



# Zwipe AS

## Annual Report

### 2017





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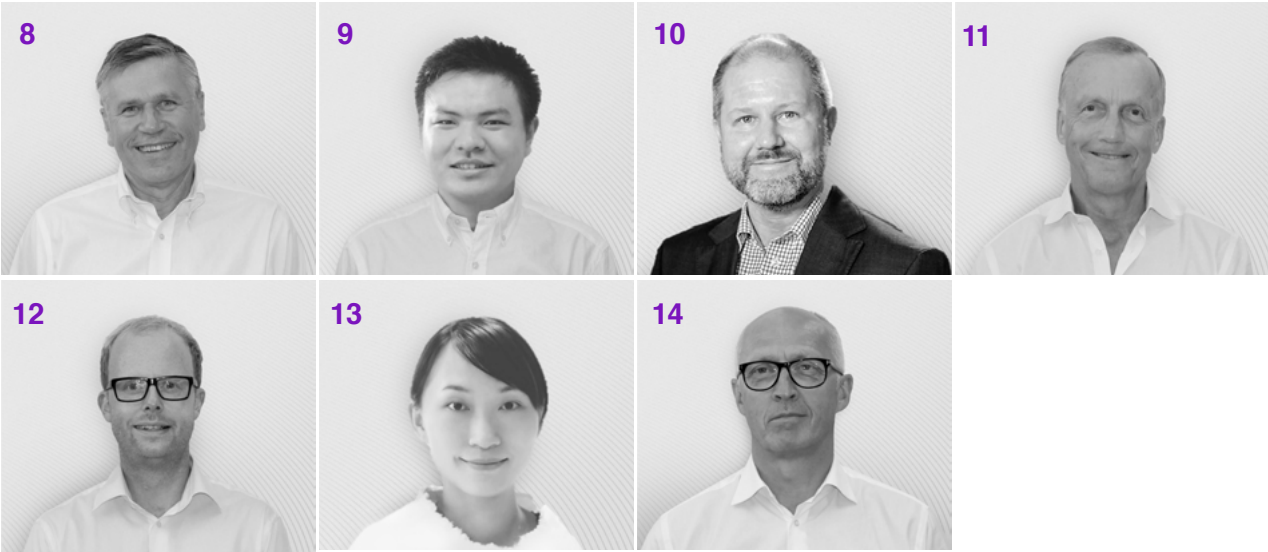
# EXECUTIVE MANAGEMENT

- 1: *ANDRÉ LØVESTAM - CEO*
- 2: *KIM KRISTIAN HUMBORSTAD - FOUNDER AND CGO*
- 3: *LISBETH BREUM - CFO*
- 4: *STEFFEN LARSEN - SVP PRODUCTS*
- 5: *ORLANDO MARTINEZ - COO*
- 6: *EINAR BOIJE - SVP ACCESS CONTROL*
- 7: *PASCAL DUFOUR - SVP PAYMENT*



# BOARD OF DIRECTORS

- 8: *CLAS THELIN - CHAIRMAN OF THE BOARD*
- 9: *RUOPENG LIU - BOARD MEMBER*
- 10: *JÖRGEN LANTTO - BOARD MEMBER*
- 11: *LARS F. WINDFELDT - BOARD MEMBER*
- 12: *CARL-FREDRIK GRØSLAND - BOARD MEMBER*
- 13: *WEIZI HUANG - BOARD MEMBER*
- 14: *ESPEN TØNDEL - BOARD MEMBER*





# Board of Director's Report 2017





## About Zwipe AS

Zwipe is a biometric technology company that develops and commercializes secure, fast and easy to use biometric authentication solutions in three key areas, payments, access control and ID. Zwipe AS is the parent company with offices in Oslo, Norway. The financials and notes presented are for the Norwegian parent company Zwipe AS. In this report, Zwipe refers to the Zwipe Group including the American subsidiary.

Zwipe has developed the world's first biometric authentication engine that can perform full ID verification without the need for batteries or a fixed power supply. Zwipe's technology can be implemented in a wide range of high volume applications. Currently, the main focus is on smart payment cards, access control cards and identification credentials or badges. Unlike the payment and ID solutions, Zwipe's access control cards utilize batteries and offer the world's most portable two-factor biometric access control credential. Compatible with the majority of access systems, Zwipe's product allows for upgrades to biometrics without having to change existing infrastructure.

Zwipe's business activities are mainly related to development, industrialization and commercialization of the biometric inlay for smartcards, as well as gaining traction for its commercialized access control card. Demand for simple and secure authentication is increasing, supporting the company's business case. During 2017, Zwipe shipped its first commercial orders for its contactless biometric payment card inlay. The inlays met the

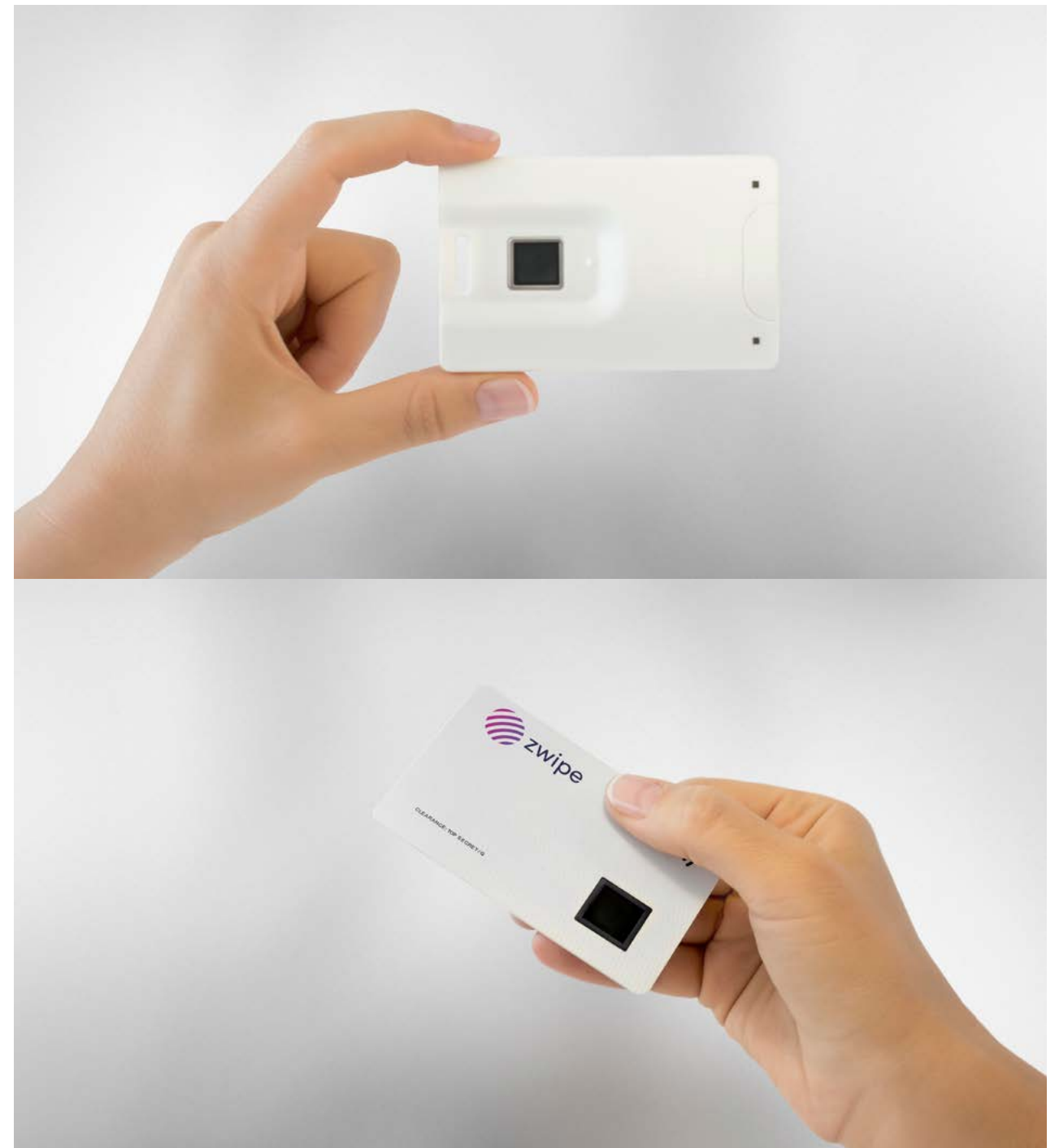
ISO standard and were used in smaller pilots in 2017, and will be used in pilots with banks in 2018.

Zwipe's contribution in the payment value chain is the biometric inlay, together with extensive knowledge and competence of the payment eco system, making Zwipe function as a system integrator. The current business model comprise design and development of biometric authentication solutions and power harvesting technology. Zwipe sells access control cards with battery to system integrators and distributors. Upon commercial deployment of its biometric inlay for payment cards, Zwipe will sell and license its products and solutions to card manufacturers.

The markets currently targeted by Zwipe are characterized by high volumes, and includes access control, financial services / payment and ID. Zwipe has entered into several partnerships with various stakeholders within the value chains of access control and payment. In total, Zwipe's card manufacturing partners represent over 40% of the global smart card market, per volume shipped\*.

In the longer term, Zwipe plans to license its technology to global Original Equipment Manufacturers (OEMs) that can embed Zwipe's technology in its applications, targeted for e.g. the market of the Internet of Things (IoT). This is expected to increase the scalability of Zwipe and make it possible to grow revenues at scale with lower working capital requirements.

\* Per the Nilson Report



## Financial review

Zwipe AS reported total revenue of NOK 1.2 million in 2017, driven by sales of access control cards. Towards the end of 2017 Zwipe entered the commercialization phase for its payment products. Total operating expenses were NOK 52.3 million, consisting mainly of COGS, personnel expenses, legal fees, fees related to fundraising, travel expenditures and administrative expenditures, which resulted in an EBITDA of NOK -47.1 million. The result for the year reflects the company's operational expansion plan and gave a loss of NOK 53.8 million, which was covered by other equity. The increase of NOK 17.1 million from 2016 is primarily driven by operational expansion.

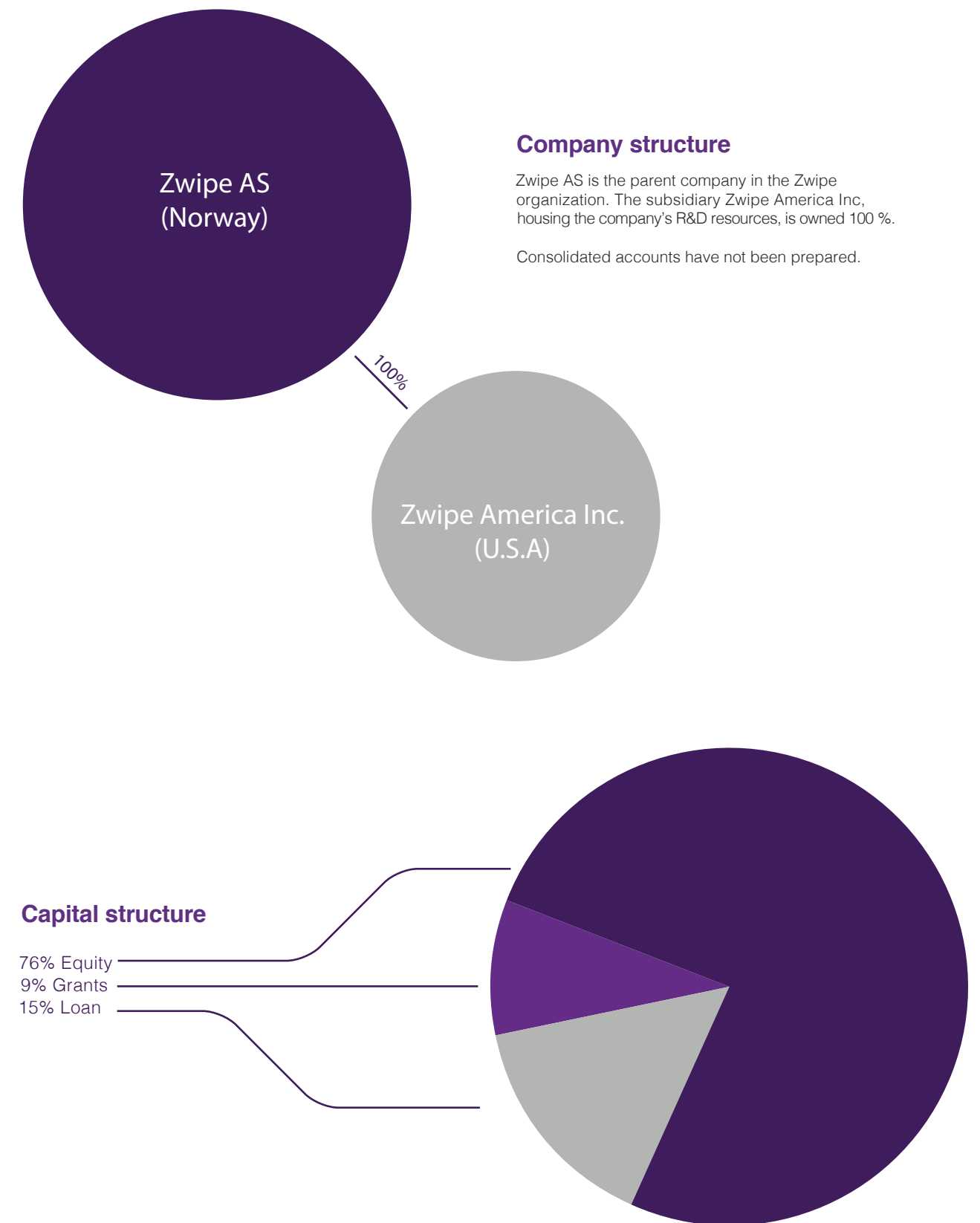
By year-end, cash and cash equivalents was NOK 47.6 million, up NOK 28.3 million from 2016.

As of 31 December, Zwipec had a liquidity position of NOK 47.6 million. Total equity was NOK 36.5 million, corresponding to an equity ratio of 52 %. Total liabilities was NOK 33.4 million, of which NOK 26.8 million in short-term interest bearing debt. Total assets was NOK

69.9 million by year-end, of which NOK 7.5 million was intangible assets related to research and development activities and intellectual property (patent portfolio). The company expects that investments made throughout 2017 will have an economic lifetime of approximately 5 years, and research and development activities for these projects are therefore capitalized on the company's balance sheet and will be amortized over 5 years.

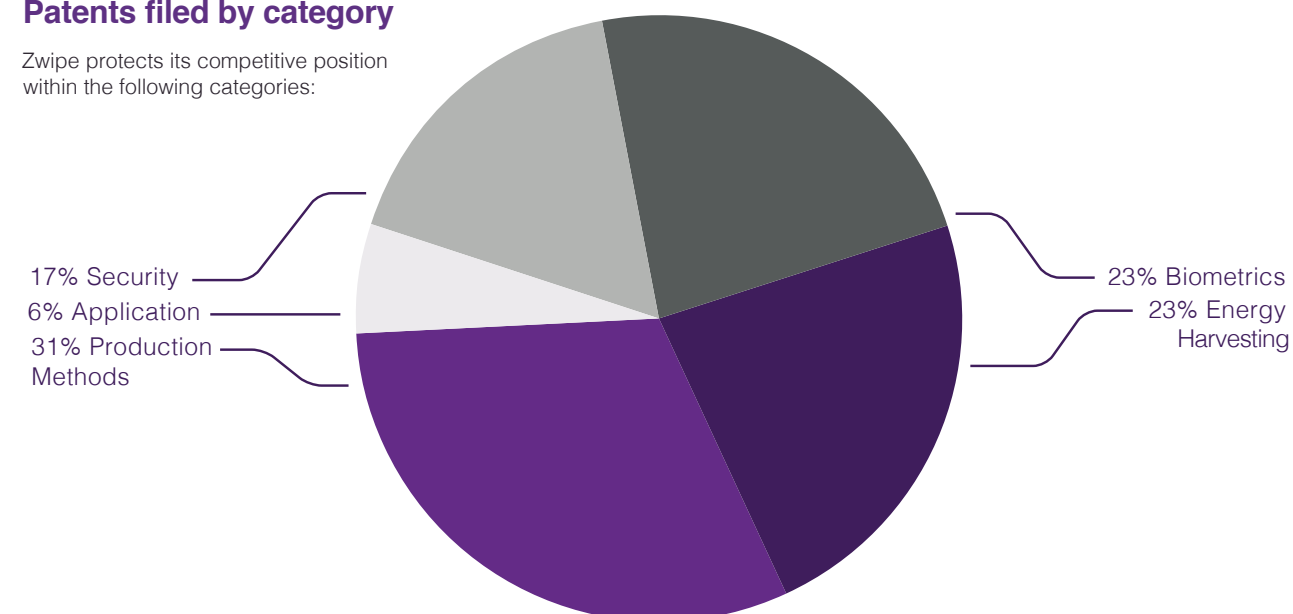
Zwipe's development projects in 2017 were financed through a share capital increase in 2017 of USD 4 million and a convertible loan in combination with public grants and debt (Skattefunn and Innovation Norway).

During 2017 Zwipe strengthened its balance sheet with three share capital increases totaling of NOK 82 million (USD 9.8 million), the latter issued at a share price of NOK 20. In total, the company has raised NOK 208 million (USD 25.4 million), of which NOK 158.8 million of equity. The liquidity situation is considered to be satisfactory when taking the company's growth strategy and financing plan into consideration.

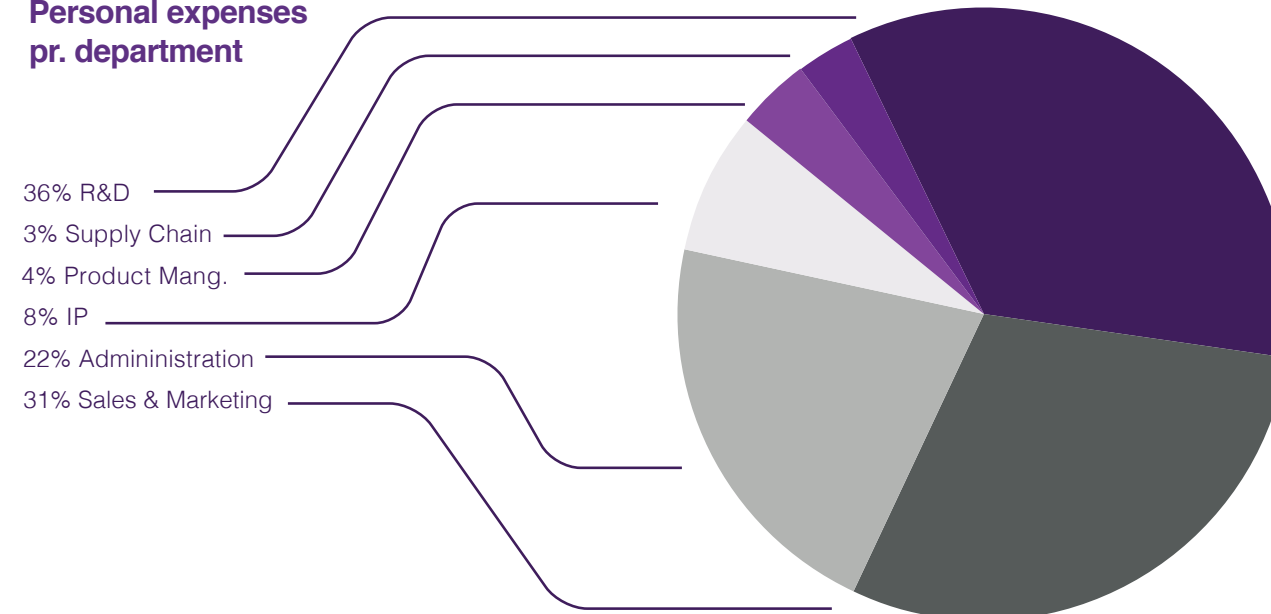


## Patents filed by category

Zwipe protects its competitive position within the following categories:



## Personal expenses pr. department



## Key events in 2017

In 2017, Zwipe developed and delivered the world's first biometric inlay for dual interface payment cards to be used in pilots. The company's main research and development activities in 2017 comprised optimizing the design of the biometric inlay. In order to prepare the technology solution for commercialization and high volume production, a cost reduction project was initiated early 2017, to further develop, optimize and reduce the inlay cost. R&D efforts has also been spent on developing alternative solutions for fingerprint enrollment. In addition, the company continued developing its biometric authentication engine that performs wireless fingerprint verification without the need for batteries or a fixed power supply. Its biometric performance was improved and tested, and meets the market requirements of 5 percent false recognition rate (FRR) and 1/10 000 false acceptance rate (FAR).

IP protection continues to be a strategic investment for Zwipe with 52 applications filed by the end of 2017, of

which 6 were filed in 2017. 5 of the filed patents have been granted, of which 3 were granted in 2017.

Another key priority for Zwipe is to ensure that the company has a sustainable and cost efficient production process and a supply chain that can bring the company's products to market in large-scale volumes. The company continues its efforts to prepare for growth by professionalizing operations. An ERP system was implemented during the year and IT was outsourced. The US operations moved to new offices in Colorado Springs, where a separate R&D lab was established.

During 2017 Zwipe entered into more than 20 new partnerships enhancing the company's ability to develop successful products and penetrate global markets mostly within Access Control.

## Working environment, employees and equality

Zwipe made some reorganizations during 2017, by i.a. establishing a separate Payments department. A total of 8 new employees/consultants were engaged in the group, contributing to the following departments: Access Control, Payments, Finance, R&D, Marketing and Supply Chain. At the end of 2017 the group had a total staff of 28, including engaged consultants. Total personnel expenses for the Zwipe Group was NOK 21.7 million. Excluding consultants, the average number of employees in the Norwegian parent company in 2017 was eight. 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. The Board of Directors consisted of eight members whereof 7 men and 1 woman.

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 6% in 2017. This level is considered to be satisfactory and no special measures are implemented in this area. There have been no material injuries or work-related accidents in 2017.





Oslo. 09.03.2018

## Going concern

The Board confirms that the going concern assumption is present, and that the financial statements for 2017 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.

## Other

The Board 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 31.12.2017, there has not, in the Board of Directors' view, occurred any matters which will affect the annual accounts.

## Outlook

2017 was the year of proof of concept with global schemes and card manufacturers. In 2018, the company will participate in a pilot program with leading card manufacturers, payment schemes and banks, to test the world's first battery-less dual interface fingerprint activated payment card. The payment cards embed Zwipe's unique energy harvesting capacity and biometric engine which enable the authorized user to complete contactless and contact transactions with the card. Zwipe plans for 2018 to be the year of pilots with cardholders in the retail banking segment and 2019 to be the year of volume deployment. Various technical certification processes are running as part of the preparations for volume deployment, which is planned to materialize early H2 2019.

In addition to pursuing commercial opportunities within payments, access control and ID, Zwipe will develop a licensing model which opens up for the technology to be embedded in a broad range of products. This means that Zwipe is not only taking advantage of the growth within payment cards and biometric authentication, but is also positioned to play a role in the emergence of Internet of Things (IoT) where the company's fast, secure and energy efficient technology could be an important enabler.

## 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.

## Share capital and shareholders

The issued and fully paid share capital of the company at the end of 2017 amounted to NOK 742 566.20, consisting of 7 425 662 shares. At the end of 2017 there were a total of 167 registered shareholder accounts.

KIM KRISTIAN HUMBORSTAD  
CEO - 2017

CLAS THELIN  
CHAIRMAN OF THE BOARD

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BOARD MEMBER

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CARL-FREDRIK GRØSLAND  
BOARD MEMBER

LARS F. WINDFELDT  
BOARD MEMBER

ESPEN TØNDEL  
BOARD MEMBER

WEIZI HUANG  
BOARD MEMBER



# Financial Statements



## Income statement 2017

ZWIPE AS

Operating income and operating expenses	NOTE	2017	2016
Sales revenue		1 072 621	509 010
Other operating income		151 557	88 401
<b>Operating Income</b>		<b>1 224 178</b>	<b>597 412</b>
Raw materials and consumables used		2 454 064	401 483
Payroll expenses	1	6 255 795	5 717 958
Depreciation of tangible and intangible fixed assets	2, 3, 11	3 900 002	2 599 087
Other operating expenses	1, 11	39 642 854	27 429 609
<b>Operating expenses</b>		<b>52 252 715</b>	<b>36 148 137</b>
<b>Operating profit/loss</b>		<b>-51 028 537</b>	<b>-35 550 726</b>
<b>Financial income and expenses</b>			
Other interest income		46 087	11 298
Other financial income		706 458	737 366
Other Interest expenses		2 508 971	699 906
Other financial expenses		1 013 199	1 184 984
<b>Net financial income and expenses</b>		<b>-2 769 626</b>	<b>-1 136 227</b>
<b>Result before tax</b>		<b>-53 798 162</b>	<b>-36 686 952</b>
Tax expense	7	0	0
<b>Result for the year</b>		<b>-53 798 162</b>	<b>-36 686 952</b>
<b>Allocation of result for the year</b>			
Loss brought forward		53 798 162	36 686 952
Total brought forward	6	-53 798 162	-36 686 952

## Balance sheet december 31st 2017

ZWIPE AS

Assets	NOTE	2017	2016
<b>Fixed assets</b>			
<b>Intangible fixed assets</b>			
Research and development	3	2 157 159	4 350 539
Licences, patents etc.	3	5 333 187	3 542 881
<b>Total intangible assets</b>		<b>7 490 345</b>	<b>7 893 420</b>
<b>Tangible fixed assets</b>			
Equipment., fixtures and fittings and other movables	2, 8	2 506 792	910 372
<b>Total tangible fixed assets</b>		<b>2 506 792</b>	<b>910 372</b>
<b>Financial fixed assets</b>			
Investments in subsidiaries	10	386 101	386 101
Other receivables	8	1 135 971	208 198
<b>Total financial fixed assets</b>		<b>1 522 072</b>	<b>594 299</b>
<b>Total fixed assets</b>		<b>11 519 209</b>	<b>9 398 091</b>
<b>Current assets</b>			
Inventories			
Inventories	8	5 140 949	4 108 278
<b>Total Inventories</b>		<b>5 140 949</b>	<b>4 108 278</b>
<b>Receivables</b>			
Accounts receivables	4, 8	106 993	109 127
Other receivables	11	5 427 175	4 357 635
Receivables from group companies		87 336	87 336
<b>Total debtors</b>		<b>5 621 504</b>	<b>4 554 097</b>
<b>Bank deposits, cash and cash equivalents</b>			
Bank deposits, cash and cash equivalents	5	47 634 582	19 289 198
<b>Total bank deposits, cash and cash equivalents</b>		<b>47 634 582</b>	<b>19 289 198</b>
<b>Total current assets</b>		<b>58 397 034</b>	<b>27 951 574</b>
<b>Total assets</b>		<b>69 916 244</b>	<b>37 349 665</b>

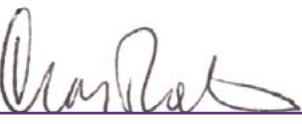
Balance sheet december 31st 2017

ZWIPE AS

Equity and liabilities	NOTE	2017	2016
Equity			
Paid in equity			
Share capital	6, 9	742 566	457 126
Share premium reserve	6	35 761 325	7 858 050
Total restricted equity		36 503 891	8 315 176
Total equity		36 503 891	8 315 175
Liabilities			
Other long-term liabilities			
Other long term liabilities	8	888 028	24 537 580
Total of other long term liabilities		888 028	24 537 580
Current liabilities			
Trade payables		5 152 533	2 632 591
Public duties payable		540 633	440 714
Other short term liabilities		26 831 159	1 423 604
Total short term liabilities		32 524 325	4 496 909
Total liabilities		33 412 353	29 034 489
Total equity and liabilities		69 916 244	37 349 664

Oslo. 09.03.2018

  
KIM KRISTIAN HUMBORSTAD  
CEO - 2017

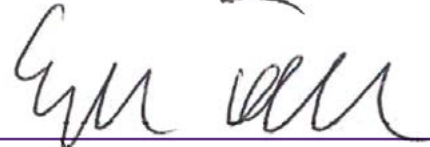
  
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BOARD MEMBER



# Accounting Principles



**The financial statements have been prepared in compliance with the Accounting Act and good accounting practice for small companies.**

**Use of estimates**

The preparation of financial statements in compliance with the 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 decision-making rights as well as the jurisdiction. Historical data is 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 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**

Expenditure on Research and Development is capitalised providing a future financial benefit relating to the development of an identifiable intangible asset can be identified and the expenses can be measured reliably. Otherwise, such expenditure is expensed as and when incurred. Capitalised development 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 re-

maining 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.

Costs related to leases of fixed assets are expensed over the lease period. Prepayments are reflected in the balance sheet as a prepaid expense, and are distributed over the rental period.

**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.

Previous impairment charges, except write-down of goodwill, are reversed in later periods if the conditions causing the write-down are no longer present.

**Investments in other companies**

The cost method is applied to investments in other companies. The carrying amount is increased when funds are added through capital increases or when group contributions are made to subsidiaries. Dividends received are generally recognised as income. Dividends/ group contribution from subsidiaries are booked in the same year as the subsidiary makes the provision for the amount. Dividends from other companies are reflected as financial income when the dividends are approved. 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 are valued at variable cost of production.

**Receivables**

Accounts receivables and other receivables are recorded in the balance sheet at face value after deduction of provisions for expected loss. Provisions for losses are made on the basis of individual assessments of the individual receivables. Additionally, for accounts receivables, an unspecified provision is made to cover expected losses.

**Pensions**

With a defined contribution plan the company pays contributions to an insurance company. The contribution is recognised as payroll expenses in the period to which the contribution relates to.

**Tax**

The tax charge in the income statement consists of tax payable and changes in deferred tax. Deferred tax is calculated at 23 % 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.

Net deferred tax assets are not capitalised, in accordance with the exception rules for small companies.

**Currencies**

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 revenue and costs of raw materials and consumables used.

**Comparison with previous accounts**

The equity for 2017 is presented in net figures where uncovered losses is deducted from the premium. Uncovered losses and premiums were presented in gross figures in 2016.The figures for 2016 has been revised in order to be comparable.



# Notes



NOTE 1

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

Payroll expences	2017	2016
Salaries/wages	5 244 088	4 506 381
Social security fees	825 646	745 988
Pension expenses	90 815	61 618
Other remuneration	95 246	403 971
Total	6 255 795	5 717 958

Average number of employees during the financial year 8 9

Remuneration	General Manager	Board
Salaries/wages	1 010 494	0
Pension expenses	18 148	0
Other remuneration	0	124 227
Sum	1 028 642	124 227

No loans/sureties have been granted to the General Manager, Charirman of the Board or other related parties.

OTP (Statutory occupational pension)

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

The company's pension scheme meets the requirement of this law.

Expensed audit fee

Expenses paid to the auditor for 2017 amounts to NOK 235 156,- excl.mva.

Statutory audit fee	182 998
Other assistance	52 158
Total audit fees	235 156

NOTE 2

Fixed assets

	Office machinery	Tools	Total
Acquisition cost 01.01	92 337	1 149 233	1 241 570
Additions	163 369	2 177 650	2 341 019
Disposals	0	0	0
Acquisition cost 31.12	255 706	3 326 883	3 582 589
Acc. depreciation/ impairment 31.12	-89 649	-986 148	-1 075 797
Book value 31.12	166 057	2 340 735	2 506 792
Depreciation in the year	-49 805	-629 581	-679 386
Depreciation plan	Linear	Linear	
Economic useful life	3 år	5 år	

NOTE 3

Intangible assets

	Research and development	Concessions, patents etc.	Total
Acquisition cost 01.01	9 223 765	4 762 970	13 986 735
Additions	0	2 817 542	2 817 542
Disposals	0	0	0
Acquisition cost 31.12	9 223 765	7 580 512	16 804 277
Acc. depreciation/ impairment 31.12	-7 066 605	-2 247 324	-9 313 929
Book value 31.12	2 157 160	5 333 188	7 490 346
Depreciation in the year	-2 239 512	-981 104	-3 220 616
Depreciation plan	Linear	Linear	
Economic useful life	5 år	5 år	

NOTE 4

Customer receivables

	2017	2016
Customer receivables at par value	106 993	109 127
Provision for losses	0	0
Book value of customer receivables 31.12	106 993	109 127
Realised losses	0	62 558

NOTE 5

Restricted bank deposits

	2017	2016
Restricted funds deposited in the tax deduction account	328 607	239 376

NOTE 6

Equity

	Share capital	premium reserve	Uncovered loss	Total equity
Equity 01.01	457 126	82 247 529	-74 389 479	8 315 176
Capital increase	62 128	37 214 852		37 276 980
Capital increase	302	107 496		107 798
Capital increase	223 011	44 379 090		44 602 101
Used premium reserve	-	74 389 479	74 389 479	-
Annual net profit/loss		-53 798 162		-53 798 162
Equity 31.12	742 566	35 761 325	0	36 503 891



NOTE 7

Tax

This year's tax expense	2017	2016
Entered tax on ordinary profit/loss:		
Payable tax	0	0
Changes in deferred tax advantage	0	0
<b>Tax expense on ordinary profit/loss</b>	<b>0</b>	<b>0</b>
Taxable income:		
Ordinary profit/loss before tax	-53 798 162	-36 686 952
Permanent differences	-4 095 068	-3 945 792
Changes temporary differences	1 984 372	275 674
<b>Taxable income</b>	<b>-55 908 858</b>	<b>-40 357 070</b>
Payable tax in the balance:		
Payable tax on this year's result	0	0
<b>Total payable tax in the balance</b>	<b>0</b>	<b>0</b>

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

	2017	2016	Difference
Tangible fixed assets	-3 241 294	-1 261 560	1 979 735
Accounts receivable	16 031	20 669	4 638
<b>Total</b>	<b>-3 225 263</b>	<b>-1 240 891</b>	<b>1 984 372</b>
Accumulated loss to be brought forward	-135 469 426	-79 560 568	55 908 858
Not included in the deferred tax calculation	1 536 949	0	-1 536 949
<b>Basis for calculation of deferred tax</b>	<b>-137 157 740</b>	<b>-80 801 459</b>	<b>56 356 281</b>
Deferred tax (23 % / 24 %)	-31 546 280	-19 392 350	12 153 930

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

NOTE 8

Debtors, liabilities, pledged assets and guarantees etc.

	2017	2016
Debtors which fall due later than one year after the expiry of the financial year	1 135 971	208 198
Long-term debtors which fall due later than five years after the expiry of the financial year	888 028	24 537 580
<b>Liabilities secured by mortgage</b>	<b>2017</b>	<b>2016</b>
Liabilities to credit institution	-888 028	-1 375 000
Other long term liabilities	0	-23 162 580
<b>Total</b>	<b>-888 028</b>	<b>-24 537 580</b>
<b>Balance sheet value of assets placed as security</b>	<b>2017</b>	<b>2016</b>
Equipment, fixtures and fittings and other movables	2 498 024	1 844 974

NOTE 9

Share capital and shareholder information

Share capital	Number	Nominal value	Book value
<b>Ordinære aksjer</b>	7 425 662	0,1	742 566

The share capital is owned by the following shareholders:

Shareholders:	Number of shares	Ownership
PHOTON FUTURE LIMITED	915 869	12 %
LAUNCH AS	849 298	11 %
CARNEGIE AS	718 500	10 %
PARETO SECURITIES ASA	483 100	7 %
CONCITO AS	385 610	5 %
ARCANUM EIENDOM AS	286 667	4 %
PROG SEED AS	241 338	3 %
ARCANUM AS	225 676	3 %
TELECOM AS	190 000	3 %
ADVISUM AS	129 876	2 %
Other	2 999 728	40 %
<b>Total</b>	<b>7 425 662</b>	<b>100 %</b>

Shares at Carnegie AS and Pareto Securities ASA are on client account as at 31.12.2017, and will be allocated to subscribers of the last capital increase in 2017.

The company has on class of shares and all shares come with full voting rights.

Shares owned by members of the board and the General Manager

Claes Hugo Thelin	Chairman of the board	62 000
Espen Tøndel	Member of the board	19 352
Lars Fredrik Windfeldt	Member of the board	707 445
Carl Fredrik Grøslund	Member of the board	25 000
Jørgen Lantto	Member of the board	55 000
Johan Reinsli	Member of the board	13 500
Launch AS (Kim Humborstad)	General Manager	849 298

NOTE 10

Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries are booked according to the cost method.

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

The company complies by generally accepted accounting principles for small enterprises and consequently no consolidation has been prepared. This is in accordance with the Accounting Act § 3-2, subsection 4.

Tax value per share as of 01.01.2018 amounts to NOK 4,427.

NOTE 11

Grants

Zwipe AS has applied for an Government grant-funded R&D-project (Skattefunn) for 2017.	By direct expense of R&D costs, the counter item of the receivable becomes a cost reduction.
Total R&D cost during 2017 is NOK 26 696 264, whereby NOK 2 553 296 is capitalized. The project has been approved and the company will receive a tax-grant of NOK 5 000 000 in 2018. The receivable hasbeen capitalized.	Net accounting is applied for capitalised R&D costs. The value of the grant is deducted from the asset's acquisition cost, and resulting in the net value being recognised in the balance. The capitalized amount consists of patents.
	Expected total income from ongoing R&D is equivalent to elapsed cost.



# Auditors Report





BDO AS  
Munkedamsveien 45  
Postboks 1704 Vika  
0121 Oslo

## Independent Auditor's Report

To the General Meeting of Zwipe AS

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Zwipe AS which comprise the balance sheet as at 31 December 2017, the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2017, and its financial performance 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 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 Annual Report 2017.

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 in accordance with law and regulations, including 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 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's





report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## Report on Other Legal and Regulatory Requirements

### 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 accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 12 April 2018  
BDO AS

Kjetil Ardem  
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.