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GRENOBLE, MAY 25, 2018

KALRAY'S INTELLIGENT PROCESSORS SOON TO GO PUBLIC: LAUNCH OF IPO ON Euronext Growth Paris

- Capital increase: approximately €35.7M¹
- Subscription commitments received: €22.8M, incl. €12.4M through convertible bonds²
- Registered subscriptions from new shareholders: Definvest (Bpifrance and French Ministry of the Armed Forces), Financière Arbevel and Alliance Ventures (Renault-Nissan-Mitsubishi)
- Indicative price range: between €17.66 and €23.88
- Subscription period: from May 25 to June 6, 2018 inclusive (Open-Price Offer) and from May 25 to June 7, 2018 12.00 am (Global Offering)
- "Entreprise Innovante" label. Securities are eligible to PEA-PME

Kalray, a pioneer in processors for new intelligent systems, has announced the launch of its initial public offering to list its company shares for trading on the Euronext Growth market in Paris.

On May 24, 2018, the French Financial Markets Authority (AMF) has granted the visa number 18-196 on the prospectus made up of the "Document de Base" registered under no. I.18-042 on May 16, 2018 and a securities note (including a summary of the prospectus).

¹ Gross proceeds of the initial Offer based on the median price of the indicative price range, i.e. €20.77 per share, excluding the potential exercise of the extension and over-allotment options (of which €23.3M in cash and €12.4M through offset of receivables).

² Disparity in prices: offset of receivables related to the repayment of the convertible loan issued in April 2018 (€10,252K in cash, €95K in accrued interest and a €2,069K non-conversion premium revealing a discount of 17.4%). See note 5.3.4 of the operation note.





THE PIONEER OF INTELLIGENT PROCESSORS

Founded in 2008, as a spin-off of the leading French national lab CEA (“Commissariat à l’Énergie Atomique”, the French Alternative Energies and Atomic Energy Commission) and the outcome of nearly 10 years of R&D and significant investment in the order of €60M, Kalray designs and markets³ a new generation of “intelligent” processors. Intelligent processors, firmly protected by 23 patent families⁴, 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 next-generation computer networks, autonomous vehicles, healthcare equipment, as well as drones and robots.

Based on its “MPPA®” (Massively Parallel Processor Array) architecture, which is unique and patented, and which allows for the miniaturization of a supercomputer on a single chip, the Kalray intelligent processors offer a set of performance criteria that address the challenges raised by the new generation of intelligent systems, namely:

- considerable computing power, equivalent to 2,000 mainstream computers
- very low energy consumption suited to integration into confined embedded systems
- data analysis on the fly and in a deterministic manner
- the capacity to process a large number of critical functions simultaneously
- upstream integration of security in the design process thanks to technical partnerships with a number of leaders in the aerospace and defense sectors
- an open and easily programmable system

DISRUPTIVE TECHNOLOGY KEY FOR INTELLIGENT DATA CENTERS AND INTELLIGENT CARS

The company has evolved in two stages. The first stage was the development and refining of the technology, which was carried out until 2014. In the second stage, from 2015 onwards, the company has been focusing on two high-potential growing markets, intelligent data centers and intelligent cars, in order to build a competitive offering for each one.

³ Kalray has begun to market its processors so that its customers and prospects may validate the technology and design their own products.

⁴ Including 2 families with an exclusive global patent granted by the CEA until December 31, 2026, bearing in mind that if the list of licensed components remains compliant, and short of substantial modifications to the business plan, the parties are committed to maintaining the application of the financial conditions as they exist on the date of expiry. When the cumulative amount of royalties paid by the company reaches € 1.5M, KALRAY will have an option to purchase all, or part of the specific patents granted, exercisable at any time. The Parties shall meet as early as possible to agree on a cost price that cannot be superior to the amount of royalties that would have been paid out to the CEA had no purchase been carried out in the years following the exercise of the purchase option until the expiry of the current license, for the relevant patents, based on a realistic business plan, and having deducted the maintaining costs in effect which the CEA should have covered for the period in question.





These two high-growth markets, forecasted to grow by over 50% per year for the next five years⁵, open up business opportunities in the very short term (as early as 2019 for data centers) and in the medium term (starting in 2021/2022 for intelligent vehicles).

For data centers, Kalray's KTC ("Kalray Target Controller"), an intelligent storage solution, has just been certified⁶ by an independent certification body in April 2018, a prerequisite to launch volume production of the solution. For intelligent cars, major technological choices will be made by both manufacturers and component suppliers over the next 18 months. This is borne out by the fact that the intelligent Kalray processor has already been integrated into the SYMBIOZ⁷ concept car⁸, released by Renault at the end of 2017 and designed to process several critical algorithms related to autonomous driving.

PRODUCTS ENDORSED AND SUPPORTED BY LEADING MANUFACTURERS

Kalray has already made significant headway in these two target markets, each with a potential of over €1b by 2022 (data center⁹) and 2025 (intelligent car¹⁰).

On the market of data centers, three server manufacturers are currently in the integration¹¹ phase of the Kalray solution and the qualification¹² of their own product for a launch in early 2019. The Kalray solution is also being evaluated by other very large storage server and data center manufacturers, global leaders which may design in Kalray's technology over the next few months for very high-volume production from 2020 onwards.

On the market of intelligent cars, the Kalray processor is currently in the evaluation phase with seven potential customers, including five car manufacturers out of the top 10 worldwide. It is also integrated into a project aimed at defining a new electronic architecture for all vehicles of one the top-3 global automobile manufacturers.

This momentum is reflected in the strong financial and strategic backing of industry leaders. The leading venture capital funds who have committed to supporting Kalray (ACE Management, CEA Investissement, EUREKAP! and Inocap Gestion) were joined in 2017 by the Safran investment fund, MBDA (the joint-venture between Airbus, BAE Systems and Leonardo), the Asian investment fund Pengpai and, more recently, the Renault-Nissan-Mitsubishi Alliance Ventures and the Definvest fund managed by Bpifrance on behalf of the French Ministry of the Armed Forces. These endorsements firmly validate the Kalray technology, but they also vouch for its strategic interest for these key players beyond business prospects.

⁵ Sources: JP Morgan (www.marketwatch.com/story/want-to-invest-in-self-driving-cars-check-out-the-chips-2016-08-26) and NVMe Market Sizing - G2ME Report, 2017

⁶ NVMe-OF certification granted by the independent University of New Hampshire InterOperability Laboratory (UNH-IOL) body

⁷ Video available online: www.youtube.com/watch?v=cMRLjAgONKO

⁸ Experimental car produced in limited numbers to demonstrate a technology, elements of design or usage

⁹ Sources: "Serverless DDPK Public Report" – CAVIUM and G2ME NVMe Market Report, 2017

¹⁰ Source: JP Morgan, www.marketwatch.com/story/want-to-invest-in-self-driving-cars-check-out-the-chips-2016-08-26

¹¹ Integration phase: the customer has opted for the Kalray solution and initiated his own internal procedure to develop his offering prior to placing the first orders.

¹² The qualification phase is used to take all the conformity tests before placing the product on the market.





THE STOCK EXCHANGE MARKET WITH A €100M REVENUE TARGET FOR 2022

The company has begun to market its processors so that its customers and prospects may validate the Kalray technology and later design it into their own products. It is now ready to enter a new development phase: the commercial ramp-up, on a large scale, of products fitted with Kalray processors from 2019 onwards. The company target for 2022 is revenue in excess of €100M¹³ and a breakeven restated operating income¹⁴ by 2020¹⁵.

Kalray relies in particular on an agile organization and the ability to easily switch to large-scale production thanks to a fabless business model, allowing the outsourcing of its production, namely to world-leader TSMC.

Thus, the net proceeds of the raised funds to be subscribed in this transaction (estimated at €21.2M for a total fundraising of €35.7M in mid-range) will provide the company with the financial means necessary to implement its strategy, namely:

- 60%, approximately, to finance the Company's product roadmap, especially to develop and place on the market new generations of intelligent processors, including Coolidge 1 from 2019;
- 40%, approximately, for large-scale commercial deployment that includes the growth of the sales team as well as the working capital requirements as per a strong increase in revenue.

IMPORTANT SUBSCRIPTION COMMITMENTS RECEIVED

Kalray has received subscription commitments for a total amount of €22.8 M, which corresponds to 63.8 % of the capital, increase, including:

- €6.3M in cash from current shareholders (CEA Investissement, Helea, Compagnie du Planay, Inocap Gestion, Safran Corporate Ventures);
- €4M in cash from new shareholders (Bpifrance/Definvest et Financière Arbevel) ;
- €12.4M through offset of receivables related to the repayment of the convertible bond loan issued in April 2018¹⁶.

Should the Offer be limited to 75 % of its initial amount, the subscription commitments would represent 99.9% of the transaction, which might have an impact on the liquidity of the shares.

¹³ €7.4M of operating revenue in 2017, including €0.8M in board and development platform sales, €4.4M of capitalized production and €2.1M of subsidies

¹⁴ Operating income (-€7,6M€ in 2017) + Tax Research Credit (+€2.0M€ in 2017)

¹⁵ -€4.7M in 2017

¹⁶ Including a nominal €10,252K, €95K of accrued interest and a €2,069 non-conversion premium, which reveal indirectly, a subscription price with a 17.4 % discount as against the Offer price.





AVAILABILITY OF THE PROSPECTUS

Copies of the prospectus as approved by the AMF on May 24, 2018 under visa number 18-196, which is made up of the “Document de Base” registered by the AMF under no. I.18-042 and a securities note (including a summary of the prospectus), are available free of charge, and on request, from the company headquarters, 180, avenue de l’Europe, 38330 Montbonnot-Saint-Martin, France, and on the Kalray (www.kalray-bourse.com) and AMF company websites (www.amf-france.org).

RISK FACTORS

The company draws the attention of the public to Chapter 4 (“Risk factors”) of the prospectus registered with the AMF, especially in relation to dependent patents (section 4.5.1), as well as to Chapter 2 (“Risk Factors related to the Offer”) of the securities note, especially those risks related to a shortage of subscriptions which may shift the company’s development plan, and possibly its objectives too.

FINANCIAL INTERMEDIARIES AND COUNSELS

Lead partner and
associate bookrunner



Lead partner and
associate bookrunner



Listing
sponsor



Financial
communication



Find out more on www.kalray-bourse.com

ABOUT KALRAY

Kalray is the pioneer of processors for new intelligent systems. As a real technological breakthrough, “intelligent” processors have the capability to analyze on the fly, and in an intelligent manner, a very large amount of information, and make decisions and interact in real-time with the outside world. These intelligent processors will be extensively deployed in fast-growing sectors such as new-generation networks (intelligent data centers) and autonomous vehicles, as well as healthcare equipment, drones and robots. The Kalray offering encompasses processors as well as complete solutions (computer boards and software). Created in 2008 as a spin-off of CEA (“Commissariat à l’Énergie Atomique”, the French Alternative Energies and Atomic Energy Commission), Kalray addresses a broad spectrum of customers, among them server manufacturers, intelligent system integrators and consumer product manufacturers, such as car makers.





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COMPANY'S SHARE CAPITAL BEFORE THE TRANSACTION

Limited company whose share capital amounts to €23,593,710 as divided into 2,359,371 shares.

LISTED ON

Euronext Growth - ISIN: FR0010722819 - Mnemonic: ALKAL

INDICATIVE PRICE RANGE

Between €17.66 and €23.88 per share

TERMS OF THE OFFER

A maximum of 1,718,826 new shares that may be increased to a maximum of 1,976,649 shares if the full extension option is exercised and a maximum 2,273,146 shares in case the full over-allotment option is exercised.

GROSS AMOUNT OF THE TRANSACTION

Approximately €35.7M of the gross proceeds from the issuance of new shares (including €12.4M through offset of receivables and €23.3M in cash) that may be increased to a maximum of €41.1 if the full extension option is exercised and a maximum of €47.2M in case the full over-allotment option is exercised (on the basis of the median price of the indicative price range, i.e. €20.77 per share).

NET AMOUNT OF THE TRANSACTION

The net proceeds of the fundraising amounts to €33.6M in mid-range (without exercising the extension or over-allotment option), made up of:

- € 12.4M by incorporating the receivables stemming from the anticipated repayment of the convertible loan issued in April 2018
- And € 21.2M paid out in cash





OFFER STRUCTURE

- a retail public offering in France carried out as an Open-Price Offer (OPO), mainly proposed to private legal persons
- a global offering mainly intended for institutional investors, in and outside of France (except, notably, the United States, Canada, Japan and Australia)

If there is sufficient demand in the Open-Price Offer (OPO), the final number of shares allocated in response to orders placed under the terms of the OPO shall amount to at least 10% of the initial amount of the capital increase (excluding the potential exercise of the extension and over-allotment options).

The orders will be broken down based on the requested number of shares:

- Fraction of A1 order: 1 to 150 shares
- Fraction of A2 order: over 150 shares

The fractions of the A1 order will be given preferred treatment in comparison to fractions of the A2 order in the event that all the orders cannot be met.

SUBSCRIPTION COMMITMENTS

The total of subscription commitments received by the company amounts to €22.8 M, which is broken down as follows:

2018 OC holders have committed to placing a subscription order to the amount of receivables they will hold after the anticipated repayment of the 2018 OCs (accrued interest and non-conversion premium included), namely €12.4M, i.e. 34.7 % (excluding the exercise of the extension and over-allotment options, on the basis of a price matching the midpoint of the indicative price range of the Offer price, i.e. €20.77). These irrevocable commitments will be exclusively carried out by offsetting receivables, bearing in mind these orders will be met fully and as a priority. The profit of a conversion premium highlights a disparity of prices which amounts to a 17.4 % discount from the Offer price (mid-range price).

On May 24, 2018 when the prospectus was approved, five company shareholders have irrevocably committed to subscribe to the increase in capital up to a total amount of €6.3M, which represents 17.7 % of the current capital increase.

On May 24, 2018 when the prospectus was approved, two company investors that are not company shareholders have irrevocably committed to subscribe to the increase in capital up to a total amount of €4M, which represents 11.2 % of the current capital increase.

COMPANY'S LOCK-UP COMMITMENT

- Company's lock-up commitment: 180 days
- Share conservation commitment

Shares in question:

- 98.1% of existing shares prior to the Offer
- 98.6% of shares originating from dilutive instruments (BSA and BSPCE)
- 100% of subscribed shares through offset of receivables related to the repayment of the convertible loan issued in April 2018 (accrued interest and non-conversion premium included).

Duration : 365 days, following the settlement/delivery date.





INDICATIVE CALENDAR

May 24, 2018	Approval of the prospectus by the AMF (Visa)
May 25, 2018	Launch of the Open-Price Offer (OPO) and of the Global Offering
June 6, 2018	Closing of the OPO (5 pm for counter subscriptions and 8 pm for online subscriptions)
June 7, 2018	Closing of the Global Offering (midday, Paris time) Fixing of the Offer price and potential exercise of the extension option
June 11, 2018	Settlement/delivery of the OPO and of the Global Offering
June 12, 2018	Start of trading of company shares on Euronext Growth Beginning of the possible stabilization period
July 6, 2018	Deadline for the exercise of the over-allotment option End of the possible stabilization period

No communication and no information in respect of Kalray's issuance of shares (the « Shares») may be distributed to the public in any jurisdiction where a registration or approval is required. No action has been or will be taken outside of France, in any country in which such action would be required. The offering or subscription of Shares may be subject to specific legal or regulatory restrictions in certain jurisdictions. Kalray takes no responsibility for any violation of any such restrictions by any person.

This press release is not a prospectus in the sense of EC Directive 2003/71 of the European Parliament and of the Council of November 4, 2003, as amended, in particular by Directive 2010/73/UE of the European Parliament and of the Council of November 24, 2010, as amended and transposed into the law of each member state of the European Economic Area (the "Prospectus Directive").

With respect to the member States of the European Economic Area other than France (the "Members states"), which have implemented the Prospectus Directive, no action has been or will be undertaken to make an offer to the public of the Bonds requiring a publication of a prospectus in any relevant member State. The Shares can, therefore, be offered only in Member states: (a) to legal persons deemed qualified investors in the Directive Prospectus; or (b) in other cases that do not require the publication by Kalray of a prospectus pursuant to Article 3(2) of the Prospectus Directive.

For the purpose of the present paragraph, the notion of a "public offer of Shares" is defined in each of the Member States as any communication sent to persons, in any form whatsoever and by any means whatsoever, which presents sufficient information on the terms of the offer and the Shares to be offered to enable an investor to decide to purchase or subscribe to these Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive.

This selling restriction is in addition to any other selling restriction applicable in the Member States.

The distribution of this press release is neither performed nor approved by an "authorized person" within the meaning of section 21(1) of the Financial Services and Markets Act 2000. Consequently, this press release is designed and intended solely for (i) persons outside the United Kingdom (ii) investment professionals in the sense of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, (iii) individuals to whom it may be communicated lawfully under Article 49(2)(a) to (d) (companies with significant shareholders' equity, non-registered associations, etc.) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, (iv) any other person to whom this press release may be lawfully addressed (persons cited in paragraphs (i), (ii), (iii) et (iv) and designated as "Eligible Persons"). The securities are available only to the Eligible Persons, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such shares may not be proposed or concluded other than with Eligible Persons. Any person who is not an Eligible Person must not act or rely on this press release or any of its contents. This press release is not a prospectus approved by Financial Services Authority or any other United Kingdom regulatory authority for the purposes of Section 85 of the Financial Services and Markets Act 2000.

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The Shares have not been and will not be qualified for sale to the public under applicable Canadian securities laws and, accordingly, any offer and sale of Shares in Canada will be made on a basis which is exempt from the prospectus and dealer registration requirements of such securities laws. The Shares are subject to transfer and sales restrictions in some countries, including Canada.

The prospectus approved by the French Financial Markets Authority contains forward-looking statements. No guarantee can be given concerning the achievement of these objectives, which are subject to specific risks, including those described in the Company prospectus, and to the changing economic environment, financial markets and markets in which Kalray operates.

Gilbert Dupont, acting in his name, on his behalf and on behalf of the Portzamparc brokerage firm, acting as stabilizing agent, or any other entity acting on its behalf, may, without any obligation to do so and with the possibility to end it at any given time, for a 30-day period, starting from the date for the determination of the Public Offering share price, i.e. according to the indicative calendar, from June 7 to July 6, 2018, set up market stabilization measures for Kalray shares, in compliance with applicable law and regulations, namely Commission Regulation (EC) no. 2273/2003 of December 22, 2003. Such stabilization activities aim at supporting the market price of the Kalray shares and may well affect the stock price.

