits

	Zwipe AS		Group	
	2018	2017	2018	2017
Restricted funds deposited in the tax deduction account	847	329	847	329

Note 9 Equity

Zwipe AS

	Share premium			
Zwipe AS	Share capital	reserve	Uncovered loss	Total equity
Equity 01.01.2017	457	82 248	-74 389	8 316
Implementation option program expensed			-642	-642
Share based compensation			642	642
Restated equity 01.01.2017	457	82 248	-74 389	8 316
Share issues	62	37 215		37 277
Share issues	0	107		108
Share issues	223	44 373		44 596
Share based compensation			1 084	1 084
Annual net profit/loss		-128 182	73 305	-54 877
Equity 31.12.2017	743	35 761	0	36 504
Proceeds from issue of shares	200	19 800	0	20 000
Annual net profit/loss	0	-55 561	-18 539	-74 100
Share based compensation			5 802	5 802
Currency effect	0		0	0
Equity 31.12.2018	943	0	-12 737	-11 795

	Share premium			
Group	Share capital	reserve	Uncovered loss	Total equity
Equity 01.01.2018	743	37 854	0	38 597
Share issues	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
Equity 31.12.2018	943	0	-9 042	-8 100

Note 10 Tax

The tax charge in the income statement consists of tax payable and changes in deferred tax. Deferred tax is calculated at 22% on the basis of the temporary differences that exist between accounting and tax values, as well as any possible taxable loss carried forwards at the end of the accounting year. Tax enhancing or tax reducing temporary differences, which are reversed or may be reversed in the same period, have been offset and netted.

Group		
This year's tax expense	2018	2017
Entered tax on ordinary profit/loss:		
Payable tax	0	0
Changes in deferred tax advantage	0	0
Tax expense on ordinary profit/loss	0	0
 Taxable income:		
Ordinary profit/loss before tax	-74 100	-53 798
Permanent differences	-4 875	-4 095
Changes temporary differences	5 370	1 984
Taxable income	-73 605	-55 909
 Total payable tax in the balance	0	0

The tax effect of temporary differences and losses carried forward that has formed the basis for deferred tax and deferred tax advantages, specified on type of temporary differences:

	Zwipe AS		
	2 018	2 017	Temporary Difference
Tangible fixed assets	-6 275	-3 241	3 034
Inventories	-2 320		2 320
Accounts receivable		16	16
Total	-8 595	-3 225	5 370
 Accumulated loss to be brought forward	-209 075	-135 469	73 605
Not included in the deferred tax calculation	2 384	1 537	-847
Basis for calculation of deferred tax	-215 286	-137 158	78 128
 Deferred tax (22 % / 23 %)	-47 363	-31 546	15 817

As a precaution, deferred tax is not booked to the balance sheet.

Zwipe America Inc Tax	2 018	2 017
Income Tax	657	506
Tax payable	0	291

Note 11 Debtors, liabilities, pledged assets and guarantees etc.

	Zwipe AS		Group	
	2018	2017	2018	2017
Liabilities secured by mortgage				
Liabilities to credit institution	475	888	475	888
Short term liabilities	14 901	24 538	14 901	24 538
Total	15 376	25 426	15 376	25 426
 Balance sheet value of assets placed as security	2018	2017	2018	2017
Inventory, Accounts Receivable and IP	2 946	10 582	2 946	10 582

A convertible loan of USD 3.5 million was granted by main shareholder Kuang-Chi in 2015. The loan was secured by patent pledge and pledge in chattels. The loan was subscribed in 2016 for USD 2.8 million (NOK 22.3 million). The loan agreement was amended both in 2017 and in 2018, related to both structure and terms, and is no longer a convertible loan. The loan matures early 2019.

Zwipe has been granted 2 loans by Innovation Norway with a total of NOK 2.5 million. The outstanding payment due is NOK 475 000. Innovation Norway has the first priority pledge in chattels.

Note 12 Share capital and shareholder information

2018

Group / Zwipe AS			
Share capital	Number	Nominal value	Book value
Ordinary Shares	9 425 662	0,1	942 566

The share capital is owned by the following shareholders as per 31.12.2018:

Shareholders:	Number of shares	Ownership
Lars Windfeldt (Board Member)*	950 195	10,1 %
Photon Future Limited	915 869	9,7 %
Launch AS (Founder, CGO)	849 298	9,0 %
Concito AS	535 610	5,7 %
Telecom AS	290 000	3,1 %
Feat Invest AB	251 500	2,7 %
Altitude Capital AS	250 000	2,7 %
Prog Seed AS	241 338	2,6 %
MP Pensjon PK	208 000	2,2 %
Advisum AS	190 876	2,0 %
Jörgen Lantto (Chairman of the Board)	180 000	1,9 %
Johan Biehl (Board Member)	170 000	1,8 %
John Bäck	164 361	1,7 %
Patri invest & Trading AS	151 000	1,6 %
Prinvest AS	150 579	1,6 %
Edale Capital Ltd	150 000	1,6 %
Energetic AS (CEO)	140 000	1,5 %
LJM AS	128 666	1,4 %
Patrick Bergström	115 000	1,2 %
Langebru AS	111 696	1,2 %
Other	3 281 674	34,8 %
Total	9 425 662	100,0 %

*Mr. Windfeldt owns shares through various companies and is also represented by family members.
The company has one class of shares and all shares come with full voting rights.

Shares owned by members of the board and the CEO	2018
André Lovestam (CEO)**	140 000
Lars Windfeldt* (Board Member)	950 195
Kim Humborstad***	849 298
Johan Biehl	170 000
Jörgen Lantto	180 000
Espen Tøndel	26 352

*Mr. Windfeldt owns shares through various companies and is also represented by family members.

** Mr. Lovestam's shares are held through the company Energetic AS where he owns 50% of the shares

*** Mr. Humborstad's shares are held through his wholly-owned company Launch AS

Convertible Loan

On the company's extraordinary General Meeting held on 19 September 2018, the company as the borrower entered into a convertible loan agreement with a Swedish private investor, with a principal loan amount of SEK 9.1 million and interest rate of 2% per month. The interest is added to the outstanding amount each calendar month. The entire convertible loan of SEK 9.9 million was converted to 520 542 shares in January 2019.

Equity Issue

In order to strengthen the Group's equity and financial position, enabling repayment of debt and secure working capital for the Group's business, the Group completed an equity issue in January 2019 and raised NOK 120 million in capital by issuing 6 000 000 new shares.

The share capital is owned by the following shareholders as per 25.02.2019:

Shareholders:	Number of shares	Ownership
Avanza Bank AB	2 389 695	15,0 %
Nordnet Bank AB	1 193 369	7,5 %
ARCANUM EIENDOM AS	954 667	6,0 %
PHOTON FUTURE LIMITED	915 869	5,7 %
LAUNCH AS	849 298	5,3 %
SUNDT AS	800 000	5,0 %
Skandinaviska Enskilda Banken AB	792 400	5,0 %
CONCITO AS	535 610	3,4 %
ALTITUDE CAPITAL AS	350 000	2,2 %
TELECOM AS	340 000	2,1 %
SVENSKA HANDELSBANKEN AB	270 000	1,7 %
ADVISUM AS	264 276	1,7 %
DNB BANK ASA	262 551	1,6 %
LANGEBRU AS	251 696	1,6 %
PROG SEED AS	241 338	1,5 %
PRINVEST AS	226 501	1,4 %
PATRI INVEST & TRADING AS	226 500	1,4 %
ARCANUM AS	225 676	1,4 %
MP PENSJON PK	208 000	1,3 %
LJM AS	198 666	1,2 %
Other shareholders	4 450 093	27,9 %
Total	15 946 205	

Note 13 Grants

	Zwipe AS and Group	
Grants during the year	2018	2017
SkatteFunn (recognised as cost reduction)	4 246	3 907
SkatteFunn (capitalized as reduction of acquisition cost)	754	1 093
Total SkatteFunn	5 000	5 000

SkatteFunn grants for research and development projects are contingent on pre-approved project applications and approved completion reports to the Research Council of Norway, as well as auditor's confirmation of costs. The recognised amount in 2018 represents Zwipe's claim based on the cost of the approved project applications. The 2018 reports have been submitted and approved. The cost basis has been audited in the tax return filing process. The support for 2018 will be paid out in the second half of 2019. The company also received NOK 5 million in Governmental Grant in 2017.

Late in 2018, Zwipe was awarded a EUR 2.3 million grant from Horizon 2020, the European Union Research and Innovation program. The grant does not have any effect on the 2018 accounts.

Note 14 Intercompany balances

Receivables	2018	2017
Loans to companies in the same group	0	0
Customer receivables within the group	2 632	1 191
Other short-term receivables within the group	0	0
Total	2 632	1 191
Liabilities		
Loans from companies in the same group	0	0
Debt to suppliers within the group	2 632	1 191
Other short-term liabilities within the group	0	0
Total	2 632	1 191

There is a Service Agreement between Zwipe AS and Zwipe America Inc in place. Under this agreement, Zwipe AS retains Zwipe America Inc. to provide development services and supply chain services to Zwipe AS. In return for receiving the services, Zwipe AS pays Zwipe America Inc. an amount equal to Zwipe America Inc's total operating costs connected to such services plus a mark-up, corresponding to NOK 15.2 million in 2018.

Note 15 R&D Expenses

Research costs are expensed when incurred. If the costs satisfy the criteria for capitalisation, the costs are capitalized in the balance sheet. The value of the Governmental Grant Skattefunn is deducted from the asset's acquisition cost, resulting in the net value being recognised in the balance sheet.

R&D expenses amount to NOK 32 million in 2018, whereby NOK 6.9 million are capitalized. R&D expenses include purchased materials and components as well as external project costs for design, manufacturing (production trials and pilot production runs), testing and other work conducted by various companies and institutions. The major part of the R&D expenses in 2018 has been related to the development of the biometric inlay and continued optimization of Zwipe's technology platform.

Note 16 Share based payments

The company has a share-based option programme covering certain employees in senior positions, members of the board and nomination committee members. Each option gives the holder the right to acquire one share from the company at a strike price defined in the individual share option agreement. All options are conditional that the grantee remains employed. All vested options may be exercised in any period prior to the expiry date. As at 31.12.2018, 23 persons were included in the option programme. The options vest every 6 months from grant date. The options may be exercised at vesting.

The fair value of the options is set on the grant date and expensed over the vesting period. The fair value of options awarded is estimated using the Black-Scholes option pricing model. NOK 5 802,2 thousand have been expensed in 2018.

The option program was modified and expanded in 2018 with the issue of 549 074 new options and modification of 600 426 existing options. The modification is related to changes in the option terms. The fair value of new options and modified (net) is shown below.

	Number of options	Average strike	
Vested	362 841	11,34	
Unvested	786 659	15,34	
Sum outstanding options	1 149 500	14,08	

	Options	Average strike	Estimated fair value at modification/issue date
Overview of outstanding options			
IB	145 708	59,80	
New options issued 1	472 500	25,00	
Modification 1	-277 917	60,00	
Modification 1	277 917	25,00	
Expired	-2 000	25,00	
30/06/2018	616 208	25,30	
Modification	-616 208	25,30	
Modification board	272 500	25,00	NOK 0.2 - 1.4
Modification rest	327 926	10,00	NOK 6.1 - 12.1
New options issued 2	509 074	10,00	NOK 11.1-12.2
New options issued 2	40 000	25,00	NOK 4.4-5.9
Outstanding options 31.12.2018	1 149 500	14,08	
Off which exercisable	362 841	11,34	

The outstanding options are subject to the following conditions:

Vesting periods	Expiry date	Average strike	Number of share options	Vested
31.12.2018	01.07.2022	11,34	362 841	362 841
30.06.2019	01.07.2022	14,73	221 941	584 782
31.12.2019	01.07.2022	14,73	221 941	806 723
30.06.2020	01.07.2022	18,27	126 941	933 664
31.12.2020	01.07.2022	18,27	126 941	1 060 605
30.06.2021	01.07.2022	10,00	44 441	1 105 046
31.12.2021	01.07.2022	10,00	44 454	1 149 500

The calculations are based on the following assumptions:

Share price on the grant date

The share price is set to the last equity issue.

The strike price per option

The strike price is set to NOK 25 or NOK 10 depending on the contract.

Volatility

It is assumed that historic volatility is an indication of future volatility. The expected volatility is therefore stipulated to be the same as the historic volatility, which equals a volatility of 50,7% - 55,7 % depending on the allocation date

The term of the option

It is assumed that 50 % of the employees will exercise the options once they are exercisable. The options are expected to have an average weighted lifetime of 3,7 years

Risk-free interest rate

The risk-free interest rate is set equal to the interest rate on government bonds during the term of the option, i.e. 0,4 %-1,2 % depending on the allocation date and maturity of the option.

Note 17 Outstanding warrants

Mastercard International Inc. had a right to acquire up to 1,250,000 shares in the Company, following an agreement signed in July 2015. The freestanding subscription rights were only exercisable upon the occurrence of an equity issue and the exercise price would be the same price as the equity issue price. As such the Company does not deem the subscription rights value to fulfill the criteria for recognition as a separate liability and has therefore not capitalized the subscription rights. According to the agreement Mastercard's subscription rights will terminate upon an initial public offering. The equity issue completed in January 2019 constituted an initial public offering in accordance with the agreement, and as such Mastercard International does no longer have the right to demand that Zwipe issues any new shares thereunder.

Note 18 Subsequent Events

A capital increase of NOK 120 million was completed in January 2019, improving the Group's financial position. The going concern assumption is present although the Group had negative equity per 31.12.2018, as the Group completed a NOK 120 million capital raise in January 2019.

AUDIT REPORT



BDO AS
Munkedamsveien 45
Postboks 1704 Vika
0121 Oslo

Independent Auditor's Report

To the General Meeting in Zwipe AS

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Zwipe AS.

The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2018, the income statement and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2018, and income statement and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of Zwipe AS as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying financial statements give a true and fair view of the financial position of the group Zwipe AS as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report.



Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation and fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to:

<https://revisorforeningen.no/revisjonsberetninger>

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial



Information», it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 11 March 2019

BDO AS

A handwritten signature in blue ink, appearing to read 'Kjetil Ardem', is written over a horizontal line.

Kjetil Ardem

State Authorised Public Accountant

GLOSSARY

Access card

A clamshell plastic card used as a credential in access control systems to authenticate a person's identity, determine the appropriate level of access, and provide access to the physical resource

Algorithm

A systematic procedure for how to conduct a calculation or solve a problem in a given number of steps

Authentication

Control process for a particular entity; in conjunction with logging on, for example. The word is synonymous with verification

Biometric algorithm

Extraction and matching algorithms that when combined enable a biometric system to recognize an individual by his or her anatomical/behavioral traits

Biometric Inlay

The electronic flexible circuit board inside the payment card, notably containing Zwipe's biometric engine, power harvesting and power management functionality

Biometric payment card

Payment card with a fully embedded fingerprint sensor and on-card extraction and matching system enabling fingerprint authentication as an alternative to PIN or signature

Dual Interface payment cards

Payment card with an embedded chip and antenna enabling both contact transactions (inserted or swiped at payment terminals) and contactless transactions (waved at payment terminals)

Enrolment solution

Solution allowing the initial fingerprint data to be registered on the payment card

Form Factor

Type of device that serves as a delivery channel for payments, e.g. plastic cards, key fobs etc.

Payment Card

Plastic payment cards which are issued by issuers/banks to customers enabling the cardholder to access funds and make payments

Payment ecosystem

A system enabling payment transactions, comprising payment schemes, component suppliers, card manufacturers, issuers, merchants, payment transaction acquirers, regulators and governments and consumers

Zwipe biometric engine

The combination of Zwipe's biometric algorithms, card firmware and biometric processor

Zwipe core technology

Differentiating technologies specifically fit for constrained environments like ultra-thin and ultra-low power environments. Zwipe core technology comprise i) energy harvesting and power management systems, ii) firmware, iii) biometric algorithms, all designed for ultra-thin and ultra-low power high performance embedded applications and iv) Biometric and payment system integrations