

Quarterly report

First quarter 2021



Norwegian
Block
Xchange

Key points first quarter 2021

- Finalized funding of appr. 63MNOK
- Total growth of platform volume was 297% from December 2020, where January almost surpassed all of 2020
- Open banking was introduced. Making it possible with instant deposits
- A subsidiary company, NBX Capital AS was set up to handle Market Making on the platform, and ensure liquidity and good prices for our clients
- Income from Fees for Q1 was 1.5MNOK
- Income from MarketMaking and was 1.4MNOK
- Income from consultancy work was 16.2KNOK
- Total Income for Q1 was 3MNOK
- Total Operating expenses were 8.2MNOK
- Net result for Q1 was -5.2MNOK

The fee income was about 200K NOK below expectation, mainly because of a delayed entry into Sweden and Denmark caused by difficulties in obtaining SEK and DKK accounts. The reduction in fees was more than compensated for by the 1.4MNOK income from MarketMaking and holding crypto in a rising market, making the overall result 1.3MNOK higher than budgeted.

Over all we had budgeted with total expenses of 10.9MNOK for the first quarter, and actual expenses was 8.2MNOK. As a correction, we had a change in how we consider the cost of lease of property in accordance to IFRS. Previously we considered this as a pure cost, but for 2021 it is considered a change in tangible assets. This amounted to about 0.5MNOK which makes the comparable budgeted cost 8.7MNOK. This is still about 2.2MNOK below budget. The main reason for this reduction is delays in our planned progression into Sweden and Denmark and delay in NBXCommerce in accordance with the delayed Emoney licence.

Total budgeted result for Q1 was -9.2MNOK, and actual result¹ was -5.8MNOK, making the total result for Q1 3.4MNOK better than budgeted.

¹ Adjusted for lease cost to make the two numbers comparable

Market update

In the first quarter we saw a continuation of the growth in the crypto market from the end of 2020. Bitcoin ended the quarter at 506 000NOK, up from 251 000 end of year, an increase of just over 100%. Ethereum beat the growth by a longshot, and grew from 6500NOK to 16 100NOK, an increase of about 150%. With the growth in prices came a significant growth in volumes, and NBX had a volume in January that missed the total volume of 2020 by a hair.



total volume in Q1 ended at 275.5MNOK an increase of 200% from all of 2020 with a volume of 90MNOK. The Number of onboarded and KYC approved customers also more than doubled, and ended at 5589 costumers. That was an average of 30% monthly growth.

The first quarter also represented a regime shift in the crypto space, where established and leading institutions are entering the space, or announcing news that they will. The major payment players Paypal, Visa and Mastercard have all announced plans of entering into this payment space. Investment companies like Grayscale and BlackRock are moving rapidly from the investment side, and MicroStrategy has even gone as far as changing their functional currency to bitcoin.

On the legal side, we also see significant changes. The latest is possibly the news from the US, that the Office of the Comptroller of the Currency (OCC) allows banks to use blockchain technology for banking services. Banks in the US are now allowed to issue stablecoins, exchange stablecoins for fiat currency, as well as validate, store, and record payments transactions by serving as a node on a blockchain.

All this shows that the market is maturing, and the established players, both on financial infrastructure, investment and legal are all moving towards "maturing" the crypto market. This builds well into the NBX core plan of being a cryptocurrency hub, offering both exchange, commerce and banking services based on blockchain technology.



Torstein W. Thinn

Master of Coin

Norwegian Block Exchange AS

Financial statements 01.01 - 31.03

	Note	Unaudited Q1 2021	Unaudited Q1 2020	Audited 2020
Operating income				
Other operating income		1 519 018	10 320	758 472
Total operating income		<u>1 519 018</u>	<u>10 320</u>	<u>758 472</u>
Operating expenses				
Personnel expenses		4 048 238	2 480 759	11 566 541
Depreciation and amortization	7	427 891	41 482	1 357 011
Write-downs	7	133 437	0	0
Other operating expenses		5 087 606	3 096 377	11 744 625
Total operating expenses		<u>9 697 172</u>	<u>5 618 619</u>	<u>24 668 177</u>
Operating profit		<u>(8 178 154)</u>	<u>(5 608 298)</u>	<u>(23 909 705)</u>
Financial income and expenses				
Other interest income		0	1 264	3 763
Other financial income		1 329 652	11 832	476 660
Other interest expenses		(26 735)	0	(103 322)
Other financial expenses		143 745	(115 739)	(216 108)
Net financial items		<u>1 446 662</u>	<u>(102 643)</u>	<u>160 993</u>
Operating result before tax		(6 731 492)	(5 710 941)	(23 748 712)
Tax on ordinary result		<u>(1 480 928)</u>	<u>(1 256 407)</u>	<u>(5 818 717)</u>
Ordinary result after tax		<u>(5 250 564)</u>	<u>(4 454 534)</u>	<u>(17 929 995)</u>
Annual net profit		<u>(5 250 564)</u>	<u>(4 454 534)</u>	<u>(17 929 995)</u>

Balance sheet pr 31.03.

Assets	Note	Unaudited Q1 2021	Unaudited Q1 2020	Audited 2020
Fixed assets				
Intangible assets				
Research and development	6	36 032 849	29 025 259	33 825 691
Trademarks and other similar rights	6	1 562 045	1 562 045	1 562 045
Deferred tax assets		12 548 016	6 504 778	11 067 088
Total intangible assets		<u>50 142 910</u>	<u>37 092 082</u>	<u>46 454 823</u>
Tangible assets				
Lease right of use	7	3 405 770	0	3 250 254
Equipment and other movables	7	546 313	498 568	539 928
Total tangible assets		<u>3 952 084</u>	<u>498 568</u>	<u>3 790 182</u>
Financial fixed assets				
Investments in subsidiaries	3	30 000	0	0
Total financial fixed assets		<u>30 000</u>	<u>0</u>	<u>0</u>
Total fixed assets		<u>54 124 993</u>	<u>37 590 650</u>	<u>50 245 005</u>
Current assets				
Debtors				
Other short-term receivables		7 058 681	1 215 193	1 637 320
Total receivables		<u>7 058 681</u>	<u>1 215 193</u>	<u>1 637 320</u>
Investments				
Other financial instruments	8	12 185 318	12 653	209 182
Total investments		<u>12 185 318</u>	<u>12 653</u>	<u>209 182</u>
Cash and deposits				
Cash and own deposits		34 460 124	22 487 929	57 693 734
Customers deposits	2	28 909 414	1 036 107	8 334 504
Total cash and deposits		<u>63 369 538</u>	<u>23 524 035</u>	<u>66 028 238</u>
Total current assets		<u>82 613 537</u>	<u>24 751 881</u>	<u>67 874 740</u>
Total assets		<u>136 738 530</u>	<u>62 342 531</u>	<u>118 119 745</u>

Balance sheet pr 31.03.

		Unaudited	Unaudited	Audited
Equity and liabilities	Note	Q1 2021	Q1 2020	2020
Equity				
Paid-up equity				
Share capital	4	51 917 349	31 591 531	36 562 686
Share premium reserve		92 116 047	23 368 692	44 132 627
Capital indrease, not registered		0	22 735 101	61 565 008
Other paid-up equity		(2 705 570)	(5 570)	(2 705 570)
Total paid-up equity		<u>141 327 826</u>	<u>77 689 753</u>	<u>139 554 752</u>
Retained earnings				
Uncovered loss		(41 800 773)	(23 074 748)	(36 550 209)
Total retained earnings		<u>(41 800 773)</u>	<u>(23 074 748)</u>	<u>(36 550 209)</u>
Total equity		<u>99 527 053</u>	<u>54 615 005</u>	<u>103 004 543</u>
Liabilities				
Other long-term liabilities				
Lease liability	7	<u>3 574 175</u>	<u>0</u>	<u>3 257 606</u>
Total of other long term liabilities		<u>3 574 175</u>	<u>0</u>	<u>3 257 606</u>
Current debt				
Trade creditors		1 666 576	1 460 898	1 057 857
Public duties payable		1 225 044	554 966	1 078 221
Other current debt		1 836 269	4 675 612	1 387 015
Customers funds	2	<u>28 909 414</u>	<u>1 036 050</u>	<u>8 334 504</u>
Total current debt		<u>33 637 303</u>	<u>7 727 526</u>	<u>11 857 597</u>
Total liabilities		<u>37 211 477</u>	<u>7 727 526</u>	<u>15 115 202</u>
Total equity and liabilities		<u>136 738 530</u>	<u>62 342 531</u>	<u>118 119 745</u>

Statement of cash flows (indirect method)

	Note	Q1 2021	2020
Cash flows from operating activities			
Profit/loss before tax		-6 731 492	-23 748 712
Loss/gain on the sale of fixed assets		1 986	0
Ordinary depreciation		427 891	1 357 011
Impairment of fixed assets		133 437	0
Change in accounts payable		608 720	-64 883
Items classified as investment or financing activities		-11 976 136	-197 937
Change in other accrual items		15 549 838	7 496 210
Net cash flows from operating activities		<u>-1 985 756</u>	<u>-15 158 312</u>
Cash flows from investment activities			
Proceeds from the sale of fixed assets		-19 612	0
Payments to buy tangible assets		2 912 763	12 064 671
Payments to buy shares and participations in other con		30 000	0
Net cash flows from investment activities		<u>-2 962 375</u>	<u>-12 064 671</u>
Cash flows from financing activities			
Proceeds from the issuance of new long-term liabilities		316 569	3 257 606
Repayment of long-term liabilities		0	3 061 904
Repayment of current liabilities		199 787	0
Proceeds from equity		1 773 074	82 950 108
Net cash flows from financing activities		<u>2 289 430</u>	<u>83 145 810</u>
Net change in cash and cash equivalents		-2 658 700	55 922 827
Cash and cash equivalents at the start of the period		<u>66 028 238</u>	<u>10 105 411</u>
Cash and cash equivalents at the end of the period		<u>63 369 538</u>	<u>66 028 238</u>
Restricted bank deposits		<u>-396 699</u>	<u>-578 536</u>
Net liquidity at 31.12		<u>62 972 838</u>	<u>65 449 701</u>

Notes

Statement of changes in equity capital

	Share capital	Unregistered increased capital	Share premium reserve	Other paid- in capital	Uncovered loss	Total equity capital
Equity at 01.01.20	31 591 531	1 649 991	23 368 692	-5 570	-18 620 214	37 984 430
Capital increase	4 971 156	59 915 017	20 763 935	-2 700 000	0	82 950 108
Result of the year	0	0	0		-17 929 995	-17 929 995
Equity at 31.12.20	36 562 686	61 565 008	44 132 627	-2 705 570	-36 550 209	103 004 543
Equity at 01.01.21	36 562 686	61 565 008	44 132 627	-2 705 570	-36 550 209	103 004 543
Capital increase	15 354 662	-61 565 008	47 983 419	0	0	1 773 074
Result of the year	0	0	0	0	-5 250 564	-5 250 564
Equity at 31.03.21	51 917 349	0	92 116 047	-2 705 570	-41 800 773	99 527 053

Notes

Note 1 Accounting principles

The interim accounts have been prepared in conformity with the provisions of the IAS 34 Interim Financial Reporting (IFRS).

Use of estimates

In the preparation of the annual accounts estimates and assumptions have been made that have affected the profit and loss account and the valuation of assets and liabilities, and uncertain assets and liabilities on the balance sheet date in accordance with generally accepted accounting practice. Areas which to a large extent contain such subjective evaluations, a high degree of complexity, or areas where the assumptions and estimates are material for the annual accounts, are described in the notes.

Revenues

Income from the sale of goods is recognised on the date of delivery. Services are posted as income as they are delivered. Income from the sale of services and long-term manufacturing projects (construction contracts) are posted to the profit and loss account in line with the project's degree of completion, when the outcome of the transaction can be estimated in a reliable manner. When the transaction's outcome cannot be estimated reliably, only income corresponding to a projects' incurred costs can be posted as revenue. At the time when it is identified that the project will give a negative result, the estimated loss on the contract is posted in full to the profit and loss account.

Tax

The tax charge in the profit and loss account consists of tax payable for the period and the change in deferred tax. Deferred tax is calculated at the tax rate at 22 % on the basis of tax-reducing and tax-increasing temporary differences that exist between accounting and tax values, and the tax loss carried forward at the end of the accounting year. Tax-increasing and tax-reducing temporary differences that reverse or may reverse in the same period are set off and entered net. The net deferred tax receivable is entered on the balance sheet to the extent that it is likely that it can be utilised.

Leasing

A difference is made between financial and operational leasing. Plant and equipment financed through financial leasing is accounted for under Property, plant and equipment. The counter entry is made under long-term debt. The lease payment is divided between the interest cost and instalments on the debt.

Operational leasing is expensed as an operating cost based on the invoiced lease rent.

Classification and valuation of current assets

Current assets and short-term liabilities consist normally of items that fall due for payment within one year of the balance sheet date, as well as items related to the stock cycle. Current assets are valued at the lower of acquisition cost and fair value. Short-term liabilities are entered on the balance sheet at the nominal amount at the time of the transaction.

Research and development

Expenses on research and development are capitalised to the extent one cannot identify a future economic benefit related to the development of an identifiable intangible asset and where the acquisition cost can be measured reliably. In the opposite case such costs are expensed as incurred. Capitalised research and development is depreciated on a straight line basis over its economic lifetime.

Notes

Subsidiaries and associated companies

Subsidiaries and associated companies are valued using the cost method in the company accounts. The investment is valued at acquisition cost for the shares unless a write-down has been necessary. A write-down to fair value is made when a fall in value is due to reasons that cannot be expected to be temporary and such write-down must be considered as necessary in accordance with good accounting practice. Write-downs are reversed when the basis for the write-down is no longer present.

Dividends, group contributions and other distributions from subsidiaries are posted to income in the same year as provided for in the distributor's accounts. To the extent that dividends/ group contributions exceed the share of profits earned after the date of acquisition, the excess amounts represents a repayment of invested capital, and distributions are deducted from the investment's value in the balance sheet of the parent company.

Receivables

Receivables from customers and other receivables are entered at par value after deducting a provision for expected losses. The provision for losses is made on the basis of an individual assessment of the respective receivables. In addition an unspecified provision is made to cover expected losses on claims in respect of customer receivables.

Short-term investments

Short-term investments (shares and interests valued as current assets) are valued at the lower of acquisition cost and fair value on the balance sheet date. Dividends and other distributions received from the companies are posted to income under other financial income.

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.

Note 2 Customer deposits and funds

Customers deposits in banks consist of deposits on the NBX exchange. Customers use the deposits to trade crypto currencies on the crypto exchange. Customers' funds are booked under current liabilities.

		Q1 2021	2020
Bank - customers deposits	NOK	28 909 414	8 334 504
Booked customers funds	NOK	28 909 414	8 334 504

Note 3 Investments in subsidiaries

	Ownership	Location	Booked value
NBX Capital AS	100 %	Bærum, Norway	30 000

Notes

Note 4 Shareholders

The share capital in Norwegian Block Exchange AS as of 31.03 consist of:

	Total	Face value	Entered
Ordinary shares	64 896 684	0,8	51 917 349
Sum	64 896 684	0,8	51 917 349

Ownership structure

The larges shareholders in % at year end:

	Ordinary	Ownership interest
Observatoriet Invest AS	20 623 834	31,8
Sparebanken Øst	6 437 768	9,9
Kistefos AS	6 060 606	9,3
KM Aviatrix Invest AS	5 280 303	8,1
Dasha Invest AS	3 244 836	5,0
MP Pensjon PK	3 030 303	4,7
Norwegian Air Suttle ASA	2 446 400	3,8
Nye GKB Invest AS	1 500 000	2,3
Total >2% ownership share	48 624 050	74,9
Total other	16 272 634	25,1
Total number of shares	64 896 684	100

Shares and options owned by the Directors of the Board and the General Manager:

Direct ownership	Comapny	Position	Ordinary
Stig Aleksander Kjos- Mathisen		General Manager	33 850
Indirect ownership			
Stig Aleksander Kjos- Mathisen	Sam Eiendomspartner AS	General Manager	750 000
Bjørn Kjos	Observatoriet Invest AS	Board member	6 725 847
Kurt Erik Simonsen	Kei Invest AS	Chairman of the board	1 333 333
Lars Ola Kjos	Green 91 AS	Board member	500 000
Lars Ola Kjos	Observatoriet Invest AS	Board member	4 656 356
Helga Bollmann Leknes	Bollmannleknes Invest AS	Board member	400 000
Total number of shares			14 399 386

Notes

Note 5 Share option program

The company has a share option program covering certain employees. As at 31.03.2021, seventeen employees were included in the option program.

The options granted has a 3 (three) year vesting period after the date of the grant, and a following 4-year exercise period. After the exercise period is closed, the options are void. The options are dependent on employment, and are only exercisable as long as person is still employed.

	2021	2020
Outstanding options 01.01	0	0
Options granted	923 235	923 235
Options forfeited	0	0
Options exercised	0	0
Options expired	0	0
Outstanding options 31.12	923 235	923 235

Note 6 Intangible assets

	Development	Domains	Total
Balance at January 1st 2021	33 825 691	1 562 045	35 387 735
Additions	2 207 158	0	2 207 158
Balance at March 31st 2021	36 032 849	1 562 045	37 594 894
Acc. amortization at January 1st 2021	0	0	0
Amortization	0	0	0
Acc. amortization at March 31st 2021	0	0	0
Balance at March 31st 2021	36 032 849	1 562 045	37 594 894
Economic life	Under development	Unlimited	
Amortization method	N/A	N/A	
Changes	N/A	N/A	

Development

Costs associated with a development project are recognized in the balance sheet and relate to a single project. The project is still under development as of 31.03.2021 and has been used by the company.

Domains

The domains were acquired through external resellers and are assessed on 31.03.2021 at market value. The domains were acquired in regards with the development project, and as of 31.03.2021 has used for the business. There are also no indications of impairment.

Notes

Note 7 Property, plant and equipment

	Lease right of use	Equipment	Office equipment	Total
Balance at January 1st 2021	4 764 348	123 358	728 541	851 899
Additions	696 202	0	77 822	77 822
Disposal	0	0	-26 112	-26 112
Balance at March 31st 2021	5 460 550	123 358	780 252	903 609
Acc. depreciation at January 1st 2021	1 514 094	37 828	274 142	311 971
Additions	42 308	0	0	42 308
Disposal	0	0	-17 625	-17 625
Depreciation and amortization	364 940	6 168	56 783	427 891
Impairment	133 437	0	0	133 437
Acc. depreciation at March 31st 2021	2 054 780	43 996	313 300	897 982
Balance at March 31st 2021	3 405 770	79 361	466 952	3 952 084
Economic life	3 - 5 years	5 years	3 years	
Depreciation method	Linear	Linear	Linear	
Changes	No	No	No	

The liability related to the lease is booked at NOK 3 574 175

The effect of the changed estimate of the lease schedule is recognized as additions and impairment of the right of use asset. The impairment is the result of increased value of the lease.

Note 8 Crypto currencies and other financial instruments

	Q1 2021	2020
Crypto		
Bitcoin	9 382 196	80 748
Etherium	2 704 083	115 353
USDC	8 833	1 902
Total crypto	12 095 112	198 004
Other		
Wallets and ledgers	90 206	11 178
Total other	90 206	11 178
Total	12 185 318	209 182

Norwegian Block Exchange AS is holding cryptocurrency as working capital, and to ensure liquidity and a healthy market environment on the exchange. NBX Capital AS is sourced with the task of managing the funds directed towards market making on the platform.