



## FIRST-HALF 2018 REPORT AND OUTLOOK

- Initial public offering : a resounding success with €47.7m raised;
- First half developments and results in line with roadmap;
- Positive outlook on target markets for intelligent data centers and intelligent vehicles.

**Grenoble, France, September 27, 2018** - Kalray (Euronext Growth Paris: ALKAL), a pioneer in processors for new intelligent systems, has published its first half 2018 results. The consolidated financial statements were approved by the Executive Board and reviewed by the Supervisory Board on 25 September 2018. The first half financial report, including the first half financial statements and their notes, can be viewed under "Financial documents" on the company's website : [www.kalray-bourse.com](http://www.kalray-bourse.com).

**Eric Baissus, President of the Kalray Executive Board, made the following comments:**

*"The first-half financial results are in line with our expectations, and reflect the step-up in development programs in our two main markets: intelligent data centers and intelligent vehicles.*

*The resounding success of our IPO in June, raising €47.7 million on Euronext Growth, has bolstered our international credibility with key accounts, increased our financial visibility, and has provided us with the necessary resources to pursue our technological roadmap and commercial ramp-up.*

*In April, we obtained NVMe certification for our Kalray Target Controller, a first in the industry for a system solution. This is a major milestone, which reflects the sophistication of our data center solution, and our ability to lead the charge in the sector's next major technological wave.*

*Meanwhile, the intelligent vehicle segment has shown tangible signs of acceleration, and the interest of a number of top-tier manufacturers and component suppliers has opened up new opportunities.*

*These major achievements in the first half, as well as our various ongoing projects, consolidate our targets to ramp up sales in 2019, achieve break even on net operating income <sup>1</sup> by 2020 and reach €100 million in revenue by 2022."*

### MAJOR ADVANCES IN THE FIRST HALF OF 2018

In the first half of 2018, Kalray continued its R&D programs and made significant achievements in its two target markets.

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<sup>1</sup> Net operating income : Operating income + research tax credit (CIR)





In the intelligent data center segment, and specifically that of new-generation storage servers, Kalray obtained **certification** in April for its KTC ("Kalray Target Controller") solution from **NVM Express (NVMe)**. This certification, an industry first for a system solution, is a major step forward for the company. It reflects the sophistication of the KTC solution, which will enable Kalray to build the next generation of storage servers and intelligent data centers. Kalray presented this solution at **ISC 2018** (the International SuperComputing conference) last June, alongside leading storage solution and server manufacturer **AIC**.

Concerning future generations of intelligent vehicles, Kalray has continued to construct its offering around artificial intelligence, computer vision and the acceleration of perception technologies. In May, the company announced that its intelligent processors had been integrated into Renault's electric **concept car<sup>2</sup>, SYMBIOZ<sup>®</sup>**. In September, at the **AutoSens** conference in Brussels, it demonstrated the performance of its MPPA<sup>®</sup> ("Massively Parallel Processor Array") processor, applied in the **Apollo Open Platform**, developed by Chinese internet giant **Baidu** for automotive component suppliers in the autonomous driving segment.

Finally, Kalray is continuing the development of its **third-generation Coolidge processor**, which is aiming for a **2019 sales launch**, as per the company's schedule.

## FIRST-HALF RESULTS IN LINE WITH EXPECTATIONS

The first-half 2018 results reflect the **step-up in development programs** over the period.

H1 revenue, comprising sales of electronic boards, development platforms and licenses, as well as customer services during the evaluation and qualification stage, came to €322 K. Revenue was down slightly compared to H1 2017, with Kalray prioritizing the roll-out of a product offering rather than the generation of short-term revenue via services for markets with less potential in the long term.

**Net operating result**, including the €1,385 K research tax credit, amounted to €-2,778 K, **an improvement over the first half of 2017**. The increase in capitalized production (up €515 K in H1 2018 over the same period in 2017) and in the research tax credit (up €470 K), reflecting the extent of innovation, helped offset the increase in operating expenses over the period, related to staff costs (up €282 K over H1 2017 due to the recruitment drive), the increase in software developments and hardware design outsourcing costs (up €555 K), as well as the acquisition of design tool licenses (up €97 K).

After recognition of a net financial expense of €2,275 K (including a €2,070 K non-recurring non-cash expense corresponding to non-conversion premium in respect of convertible bonds), Kalray shows a net loss of €5,079 K.

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<sup>2</sup> A concept car is an experimental car prototype to demonstrate new technology, styling or usage.





## STRENGTHENED FINANCIAL STRUCTURE FOLLOWING THE RESOUNDING SUCCESS OF THE IPO

In June, Kalray raised **€47.7 million during its initial public offering** on Euronext Growth, including the partial exercise of the over-allotment option (including new shares resulting from the automatic conversion of bonds issued by the company in April 2018). With an over-subscription rate of 1.8 times, the offering was a resounding success with individual investors and institutional and corporate investors alike, including **Alliance Ventures (Renault-Nissan-Mitsubishi)**, **CEA Investissement**, **Compagnie du Planay**, **Definvest (Bpifrance and Ministère des Armées)**, **Financière Arbevel**, **Helea**, **Inocap Gestion** and **Safran Corporate Ventures**.

Thanks to this major operation, Kalray has the resources it needs to pursue its technological roadmap and commercial ramp-up.

On June 30, 2018, Kalray's shareholders' equity came to €35.3 million, while **cash and cash equivalents** amounted to **€32.2 million**.

## OUTLOOK

The two main sectors targeted by Kalray - **intelligent data centers** and **intelligent vehicles** - are booming, and given its technological lead, the company intends to quickly position itself as a leader on these markets, **each which a potential of over €1 billion**.

In the data-center segment, the increase in the adoption rate of SSDs ("Solid-State Drives") by the new generation of flash-memory servers over hard disk drives (or HDDs) is confirmed for 2019, driven by the decrease in SSD prices. This phenomenon is leading the industry to standardize the new NVMe protocol, in order to step up data transfers and use new adapted software solutions to facilitate the introduction of these new technologies within data centers. With an offering that is now perfectly tailored to these needs, Kalray is pursuing **extensive commercial discussions** with key players in storage and integrators.

In the intelligent-vehicle segment, the company is continuing to develop its offering, and artificial intelligence solutions in particular, for the next generations of intelligent vehicles. **Assessments of the Kalray offering** by clients and potential partners are progressing as expected, and confirm the appropriateness of the positioning of its products on this market.

At the same time, Kalray plans to launch a new major collaborative R&D project on on-board intelligent systems by the end of the year, with additional funding to partly cover its R&D program over the coming years. This project will enable the company to work upstream in its areas of expertise with top tier manufacturers and research centers.

### Next publication:

**Tuesday, January 22, 2019:** Activity in the second half of 2018





## ABOUT KALRAY

Kalray (Euronext Growth Paris - FR0010722819 – ALKAL) is the pioneer of processors for new intelligent systems. As a real disruptive technology, “intelligent” processors have the capability to analyze on the fly, and in an intelligent manner, a very large flow of information, and to react and make decisions in real time. These intelligent processors are being extensively deployed in fast-growing sectors such as new-generation computer networks, autonomous vehicles, healthcare equipment, as well as drones and robots. The Kalray offering encompasses processors as well as complete solutions (electronic boards and software). Created in 2008, as a spin-off of the CEA, Kalray addresses a broad spectrum of clients, among which server manufacturers, intelligent system integrators and consumer product manufacturers, such as car manufacturers. Visit [www.kalrayinc.com](http://www.kalrayinc.com).

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## APPENDICES

### P&L as of June 30, 2018 (non audited)

Consolidated (in K€)	June 30, 2017	June 30, 2018
<b>Net sales</b>	<b>475</b>	<b>322</b>
<b>R&amp;D capitalization</b>	<b>1,987</b>	<b>2,502</b>
<b>Subsidies</b>	<b>875</b>	<b>853</b>
<b>Total revenue</b>	<b>3,337</b>	<b>3,677</b>
<b>Cost of sales</b>	<b>(159)</b>	<b>(81)</b>
<b>Operating expenses</b>	<b>(4,674)</b>	<b>(5,652)</b>
<i>Including salaries &amp; contributions</i>	<i>(2,870)</i>	<i>(3,152)</i>
<i>Including other expenses</i>	<i>(1,804)</i>	<i>(2,500)</i>
<b>Amortization</b>	<b>(2,467)</b>	<b>(2,107)</b>
<b>Operating result</b>	<b>(3,963)</b>	<b>(4,163)</b>
<b>Taxes (including research Tax Credit)</b>	<b>915</b>	<b>1,385</b>
<b>Net operating result<sup>3</sup></b>	<b>(3,048)</b>	<b>(2,778)</b>
<b>Financial result<sup>4</sup></b>	<b>(63)</b>	<b>(2,275)</b>
<b>Exceptional result</b>	<b>(529)</b>	<b>(26)</b>
<b>Net result</b>	<b>(3,640)</b>	<b>(5,079)</b>

### Balance sheet as of June 30, 2018 (non audited)

Consolidated (in K€)	2017/12/31	2018/06/30	2017/12/31	2018/06/30
<b>NON CURRENT ASSETS</b>	<b>12,076</b>	<b>14,335</b>	<b>EQUITY</b>	<b>(335)</b>
Intangible assets <sup>5</sup>	9,649	11,974	Provisions	18
Tangible assets	1,973	1,911	R&D refundable advances	6,354
Financial assets	454	450	Shareholders accounts	1,596
<b>CURRENT ASSETS</b>	<b>5,316</b>	<b>36,148</b>	Bank loans	548
Inventories	239	249	Accounts payable	4,237
Accounts receivable	133	176	Taxes & contrib. payable	1,388
Other receivables (CIR, CICE, subsidies)	1,990	3,487	<b>TOTAL LIABILITIES</b>	<b>14,141</b>
Cash	2,954	32,236		
Accrued expenses	138	145	Deferred revenue (subs.)	3,723
<b>TOTAL ASSETS</b>	<b>17,530</b>	<b>50,628</b>	<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>17,530</b>
				<b>50,628</b>

<sup>3</sup> Operating result + Research tax credit

<sup>4</sup> Of which non-conversion premium in 2018 : €2,070 K

<sup>5</sup> Of which Coolidge project for €7,580 K

