

END-YEAR REPORT 2020

July – December 2020

Company no. 559077-0730



During 2020, Divio Technologies had a significant focus on optimising the organisation to boost growth in the latter part of the year. MRR increased by 55% during the second half of the year, and has increased by a further 30% since the beginning of 2021. The company also reduced its year-end total cost run rate by more than 50% compared to the previous year.

Summary of the half-year report

For the period 2020-07-01-2020-12-31

- MRR increased by 55% to: 1,177 (758)
- Total revenue: 8,095 (8,250) KSEK
- Operating loss: -7,118 (-10,891) KSEK
- Earnings before tax: -8,388 (-9,471) KSEK
- Earnings per share: -0,22 (-0,35)
- Cash and cash equivalents: 1,095 (5,948)

For the period 2020-01-01-2020-12-31

- Total revenue: 17,897 (16,354) KSEK
- Operating loss: -17,056 (-21,033) KSEK
- Earnings before tax: -18,518 (-19,578) KSEK
- Cash flow from operating activities: -11,544 (-21,238) KSEK
- Earnings per share: -0,29 (-0,45)

Significant events during the period

- Completed a direct issue of 5 MSEK in July 2020
- Initiated significant cost reductions, which will come into full effect during 2021
- Won two additional bank customers: UBS and Kendris
- Strengthened the board with the addition of a new member: Niklas Koresaar, CFO of Flexion Mobile
- Our support was ranked No.1 among 360 companies on NASDAQ First North
- The result was affected by an unrealized currency loss of -1,462 (1,455) KSEK in 2020; when revaluing the intra company loan from the parent company Divio Technologies AB to Divio AG

Important events after the period

- 4.7 MSEK in client cash advances received in January 2021
- MRR increased by 30% after the period until end February
- Started to build for further growth by expanding the sales team with two new headcounts
- Recruited a new Head of Finance

CEO Comments

2020 has been a fantastic and very productive year for Divio. We reduced costs, tuned the organisation and won some large and strategically important customers. To date, we have increased our MRR inventory by over 100% since 2019. We are also proud to announce that we since February have a balanced operating profit run rate. We are currently in a strong position to grow the company.

We have seen a significant increase in subscriptions sold, especially during the last quarter of the year. This is a direct result of dedicated sales work throughout the year. The sales team managed to win some prestigious and strategically significant new customers, including UBS and Kendris. Two customers who have already increased their expenses by a couple of thousand percent. In addition, we won several important smaller customers and brought many new partners onboard.

I am very proud of how we managed to increase our business with Fidelity International by more than 40%. This is further proof of customers' appreciation of our solutions, our work, and our team's ability. We need to continue raising awareness of Divio, ensuring that more companies get to experience the benefits we can deliver.

While our result for the year is much stronger than for the previous year, it was negatively affected by a currency loss of SEK 3 million. To address this among other tasks, we recruited a new Head of Finance to develop our approach to currency management.



During the year, we conducted a complete overhaul of our organisation and cost structure.

This slowed growth in the short term but created a much stronger base for future growth. I am very pleased with how this was executed – we are already seeing the results of our rigorous measures. Now we have a small team but with an incredible output both in terms of product and business.

Divio is now in a much stronger financial position. We have a well-defined product strategy and plan and have improved our sales process. In addition, we are now much more successful in winning new customers. Our streamlined sales team was able to increase sales in 2020, and we have been successful in growing existing customers. Now is the perfect time to start our growth journey, and we have already begun recruiting senior sales representatives with the right experience and networks.

To further increase the efficiency of resource allocation, we created the Django CMS

Association. The association will now lead the maintenance and further development of Django CMS, which is a widely popular open-source tool originally developed by Divio. This will enable us to focus on the Divio platform and other Django CMS activists will help contribute to improve the platform via the association.

Looking back on the year, I am delighted to see the results of hard work and the enormous commitment of our people. The engineering team has made some significant improvements to the platform, while handling a growing number of customers with complex needs. And our support team was ranked No.1 among 360 companies listed on NASDAQ First North for reliability, clarity of purpose and open communication.

The COVID-19 pandemic has of course affected everyone. One of our responses during 2020 was to provide pro bono help to a Swiss canton in building a tool to collect data on the spread of COVID-19. The project made a difference in

management of the virus, as well as demonstrating how fast a web application can be designed, built and deployed with the Divio platform.

Despite the special circumstances, 2020 was an excellent year overall for Divio. My job has been greatly aided by our strong and dedicated team and our outstanding platform. I am convinced that we will continue to take huge **steps in 2021**.

Jon Levin
CEO

Financial information and other comments

For the period July–December 2020

Revenue

Total revenue for the second half of the year amounted to 8,095 (8,250) KSEK, which is a decrease of 2%. The company continues its shift from services revenue to a focus on subscription revenue. Capitalised development expenses decreased by 48%, which is in line with the company strategy. MRR from subscriptions increased by more than 50%, but the actual revenue increase will be visualised in 2021 due to the business model.

Operating profit and loss

Operating loss for the second half of the year amounted to -7,118 (-10,891) KSEK, which is a reduction of the loss by 35%. This is explained by cost savings in personnel and external costs. Capitalised software development depreciation increased in comparison with the same period in 2019. While our result for the year is much stronger than for the previous year, it was affected negatively by a currency loss of -1,462 KSEK (SEK 3 million), caused by a decrease in the value of CHF against SEK in 2020. In 2019, we experienced a currency gain of 1,455 KSEK. The loss is an unrealised loss when revaluating the intra-company loan from, and debt to, the parent company Divio AG. We recruited a new Head of Finance to develop our approach to currency management.

Cash and cash equivalents were at 1,095 KSEK. It should be noted that the company, as part of its normal invoice cycle, received 4.7 MSEK in contractual advance payments in

January 2021, significantly improving the cash position of the company.

For the period January–December 2020

Revenue

Revenues for the full year amounted to 17,897 (16,354) KSEK, which is an increase of 9% compared to previous year. The increase was due to higher activation in capitalised software development expenses and compensation for short-time work during the COVID-19 pandemic. Sales were at the same level as the previous year. Operating profit and loss

Operating loss for the year amounted to -17,056 (-21,033) KSEK, which is a decrease of 19%. A successful cost-reduction program, aimed at achieving faster profitability, was implemented during the year.

Cash flow from operating activities

Total cash flow for the full year 2020 was -5,214 (253) KSEK. Cash flow from operating activities was -12,742 (-21,238) KSEK.

Cash flow from investment activities

Cash flow from investment activities was -4,796 (-4,974) KSEK. This was mainly capitalised software development expenses in the company.

Cash flow from financing activities

Cash flow from financing activities was 12,324 (26,465) KSEK. This was driven by direct issues of 8 MSEK and 5 MSEK in April and July 2020, respectively.

Accounting principles and other information

Divio Technologies Group and Parent Company accounts have been prepared in accordance with the Annual Accounts Act and BFNAR 2012: 1 (K3).

Group Structure per December 31, 2020

The Divio Group is comprised of the parent company Divio Technologies AB (publ), in Sweden with org. no. 559077-0730 and the wholly owned subsidiary Divio AG in Switzerland, and its wholly owned subsidiary Divio INC in the United States. The Group's operating activities are conducted mainly in Divio AG, with transfer pricing setup at arm's length for intragroup services. The Group operates in one segment, offering cloud management software subscriptions.

Risks and uncertainties

Divio is a relatively young software development group. The company launched its first commercial cloud software products in 2017 and still has a limited level of revenue. The fact that the company has over 400 paying customers and almost no churn signals a need for the product, but it is still too early to draw long-term conclusions about market acceptance of the products or to predict clear trends regarding sales and earnings for the company.

Divio is dependent upon being able to enter into licensing and partnership agreements and upon several permits, remuneration systems and associated laws, regulations, decisions by government authorities and practice, all of which are beyond Divio's control. Divio is also dependent on intellectual property rights which are difficult to protect via registration. Ensuring that technical platforms are highly reliable and able to ensure reliability in the company's information management and protection against breaches and leaks is another factor which is

crucial for the Company's future development.

Until a stable level of earnings and/or significant growth of subscriptions with subsequent prepayment inflows is reached, and as long as product development continues, Divio might need capital contributions from external sources to scale up the business. The company's ability to continue as a going concern has improved significantly due to the successful cost savings and increased revenue which strengthen the company's financial status. To secure the company's ability as a going concern further, depends on whether the budget targets can be achieved, the cost savings can be reached and whether the company continues to receive the necessary financing. The Board of Directors assumes this will be the case based on the development and the performance of the business and the financing received thus far; former uncertainty and serious doubts as to the company's ability to continue as a going concern must be considered negligible.

Some adverse material changes in the perception of risks and uncertainties have occurred during the first half of 2020, as Divio has performed a cost reduction of almost 50%.

For further information, see Risk factors in the 2019 Company Description, available on www.divio.com.

Shares

Divio Technologies AB (publ) has been traded on Nasdaq First North since December 18, 2019 under the stock ticker DIVIO B. The number of shares as per December 31, was 77,100,297 of which 750,000 are series A shares, with 10x voting right. The average number of shares in the period January to December was 63,285,482 shares, following the rights issue of 22,000,000 series B shares in April 2020 and 11,111,111 series B shares in July 2020.

Warrants

Divio Technologies AB (publ) has one active series of Warrants per closing date. If all warrants are exercised this would lead to a dilution of 12,71 % in Divio Technologies AB (publ), which would increase share capital by 1,122,500 SEK and add up to 33,675,000 SEK in equity capital.

Warrant Series	Series B
Duration	2019/2022
Strike	3.00 SEK (2:1)
Expiry	2022-04-15
Investors	14,450,000
Employees	8,000,000
Total warrants	22,450,000
Possible share issue	11,225,000
Dilution if exercised	12,71 %

Upcoming financial reports

14 May 2021

Annual Report 2020

4 June 2021

Annual General Meeting in Stockholm

26 Aug 2021

Half-year report (1 January - 30 June 2021)

Financial reports will be made publicly available on the company's website www.divio.com on the date of publication.

Dividend

No dividend to shareholders is proposed.

Statement of assurance

This report has been adopted by the Board of Directors of Divio Technologies AB (publ) on March 5, 2021. Composition of the Board currently: Måns Danielsson, Chairman, with fellow members of the Board: Christian Bertschy, Anetter Ringnér, Behzad Ardakani and Niklas Köresaar.

The Board and the CEO, Jon Levin, certify that this year-end report provides a fair assessment of the Parent company and Group's activities, financial position and profits as well describes material risks and uncertainties.

Auditor

This report has not been reviewed by the company's auditors.

Certified advisor

FNCA Sweden AB is the certified advisor of the company.

Definitions

Subscriptions revenue MRR

Customers pay a monthly subscription fee MRR (Monthly Recurring Revenue) for Divios platform

Professional services

Revenue origin from customized projects

Earnings per share

Is calculated as a company's profit divided by the outstanding shares of its common stock

Income statement Group, summarised

KSEK

	2020	2019	2020	2019
			Jul - Dec	Jul - Dec
Profit and loss				
Net revenue	11,790	11,851	5,501	5,983
Capitalised development expenses	5,130	4,456	1,852	2,220
Other revenue	977	48	742	48
Total revenue	17,897	16,354	8,095	8,250
Other external costs	-13,290	-14,538	-4,941	-7,419
Personnel	-16,684	-18,864	-7,756	-9,766
Depreciation / Amortization	-4,979	-3,985	-2,516	-1,956
Other operating costs	0	0	0	0
Operating profit	-17,056	-21,033	-7,118	-10,891
Net financial items	-1,462	1,455	-1,270	1,420
Allocations	0	0		
Earning before tax	-18,518	-19,578	-8,388	-9,471
Taxes	-92	-106	-25	-28
Profit (loss) for the period	-18,610	-19,684	-8,413	-9,499

Balance sheet Group, summarised

KSEK		
Assets	2020	2019
Fixed assets		
<i>Intangible fixed assets</i>		
Capitalised development expenses	12,616	12,776
Other intangible fixed assets	65	95
Total Intangible fixed assets	12,681	12,871
<i>Tangible fixed assets</i>		
Equipment	40	84
Total tangible fixed assets	40	84
Financial assets		
Other financial assets	1	335
Total financial assets	1	335
Total fixed assets	12,722	13,290
Current assets		
Trade receivables	233	557
Other current receivables	1,481	909
Total current assets	1,714	1 468
Cash and cash equivalents	1,095	5,948
Total assets	15,531	20,704
KSEK		
Equity and liabilities	2020	2019
<i>Equity</i>		
Share capital	7,676	4,399
Other equity	20,701	29,809
This year's profit (loss)	-18,610	-19,684
Total equity	9,767	14,524
Current liabilities		
Bank overdraft	0	1,476
Trade payables	865	523
Other current liabilities	4,899	4,181
Total current liabilities	5,764	6,180
Total Equity and liabilities	15,531	20,704

Cash flow statement Group, summarised

KSEK	2020	2019
Cash flow from operating activities		
Result after financial items	-18,518	-19,578
Adj for non-cash items	5,837	2,288
Changes in current assets	-351	406
Changes in current liabilities	1,488	-4,354
Cash flow from operating activities	-11,544	-21,238
Cash flow from investing activities		
Activated development costs	-5,130	-5,049
Changes in financial assets	335	75
Cash flow from investing activities	-4,795	-4,974
Cash flow from financing activities		
Rights issue	13,000	28,650
Repayment of loans	-1 459	-2,185
Cash flow from financing activities	11,541	26,465
Total cash flow for the period	-4,798	253
Cash at the beginning of the period	5,948	5,571
Exchange rate differences	-55	124
Cash at the end of the period	1,095	5,948

Change in equity Group, summarised

(Values in KSEK)	2020
Equity at the beginning of the period	14 524
New share issue	13 400
Currency translation differences	445
Profit (loss)	-18 610
Equity at the end of the period	9 759

Income statement Parent company, summarised

KSEK		
Profit and loss	2020	2019
Net revenue	9,828	6,867
Total revenue	9,828	6,867
Other external costs	-3,584	-2,369
Personnel	-6,005	-4,669
Depreciation / Amortization	-30	-30
Other operating costs	0	0
Operating profit	209	-201
Net financial items	-4	-8
Allocations	0	164
Earning before tax	205	-45
Taxes	0	0
Profit (loss) for the period	205	-45

Balance sheet Parent company, summarised

KSEK		
Assets	2020	2019
Fixed assets		
Intangible fixed assets		
Other immaterial fixed assets	65	95
Total Immaterial fixed assets	65	95
Financial assets		
Shares in Group companies	60,268	60,268
Other financial assets	1	0
Total financial assets	60,269	60,268
Total fixed assets	60,334	60,363
Current assets		
Trade receivables	9,010	889
Current financial receivables from group companies	14,500	7,000
Other current receivables	238	217
Total current assets	23,748	8,106
Cash and cash equivalents	394	1,925
Total assets	84,476	70,394
KSEK		
Equity and liabilities		
<i>Equity</i>		
Share capital	7,710	4,399
Share premiums	73,998	63,909
Retained profits (losses)	319	363
This year's profit (loss)	205	-45
Total equity	82,232	68,626
Current liabilities		
Trade payables	154	483
Other current liabilities	2,090	1,285
Total current liabilities	2,244	1,768
Total Equity and liabilities	84,476	70,394