Verimatrix Announces Strong First-Half 2019 Results

- **$32.5 million: consolidated (IFRS) revenue in Q2 2019, up 162% year-over-year due to the addition of the Verimatrix, Inc. business acquired on February 28, 2019**
- **$60.8 million: pro forma[1] adjusted[2] revenue in H1 2019**
- **+68%: year-over-year growth of pro forma EBITDA[2] in H1 2019 at $10.0 million (16.5% of revenue)**
- **New organization, streamlining and cost synergies plan fully implemented**
- **Cost synergies expected to be $12.5 million on an annual basis, 25% above plan**
- **Objectives upgraded:**
  - **2019: strong focus on integrating Verimatrix, Inc. and delivering higher cost synergies**
  - **2021: revenue of $150 million and EBITDA margin of 26.5%[3]**

Aix-en-Provence, France and San Diego, USA, July 29, 2019 – Verimatrix (Euronext Paris: VMX), a global provider of security and analytics solutions that protect devices, services and applications, is today reporting its IFRS unaudited[4] consolidated results and unaudited pro forma adjusted results, for the six-month period ended June 30, 2019.

(in thousands of US$)	**H1 2019**	H1 2018
Pro forma adjusted revenue	**60 793**	58 530
Pro forma EBITDA	**10 015**	5 952
Consolidated revenue IFRS	**52 874**	22 492
Operating income IFRS	**(6 037)**	803
Adjusted operating income	**11 142**	2 670

Commenting on these results, Amedeo D'Angelo, chairman and chief executive officer of Verimatrix, stated: "*The first half of 2019 was very intense. We closed the acquisition of Verimatrix, Inc. on February 28th and implemented our new organization on April 1st to combine forces and get the most of our combined security expertise and solution portfolio that span multiple industries shifting towards software and cloud-based security solutions.*
At the same time, the Company successfully recouped with growth on Verimatrix, Inc. business after an usually low performance in the first quarter, while leveraging on-going momentum on Inside Secure historical business. During the first half of the year, we leveraged our combined positions to continue to address new security needs in the Entertainment space while reaping the benefit of our differentiated and advanced portfolio of Silicon IP products to tackle growth markets such as data centers, networking and IoT.
We also conducted a thorough review of our targeted cost synergies plan, which has now been fully implemented, both ahead of schedule and with greater savings than anticipated. Our organization is now in place and we expect to generate $12.5 million annual cost savings on an annual basis starting 2020.
Finally, with our new corporate name, Verimatrix, we are more than ever reflecting our broader vision and solutions offer to bring the best value proposition for our customers while capturing business opportunities to build a major player in software-based security solutions."

[1] As if the acquisition of Verimatrix, Inc. had been completed on January 1st.
[2] Verimatrix uses performance indicators that are not strictly accounting measures in accordance with IFRS ; definitions of adjusted financial measures are presented in Appendix 3 hereof.
[3] See "Forward-looking statements" section hereinafter.
[4] The consolidated financial statements as of June 30, 2019 were reviewed by the board of directors on July 26, 2019; the limited scope audit procedures by the statutory auditors are in progress.

Financial Results - Key figures

	Pro forma				IFRS	
	Core Business		Company			
(in thousands of US$)	**H1 2019**	H1 2018	**H1 2019**	H1 2018	**H1 2019**	H1 2018
Revenue	**57 245**	56 724	**60 793**	58 530	**52 874**	22 492
Gross profit	**47 225**	47 303	**49 402**	48 364	**44 452**	20 764
As a % of revenue	***82,5%***	*83,4%*	***81,3%***	*82,6%*	***84,1%***	*92,3%*
Operating expenses	**(43 192)**	(45 895)	**(43 316)**	(45 999)	**(50 489)**	(19 961)
Operating income	**4 033**	1 407	**6 086**	2 364	**(6 037)**	803
As a % of revenue	***7,0%***	*2,5%*	***10,0%***	*4,0%*	***-11,4%***	*3,6%*
Net income/(loss) from continuing operations (i)	-	-	-	-	**(8 110)**	1 803
Net income/(loss) from discontinued operations (ii)	-	-	-	-	**1 650**	-
Net income/(loss) (i) + (ii)	-	-	-	-	**(6 460)**	1 803
EBITDA	**7 676**	4 709	**10 015**	5 952	**-**	-
As a % of revenue	***13,4%***	*8,3%*	***16,5%***	***10,2%***	**-**	-

Basis of preparation

Inside Secure (renamed Verimatrix following shareholders' vote on June 24, 2019) completed the acquisition of Verimatrix, Inc, on February 28, 2019.

Verimatrix (the "Company") has prepared its results in accordance with IFRS (which account for 4 months of activity of Verimatrix, Inc. in 2019 and nil in 2018). Comments on IFRS results for the first half of 2019 - from revenue to operating income - are presented in Appendix 1 hereof and IFRS consolidated income statement, balance sheet and cash flow statement are presented in Appendix 2.

The Company has also prepared unaudited pro forma results as if the acquisition of Verimatrix, Inc. had been completed on January 1st to enable year-on-year comparison of the combined businesses while reflecting the new company organization implemented in April 2019. Pro forma are deemed "adjusted" compared with IFRS since, consistent with the Company's prior financial communications, they exclude (i) non-recurring adjustments on revenue due to purchase accounting (deferred revenue), (ii) the amortization of intangible assets related to business combinations, (iii) any potential goodwill impairment, (iv) share-based payment expense and (v) non-recurring costs associated with restructuring and business combinations. Definitions of adjusted measures are provided in Appendix 3 hereof.

Two business units: Software and Silicon IP & Secure Protocols

Subsequent to the acquisition of Verimatrix, Inc. and effective April 1, 2019, the Company is organized around two business units making up its core business: (i) Software and (ii) Silicon IP and Secure Protocols, each with their own R&D resources, product marketing and sales force. Support functions are shared between the two business units and the Company's NFC patent licensing program remains managed at corporate level.

The Software business unit comprises (a) Inside Secure Content and Application Protection product lines, (b) Verimatrix Conditional Access product line, offered to customers as a license for on premise use and as a service (SaaS), with Verimatrix in some cases managing the hosted service, and (c) Verimatrix SaaS big data analytics offering.

The Silicon IP & Secure Protocols business unit provides intellectual property components (silicon IP), software toolkits and provisioning solutions, to enable semiconductor manufacturers and fabless companies, device manufacturers and security software integrators to meet the critical needs for authentication, secure communication, information protection and user privacy for the Internet of things and network security markets.

1- Pro forma financial results: from revenue to EBITDA

Q2 2019 and H1 2019 pro forma adjusted revenue

(in thousands of US$)	Q2-2019	Q2-2018	Q2 2019 vs. Q2 2018	H1-2019	H1-2018	H1 2019 vs. H1 2018
Software business unit	27 475	23 709	16%	46 870	44 348	6%
Silicon IP business unit	5 856	6 279	-7%	10 375	12 376	-16%
Total pro forma adjusted revenue of core business	**33 331**	**29 988**	**11%**	**57 245**	**56 724**	**1%**
NFC patent licensing program		1 806	-	3 548	1 806	-
Total pro forma adjusted revenue	**33 331**	**31 794**	**5%**	**60 793**	**58 530**	**4%**

Q2 2019 pro forma adjusted revenue

In the second quarter of 2019, pro forma adjusted revenue was $33.3 million, up 5% compared with the second quarter 2018 including $10.4 million for Inside Secure business and $23.0 million for Verimatrix business. Revenue in the second quarter of 2019 did not include any revenue from the Company's NFC patent licensing program managed by France Brevets (compared with $1.8 million in the second quarter of 2018).

As expected, in the second quarter of 2019 Verimatrix revenue significantly increased over the first quarter (+61%) more than offseting the unusually low first-quarter 2019 revenue performance and recouping with year-on-year growth. This quarter, Verimatrix revenue grew by 18% year-on-year.

Pro forma adjusted revenue for the core business was $33.3 million, up 11% vs. the second quarter of 2018 mainly driven by a 16% year-on-year growth of the Software Business Unit.

This quarter, the Software business unit generated a pro forma adjusted revenue of $27.5 million. The double digit growth was mainly driven by the Conditional Access product line.
In the entertainment space, the Company's combined strong positions in conditional access and content protection enabled increased royalties and maintenance fees with existing customers using cardless set top boxes and MultiRights OTT (Over-the-Top) solutions.
The Company also signed its first large deal for Strong Authentication with an existing customer in Europe for the Datacenter and Facilities Management market using the technology for smart locks that open with a NFC-enabled phone.

In the second quarter of 2019, the Silicon IP business unit (SIP) generated a pro forma adjusted revenue of $5.9 million, down by 7% compared with the second quarter of 2018 which had been a very strong quarter. SIP business unit activity grew 31% sequentially, keeping on benefiting from strong deal momentum with both existing and new customers, reaping the benefit of its differentiated and advanced portfolio products and strong market positions in particular in the fields of networking and storage markets.

H1 2019 adjusted pro forma revenue

On a pro forma and adjusted basis, revenue for the first half of 2019 was $60.8 million, up 4% compared with first-half 2018 including $23.6 million revenue from Inside Secure historical business (+5%) and $37.2 million revenue from Verimatrix historical business (+3%). Revenue in first-half 2019 included $3.5 million revenue from its NFC patent licensing program managed by France Brevets (compared with $1.8 million in the first half of 2018).

Pro forma adjusted revenue for the core business was $57.2 million, up 1% vs. first-half 2018, with Software Business Unit revenue up 6%, partially off set by Silicon IP Business Unit impacted by high year-on-year comparison basis.

In the first half of 2019, the Software business unit generated a pro forma adjusted revenue of $46.9 million, up 6% vs. 2018 as the company successfully offset unusally low performance of Verimatrix, Inc. business activity in the first quarter of 2019. The Company primarly managed to leverage its position in the Entertainment market to support customers in protecting the content they deliver under new forms and operating systems.

The Silicon IP business unit generated pro forma adjusted revenue of $10.4 million in the first half of 2019, down year-on-year primarily due to the absence of royalties from the company's historical U.S. customer as compared to $1.5 million in first-half 2018 before phasing out that year. In the first half of 2019, the Company maintained strong business momentum, leveraging its portfolio of products to enable its customers to manage new demanding security challenges. The Company notably signed new licenses with existing sizeable customers either for new generation of their products or to extend the use of the Company embedded security technology within their product offering.

	Pro forma	
(in thousands of US$)	**H1 2019**	**H1 2018**
Adjusted evenue	60 793	58 530
Adjusted gross profit	**49 402**	**48 364**
As a % of revenue	*81,3%*	*82,6%*
Research and development expenses	(16 756)	(19 011)
Selling and marketing expenses	(15 345)	(17 132)
General and administrative expenses	(11 117)	(9 795)
Other gains / (losses), net	(98)	(61)
Total adjusted operating expenses	**(43 316)**	**(45 999)**
Adjusted operating income from continuing operations	**6 086**	**2 364**
EBITDA	**10 015**	**5 952**

Adjusted gross profit (pro forma)

On a pro forma basis, adjusted gross profit for first-half 2019 was $49.4 million, compared with $48.4 million in first-half 2018.

Excluding the contribution of the Company's NFC licensing program, core business adjusted gross profit was stable at $47.2 million. Gross margin slightly decreased from 83.4% to 82.5% of revenue in first-half 2019 due to product mix.

Adjusted operating expenses (pro forma)

On a pro forma basis, operating expenses decreased from $46.0 million for the first half of 2018 to $43.3 million for the first half of 2019 as the Company started to reap the first benefits from the cost synergies plan implemented in the second quarter of 2019, while benefiting from a stronger US Dollar year-over-year.

Following the implementation of its new organization on April 1, 2019, the Company executed its plan to streamline operations in the second quarter of 2019 while preserving core R&D and sales and marketing capabilities to invest in future growth. Savings in operating expenses for the first half of 2019 related to the implementation of the plan are estimated to $1.5 million (excluding the one-off restructuring charge – see below).

The Company also benefited from a stronger US dollar in the first half 2019 (average rate of USD 1.1298 for EUR 1) compared with the same period of 2018 (average rate of USD 1.2108) reducing the operating expenses denominated in euros for an estimated amount of $1.2 million.

Adjusted operating income and EBITDA (pro forma)

Pro forma operating income for the first half of 2019 was multiplied by 2.6 at $6.1 million compared to the first half of 2018 reflecting operating leverage, first impact of cost synergies plan and a stronger USD vs. EUR reducing the operating expenses denominated in EUR when reported in USD.

First-half 2019 pro forma EBITDA increased by 68% to $10.0 million (from $6.0 million for the first half of 2018) and pro forma EBITDA margin increased by more than 600 basis points year-on-year to 16.5% of revenue.

2- IFRS operating and net income impacted by one-off expenses and non-cash charges

(in thousands of US$)	**First half 2019**	First half 2018
Adjusted operating income/(loss)	**11 142**	**2 670**
Amortization and depreciation of assets acquired through business combinations (Items without cash impact)	(2 455)	(1 150)
Acquisition related expenses	(2 908)	(491)
Restructuring costs	(4 492)	41
Impairment of assets (unused building)	(6 779)	-
Share based payments	(545)	(267)
Operating income/(loss)	**(6 037)**	**803**
Finance income/(loss), net	(2 158)	1 437
Income tax expense	85	(437)
Net income/(loss) from continuing operations (i)	**(8 110)**	**1 803**
Net income/(loss) from discontinued operations (ii)	**1 650**	**-**
Net income/(loss) (i) + (ii)	**(6 460)**	**1 803**

Sums may not equal totals due to rounding

Operating income/(loss)

Company generated a consolidated operating loss of $6.0 million in the first half of 2019, compared with an operating income of $0.8 million in the first half of 2018. The operating loss is explained mainly by:

- one-off expenses in relation with the acquisition of Verimatrix, Inc. for $2.9 million (fees and commissions for $2.4 million and accruals for retention bonuses for $0.5 million) and the implementation of the cost synergies plan for $4,5 million;
- impairment of assets[5] for $6.8 million;
- non cash items for $3 million including the amortization charge related to intangible assets arising upon the Company's acquisitions in recent years (Metaforic in 2014, Meontrust and SypherMedia in 2017 and Verimatrix, Inc. in 2019) for $2.5 million and share-based payment expense for $0.5 million.

Excluding these one-off items, the Company's would have generated an adjusted operating income of $11.1 million, i.e. 21.1% of consolidated revenue (compared with $2.7 million in the first half of 2018).

Finance income/(loss)

Net financial expense was $2.2 million in the first half of 2019, mainly driven by the interest expense of the $54 million loan note in connection with the financing of Verimatrix acquisition (bullet loan note due 2026) for $1.8 million and of the convertible bonds due 2022 for $1 million.

Net income/(loss)

In the first half of 2019, the Company generated a consolidated net loss (IFRS) of $6.5 million against a net income $1.8 million in the first half of 2018. It is derived from the operating loss for the continuing business for $6.0 million, net financial expense of $2.2 million and a one-off non-cash profit of $1.7 million from the discountinued semiconductor business due to the reversal of a provision recorded in 2016 following the sale of the Company's semiconductor business and that was no longer necessary.

3- Financial position

As of June 30, 2019, the company's consolidated cash position was $14.1 million, compared with $47.4 million at December 31, 2018.

[5] In April 2019, Verimatrix staff in San Diego relocated to a single building from the two buildings that were previously used. As a consequence, the Company considered the vacant building lease commitment as an onerous agreement and recorded an impairment of the right of use recognized according to IFRS 16 corresponding to the cumulated rent being due until the term of the agreement, and related interior fittings and improvements. The Company is nevertheless looking for a new tenant that could take over the lease.

Net debt stood at $61.1 million at June 30, 2019, compared with a net cash position of $32.8 million at December 31, 2018. Net cash/debt is a non-FRS measure defined as cash on hand, cash equivalents and short-term investments, less bank overdrafts, financial debt including notably obligations under IFRS 16 for finance leases, bank loans, private loans, and the debt component of the “OCEANE” convertible bonds due 2022 (see reconciliation with IFRS in Appendix 2 hereof).

Operating activities before changes in working capital generated $6.4 million of cash flow in the first-half of 2019, compared with $2.1 million in the first half of 2018 which excluded the Verimatrix business. Changes in working capital used $15.7 million to due the addition of Verimatrix, Inc. working capital items which are consolidated since March 1, 2019.

At closing of the acquisition of Verimatrix, Inc, Inside Secure paid out $129,1 million, net of $18.8 million transferred cash. To finance the acquisition, the Company used $33.9 million of its own cash (excluding costs related to the transaction and its financing), raised $60.0 million (€52.5 million) of equity and equity-like instruments, and contracted a private debt for $54 million (bullet loan note due 2026).

(in thousands of $)	**H1 2019**	H1 2018
Cash generated by / (used in) operations before changes in working capital	**6 390**	**2 139**
Cash generated by / (used in) changes in working capital	**(15 718)**	**1 926**
Interests and Income tax	(2 615)	(444)
Net cash generated by / (used in) operating activities	**(11 943)**	**3 622**
Cash flows from investing activites, net	(129 631)	(95)
Cash flows from financing activities, net	108 251	-
Net increase in cash and cash equivalents	**(33 323)**	**3 527**
Cash and cash equivalents at beginning of the period	47 381	45 874
Foreign exchange impact	41	(326)
Cash and cash equivalents at end of the period	**14 098**	**49 075**

4- Business outlook for 2019

In the first half of 2019, the Company focused on integrating Verimatrix with the implementation of a new organization effective since April 1st and a deep review before the implementation of tartgeted cost synergies plan while recouping with growth after an unusually low revenue performance of Verimatrix, Inc. historical business in the first quarter.

In light of all the work done on the cost synergies plan implemented in the second quarter of 2019, the Company now expects that the cost synergies would have a positive impact of $12.5 million per year on a run rate basis and starting 2020 (compared with $10 million target communicated in December 2018) and of $7.0 million in 2019 overall (compared with $4 million target) including $1.5 million achieved in the first half of 2019 and $5.5 million expected for the second half of the year. These cost synergies are net of the expenses implied by new hires currently planned for 2019.

In this context, Verimatrix upgraded its 2021 EBITDA margin objective[6] to 26.5% of revenue (compared with 25% initially), with an unchanged revenue target of $150 million in 2021.

Conference call

Verimatrix will hold a conference call to discuss its earnings results today July 29, 2019, at 8:30 am CET. Access to the call will be by dial-in on one of the following numbers: +33 1 72 72 74 03 (France) or +44 20 7194 3759 (UK), PIN 81002603#.

The presentation is available online at www.verimatrix-finance.com. An audio webcast of the presentation and the Q&A session will be available on the Verimatrix investor website after the end of the call and will remain posted there for one year.

Financial calendar

- Third-quarter 2019 revenue: October 15, 2019

[6] See “Forward-looking statements” section hereinafter.

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About Verimatrix

Verimatrix (Euronext Paris - VMX) is a global provider of security and analytics solutions that protect devices, services and applications across multiple markets. Many of the world's largest service providers and leading innovators trust Verimatrix to protect systems that people depend on every day for mobile apps, entertainment, banking, healthcare, communications and transportation. Verimatrix offers easy-to-use software solutions, cloud services and silicon IP that provide unparalleled security and business intelligence. Proud to empower and protect its customers for more than two decades, Verimatrix serves IoT software developers, device makers, semiconductor manufacturers, service providers and content distributors. For more information, visit www.verimatrix.com.

Forward-looking statements

This press release contains certain forward-looking statements concerning Verimatrix. Although Verimatrix believes its expectations to be based on reasonable assumptions, they do not constitute guarantees of future performance. Accordingly, the Company's actual results may differ materially from those anticipated in these forward-looking statements owing to a number of risks and uncertainties. For a more detailed description of these risks and uncertainties, please refer to the "*Risk factors*" section of the 2018 annual financial report filed with the French financial market authority (the Autorité des marchés financiers – the "AMF") on April 30, 2019, available on www.verimatrix-finance.com.

In particular, Verimatrix has the objective to achieve a revenue of about $150 million in 2021 while generating an EBITDA margin of approximately 26.5% of revenue (compared with 25% announced initially by the Company in December 2018). The revenue objective is on a like-for-like basis by integrating only Verimatrix, Inc.; it does not include any acquisition or disposal of businesses or companies. The EBITDA margin target includes the full effect of the $12.5 million annual expected cost synergies from the combination of Inside Secure and Verimatrix, Inc. (compared with $10 million announced previously). The revenue and operating expenses objectives of the business plan are based on a fixed euro/dollar rate of $1.17 for €1, ie the rate being used for the operating budget for the year 2019. The objectives presented above are based on data, assumptions and estimates considered reasonable by the Company as at the date hereof. These objectives, which result from the Company's strategic planning, do not constitute a forecast or an estimate of the Company's earnings and do not constitute a forecast resulting from a budget process. The figures and assumptions presented below are likely to change or be modified according to the evolution of the economic, competitive, financial or accounting environment or other factors that the Company would not have had been anticipated at the date hereof.

Supplementary non-IFRS financial information

Some financial measures and performance indicators used in the press release are presented on an adjusted basis. They are defined in Appendix 3 of this press release. They should be considered as additional information, which cannot replace any other strictly accounting-based operating or financial performance measure, as presented in the consolidated financial statements, including the income statement set out in Appendix 1 hereof. The definitions of adjusted financial measures are presented in Appendix 2 hereof.

Appendix 1 - IFRS first-half 2019 financial results

Q2 2019 and H1 2019 consolidated revenue

(in thousands of US$)	Q2-2019	Q2-2018	Q2 2019 vs. Q2 2018	H1-2019	H1-2018	H1 2019 vs. H1 2018
Software business unit	26 624	4 291	520%	38 951	8 310	369%
Silicon IP business unit	5 856	6 279	-7%	10 375	12 376	-16%
Total revenue of core business	**32 480**	**10 570**	**207%**	**49 327**	**20 686**	**138%**
NFC patent licensing program		1 806	-	3 548	1 806	-
Total consolidated revenue	**32 480**	**12 376**	**162%**	**52 874**	**22 492**	**135%**

In the second quarter of 2019, consolidated revenue was $32.5 million, up 162% compared with 2018, primarily due to the incremental revenue from Verimatrix business, consolidated starting March 1, 2019. During the quarter, Verimatrix, Inc. historical business generated $22.1 million of revenue and $10.4 million for Inside Secure.

In the first half of 2019, consolidated revenue was $52.9 million as compared to $22.5 million in the first half of 2018, driven primarily by the addition of the Verimatrix business consolidated representing $29.3 million of revenue for the period.

Gross Profit

Gross profit for the first half of 2019 was $44.5 million, compared with $20.7 million in the first half of 2018, primarily due to the incremental revenue from Verimatrix business, consolidated starting March 1, 2019.

Gross margin decreased from 92.3% in the first half of 2018 to 84.1% in the first half of 2019 mainly due to the addition of the Verimatrix, Inc. business which structurally generates lower gross margin (typically around 78%-80%) than Inside Secure historical business due to the need to provide integration and 24/7 support to customers.

Operating expenses

Operating expenses increased from $20.0 million in the first half of 2018 to $50.5 million in the first half of 2019 as the company consolidated Verimatrix business starting March 1, 2019 and incurred on-off acquisition and restructuring charges.

Combined R&D, S&M and G&A expenses were $36.6 million compared to $19.9 million in first-half 2018, driven by the addition of Verimatrix, Inc. business, net of the first benefits from the cost synergies plan implemented in the second quarter of 2019 and a stronger USD vs. EUR reducing the operating expenses denominated in EUR when reported in USD.

First-half 2019 Other gains / (losses), net, registered net expense of $13.9 million mainly explained by the following one-off items amounting to $13.7 million:
- $2.4 million of expense in relation with the acquisition of Verimatrix, Inc (primarily fees and commissions);
- $4.5 million of restructuring charges in relation with the cost synergies plan (with most of this charge having been paid out in the second quarter);
- $6.8 million of impairment of unused assets.

Appendix 2 – Consolidated income statement, balance sheet and cash flow statement (IFRS)

The following tables are an integral part of the consolidated financial statements prepared in accordance with IFRS.

Consolidated income statement

(In thousands of US$)	**as at June 30, 2019**	**2018**
Revenue	**52 874**	**22 492**
Cost of sales	(8 422)	(1 728)
Gross profit	**44 452**	**20 764**
Research and development expenses	(15 243)	(8 968)
Selling and marketing expenses	(14 903)	(7 015)
General and administrative expenses	(6 484)	(3 902)
Other gains / (losses), net	(13 859)	(76)
Operating profit (loss)	**(6 037)**	**803**
Finance income / (loss), net	(2 158)	1 437
Profit (Loss) before income tax	**(8 195)**	**2 240**
Income tax expense	85	(437)
Net income/(loss) from continuing operations (i)	**(8 110)**	**1 803**
Net income/(loss) from discontinued operations (ii)	1 650	-
Net income/(loss) (i) + (ii)	**(6 460)**	**1 803**

Consolidated balance sheet

Assets

(In thousands of US$)	June 30, 2019	December 31, 2018
Goodwill	125 439	29 530
Intangible assets	25 253	5 896
Property and equipment	7 842	1 185
Other receivables	11 552	5 668
Non-current assets	**170 086**	**42 279**
Inventories	-	34
Trade receivables	39 947	10 496
Other receivables	15 760	4 303
Derivative financial instruments	-	28
Cash and cash equivalents	14 098	47 381
Current assets	**69 805**	**62 242**
Total assets	**239 891**	**104 521**

Equity and liabilities

(In thousands of US$)	June 30, 2019	December 31, 2018
Ordinary shares	41 166	22 504
Share premium	266 927	227 758
Other reserves	15 312	13 582
Retained earnings	(193 397)	(196 814)
Income / (loss) for the period	(6 460)	3 418
Equity attributable to equity holders of the Company	**123 548**	**70 449**
Non-controlling interests	-	-
Total equity	**123 548**	**70 449**
Derivative financial instruments - Non-current portion	593	790
Convertible bonds - Non-current portion	14 606	14 208
Borrowings	57 888	399
Other financial debts	2 000	2 000
Provisions for other liabilities and charges - Non-current portion	206	166
Non-current liabilities	**75 293**	**17 563**
Financial instruments	-	14
Trade and other payables	18 592	9 003
Borrowings	2 749	154
Provisions for other liabilities and charges	4 322	3 602
Unearned revenues	15 386	3 737
Current liabilities	**41 049**	**16 510**
Total liabilities	**116 343**	**34 073**
Total equity and liabilities	**239 891**	**104 521**

Consolidated cash flow statement

(In thousands of US$)	June 30, 2019	June 30, 2018
Income / (loss) for the period from continuing operations	**(6 460)**	**1 803**
Adjustments for:		
Depreciation of tangible assets	1 931	226
Amortization of intangible assets	2 719	1 415
Impairment of assets	6 363	-
Other Non Cash P&L Items	1 837	(1 304)
Cash generated by / (used in) operations before changes in working capital	**6 390**	**2 139**
Changes in working capital		
Inventories	34	154
Trade receivables	(11 028)	2 962
Other receivables	(1 034)	264
Research tax credit and grants	(441)	656
Trade and other payables	(2 256)	(1 267)
Other payables	(993)	(842)
Cash generated by / (used in) changes in working capital	**(15 718)**	**1 926**
Cash generated by / (used in) by activity	**(9 328)**	**4 065**
Interest received/paid net	(1 840)	(93)
Income tax paid	(775)	(351)
Net cash generated by / (used in) operating activities	**(11 943)**	**3 621**
Cash flows from investing activities		
Acquisition of Verimatrix, net of transferred cash	(129 122)	-
Purchases of property and equipment	(169)	(95)
Purchases of intangible assets	(340)	-
Cash flows used in investing activities	**(129 631)**	**(95)**
Cash flows from financing activities		
Proceeds from issuance of ordinary shares, net of issuance costs	57 808	-
Proceeds from private loans	51 492	-
Loan repayments	(57)	-
Reimbursement of lease commitments	(993)	-
Cash flows from financing activities	**108 250**	**-**
Net increase in cash and cash equivalents	**(33 324)**	**3 527**
Cash and cash equivalents at beginning of the period	47 381	45 874
Effect of exchange rate fluctuations	41	(326)
Cash and cash equivalents at end of the period	**14 098**	**49 075**

Appendix 3 - Non-GAAP measures - Reconciliation of IFRS results with adjusted results

The performance indicators presented in this press release that are not strictly accounting measures are defined below. These indicators are not defined under IFRS, and do not constitute accounting elements used to measure the company's financial performance. They should be considered as additional information, which cannot replace any other strictly accounting-based operating or financial performance measure, as presented in the company's consolidated financial statements and their related notes. The company uses these indicators because it believes they are useful measures of its recurring operating performance and its operating cash flows. Although they are widely used by companies operating in the same industry around the world, these indicators are not necessarily directly comparable to those of other companies, which may have defined or calculated their indicators differently than the company, even though they use similar terms.

Adjusted revenue is defined as revenue before non-recurring adjustments related to business combinations. It enables comparable revenue for 2018 and 2019. In 2018, the combined entities would have generated a pro forma adjusted revenue of $123.3 million and a pro forma revenue of $121.1 million as Verimatrix recorded $2.2 million of deferred revenue as at December 31, 2017 which, in accordance with IFRS, cannot be recognized in the year following the acquisition.

(in thousands of US$)	Q1-2018	Q2-2018	Q3-2018	Q4-2018	FY 2018	Q1-2019	Q2-2019
Inside Secure	10 116	12 376	9 076	10 511	42 080	13 174	10 379
Verimatrix adjusted	16 620	19 418	20 106	25 087	81 232	14 288	22 952
Pro forma adjusted revenue (unaudited)	**26 736**	**31 794**	**29 183**	**35 599**	**123 311**	**27 462**	**33 331**

Adjusted gross profit is defined as gross profit before (i) the amortization of intangible assets related to business combinations, (ii) any potential goodwill impairment, (iii) share-based payment expense and (iv) non-recurring costs associated with restructuring and business combinations and divestiture undertaken by the company.

Adjusted operating income/(loss) is defined as operating income/(loss) before (i) the amortization of intangible assets related to business combinations, (ii) any potential goodwill impairment, (iii) share-based payment expense and (iv) non-recurring costs associated with restructuring and business combinations and divestiture undertaken by the company.

EBITDA is defined as adjusted operating income before depreciation, amortization and impairment expenses not related to business combinations.

Net cash/debt is defined as cash on hand, cash equivalents and short-term investments, less bank overdrafts, financial debt including notably obligations under IFRS 16 for finance leases, bank loans, private loans, and the debt component of the OCEANE convertible bonds.

(in thousands of US$)	**June 30, 2019**	**December 31, 2018**
Cash and cash equivalents	14 098	47 381
Financial lease commitmentrs under IFRS16	(8 653)	-
Private loan due 2026	(51 624)	-
Convertible bonds due 2022	(14 593)	(14 205)
Other loans	(371)	(416)
Net cash/(debt)	**(61 143)**	**32 760**