



2019: A STRUCTURING YEAR AND MASTERED ANNUAL RESULTS

- 2019 budget perfectly mastered over a year of strong investments;
- Successful development and launch of Coolidge™, the new generation of Kalray processors for intelligent systems;
- Important partnership set with leading players in the world of data centers including Wistron and 2CRSi;
- Strategic partnership established with NXP, the leader in automotive semiconductors;
- Available cash flow of € 15.7 million at the end of 2019, reinforced in April 2020 by the equity investment of NXP;
- Financial objectives delayed by 6-months due to the anticipated impact of the Covid-19 epidemic crisis and the continuation of planned investments.

Grenoble, April 20, 2020 - Kalray (Euronext Growth Paris: ALKAL), a pioneer in processors for new intelligent systems, publishes its annual results for the 2019 financial year approved by the Executive Board and reviewed by the Supervisory Board on April 16, 2020. The audit procedures on the consolidated financial statements were carried out and the certification report has been issued. The annual financial report as of December 31, 2019 is available on the company's website www.kalray-bourse.com in the "Financial documents" section.

Eric Baissus, President of Kalray's Executive Board, commented as follows:

"2019 has been a structuring year for Kalray, with the crossing of several key stages. First of all, we have finalized the development of Coolidge™, our 3rd generation processor, unveiled publicly for the first time at CES 2020. Coolidge™ fully meets our expectations in terms of quality of the design and performance; and opens great opportunities for the years to come.

At the same time, we have made strong progress in our two targeted markets. On the data centers market, we are currently developing, based on Coolidge™, together with our customer and partners like the Taiwanese manufacturer Wistron, a new generation of intelligent storage servers which should be on the market by the end of the year.

One of our main objectives in automotive was to establish a strategic partnership with one of the major players in the industry. The investment and collaboration agreement announced with NXP, the world leader in automotive semiconductors, fits perfectly into this approach and offers us exciting perspectives in huge market of next generation vehicles.





This major progress, however, comes in a difficult environment of the Covid-19 epidemic crisis. I would like to congratulate all of our employees who have shown great flexibility and have enabled Kalray to adapt very quickly to the situation, and to continue to develop its roadmap. The discussions that we had with our customers and partners, as well as the global analysis of the situation let us foresee a delay of approximately 6 months in the implementation of the projects under development, consequently this leads us to defer our financial goals by as much.

This unprecedented situation for industry in general clearly does not call into question our development projects, nor our strategy in a market whose relevance is more and more confirmed every day. We are confident in our ability to get through this difficult general phase and can rely on a substantial level of available cash, reinforced following the equity investment of NXP, in order to achieve our ambitions. "

2019 HIGHLIGHTS

2019 was marked by major technology achievements. The main one is the launch of **Coolidge™**, our third generation of MPPA® (“Massively Parallel Processor Array”) processor. The completion of the design phase and the beginning of the manufacturing process were carried out in late July 2019 and the first prototypes were received in November 2019. The first processor demonstrations took place in early January 2020 at CES in Las Vegas, in collaboration with **NXP Semiconductors**, a world leader in semiconductors, following a partnership signed in early 2019 (please read below).

Coolidge™ and its complete development environment are now available, as per our development plan. Kalray has already received the first requests for product development from customers and prospects in the data center and automotive industries and has started to deliver to lead customers.

For the data center market, the company has finalized its **NVMe-TCP** solution launched in August 2019 during the FMS (Flash Memory Summit) world summit. NVMe-TCP is an evolution of the NVMe-oF standard, which allows, using a standard TCP protocol, the use of new generations of memories (SSD) while facilitating integration in data centers.

In 2019, Kalray also established important **technology and business partnerships** which greatly increase its visibility. Among the most significant, the strategic alliance with **NXP Semiconductors** aims to provide a safe and reliable solution for autonomous vehicles, combining the computing power of Kalray processors, as well as artificial intelligence processing and perception of vehicle’s environment, to the decision-making capacity of NXP processors within the NXP Bluebox solution.

The company has also entered into a distribution partnership agreement with **Intron Technology**, one of the leaders in the distribution of automotive electronics solutions in the Chinese market, to accelerate its access to this strategic market for Coolidge™.

On data centers, the company announced a partnership with **Wistron**, one of the world's largest manufacturers of servers for data centers, for the development of high performance storage appliances (JBOF -Just a Bunch of Flash), as well as the French company **2CRSi**, a leader in the design and manufacturing of high performance servers. The programmability of Kalray's acceleration cards allows 2CRSi to build a range of easily configurable servers that meet the growing need for flexibility and modularity as well as the diversity of applications.





2019: PERFECTLY MASTERED RESULTS DESPITE INCREASED INVESTMENTS TO LAUNCH COOLIDGE™ AND STRUCTURE THE COMPANY

The financial results for the 2019 financial year are in line with Management's expectations. They reflect a controlled management of current expenses, in this first full year post-IPO, and an acceleration of investments in accordance with the roadmap, in particular dedicated to the finalization of the design of Coolidge™ and the NVMe-TCP solution for new generations of storage servers.

The 2019 annual net sales stood at 1,265 K€, up + 63% compared to the activity recorded in 2018 (775 K€ thousand). These revenues consist of sales of cards, development stations and licenses, as well as evaluation and development services with customers in the Coolidge™ evaluation and qualification phase.

EBITDA¹ was 5,562 K€, down 1,287 K€ compared to 2018. The increase in net sales (+490 K€) and in capitalized R&D production (+560 K€) offset partially the 22% increase in operating expenses over the period, aligned with management expectation. Personnel costs (+1,603 K€) increased due to the increase in the average headcount (76 employees in 2019, compared to 64 in 2018). The overall headcount stood at 81 people at the end of December 2019. Operating expenses include an increase in subcontracting expenses for studies and developments (+134 K€) and licenses for design tools (+389 K€), which reflect technological advances.

After recognition of depreciation, amortization and provisions (5,867 K€, up 1,273 K€, linked in particular to the start of amortization of Coolidge™ development costs), and research tax credit (2,415 K€), down 196 K€ compared to 2018 due to an increase in the subsidies received), the adjusted operating income² came to -9,014 K€, down by 2,756 K€ compared to December 31, 2018.

After deduction of the net financial income (3 K€ compared to a loss of 2,241 K€ in 2018, year which included the bonds non-conversion premium for 2,070 K€), Kalray records a net loss of 9,085 K€ over the year 2019, compared with 8,532 K€ at December 31, 2018.

€ 15.7 M IN CASH AVAILABLE AT DECEMBER 31, 2019, REINFORCED BY THE € 8 M OF NXP INVESTMENT

As of December 31, 2019, free cash flow stood at 14.2 M€, an improvement compared to the 2018 level (15.1 M€ as of December 31, 2018). In particular, it includes capital expenditure related to the launch of Coolidge™ (including 4 M€ for the manufacturing mask), offset by an improvement in working capital (receipt of CIR 2018 and of CIR 2019 pre-financing). Cash consumption over the 2019 financial year is therefore perfectly under control despite the one-off acceleration of investments relating to the development of Coolidge™.

Net cash was 15.7 M€ as of December 31, 2019 (compared to 28.8 M€ as of December 31, 2018). This cash level was reinforced post-closing by the 8 M€ equity investment of NXP Semiconductors made in early April 2020. Kalray confirms that its current cash flow plan should enable it to implement its technological roadmap, including developments related to the strategic partnership with NXP, and its commercial deployment beyond the next twelve months

A BEGINNING OF THE YEAR 2020 MARKED BY THE ENTRY INTO THE CAPITAL OF NXP

Beginning of April 2020, **NXP Semiconductors** made a strategic equity investment of **€ 8 million** through a reserved issuance. **NXP now holds 9.95% of the capital of Kalray and its voting rights.** This operation will reinforce the

¹ EBITDA : Operating profit excluding depreciation and amortization on fixed assets and excluding provisions and depreciation

² Adjusted operating profit/(loss) : operating profit/(loss) + research tax credit





strategic partnership initiated between NXP and Kalray in early 2019 and will enable the co-development a platform for safe, reliable and scalable autonomous driving, combining the NXP offer for automotive and Kalray's intelligent MPPA® (" Massively Parallel Processor Array ") processor.

The funds raised will be used to both finance Kalray's resources and investments required by the implementation of the strategic partnership with NXP, and fund Kalray's roadmap in support of Kalray's automotive and embedded strategy for the next 2 years.

The partners will also respond together to business opportunities and NXP will support Kalray in term of sales, marketing, automotive expertise and global technical support.

IMPACT OF THE COVID-19 CRISIS AND 6-MONTH DIFFERENCE OF THE FINANCIAL OBJECTIVES

After having rapidly ensured the operational continuity of the company, when the lockdown rules were put in place, Kalray has analyzed in details in the past weeks the potential impacts related to the current health crisis on its business and financial objectives. The following points emerged from the discussions, in particular with its customers and partners:

- In the data center market, the fundamentals remain solid. Kalray continues to work with its customers to deploy solutions as quickly as possible in order to significantly increase its revenues as soon as its customers are in production. The delay linked to the health crisis, impact on projects and on the data center business activity in general should only be a few months;
- The automobile and embedded market is more impacted short-term however its longer-term evolution towards more intelligent car and autonomous vehicles is inexorable. This situation confirms Kalray's strategy to view the automotive market as a long term market and its willingness to rely on industry leaders. The strategic partnership established with NXP and its equity investment, is fully in line with this approach. It allows Kalray to finance its "automotive" roadmap as well as the development and deployment of the joint solution Kalray is building with NXP.

In this context, taking as an assumption a global economic recovery from next September, the ambition of acceleration of sales of electronic cards based on Coolidge™, initially expected in the 2nd half of 2020, is postponed by 6 months and should therefore intervene in the 1st half of 2021.

This shift in turnover due to Covid-19 epidemic crisis, as well as Kalray's investments related to the implementation of the strategic partnership with NXP, lead the company to postpone by 6 months its ambition reach an EBITDA close to break-even, now expected in mid-2021.

Kalray anticipates for 2020 a level of operational expenses up by 20 to 22% compared to 2019. This increase includes the recruitment of 15 employees, as well as around 1.5 M € of investments necessary for the deployment of projects related to the partnership with NXP. Other operating expenses should remain stable compared to 2019.

In this context, free cash flow in 2020 should appear lower than in 2019. Indeed, despite expected lower investment costs (investments related to the Coolidge™ mask having been made in full in 2019), the company will not be able to see the same improvement in its WCR as in 2019. However, the group is in advanced discussions to benefit from the various government measures deployed in the context of the current health crisis which would allow it to increase its financial visibility.

Mechanically, this situation led the company to postpone by 6 months its medium-term objective i.e. the achievement of an annual turnover of € 100 million, now expected on a 12-month period between mid-2022 and mid-2023.





Kalray remains convinced of the attractiveness of its solutions and the vast potential of the two priority markets it addresses, and thus maintains its major strategic ambitions, namely to become a key player in intelligent processors in these markets.

Next publication:

Thursday, July 9, 2020 (after market close): Activity in the first half of 2020

ABOUT KALRAY

Kalray (Euronext Growth Paris - FR0010722819 - ALKAL) is the pioneer in processors for new intelligent systems. A genuine technological breakthrough, "intelligent" processors are able to intelligently analyze a vast quantity of data on the fly and to make decisions and interact in real time with the outside world. These intelligent processors will be largely deployed in fast-growing sectors such as new-generation networks (intelligent data centers) and autonomous vehicles, as well as in healthcare equipment, drones and robots. Kalray's offering spans both processors and global solutions (electronic 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 including server manufacturers, intelligent system integrators and consumer product manufacturers such as car makers. Read more at: www.kalrayinc.com

INVESTOR CONTACTS

Eric BAISSUS

contactinvestisseurs@kalray.eu

Tel. +33 (0)4 76 18 90 71

ACTUS finance & communication

Caroline LESAGE

kalray@actus.fr

+ 33 1 53 67 36 79

MEDIA CONTACTS

Loic HAMON

communication@kalray.eu

Tel. +33 (0)4 76 18 90 71

ACTUS finance & communication

Serena BONI

sboni@actus.fr

Tel. +33 (0)4 72 18 04 92





APPENDIX

2019 income statement

Consolidated and audited data – (€000)	2018	2019
Revenues	775	1,265
Capitalized production (R&D)	5,657	6,217
Subsidies	1,682	1,942
Other operating income	28	142
Operating income	8,142	9,566
Cost of Goods sold	(237)	(257)
Operating expenses	(12,180)	(14,871)
<i>of which Salaries and social contributions</i>	<i>(6,329)</i>	<i>(7,932)</i>
<i>of which other operating expenses</i>	<i>(5,851)</i>	<i>(6,939)</i>
EBITDA¹	(4,275)	(5,562)
Depreciation and amortization expenses	(4,594)	(5,867)
Operating profit/(loss)	(8,869)	(11,429)
Research tax credit (CIR)	2,611	2,415
Adjusted operating profit/(loss)²	(6,258)	(9,014)
Financial income/(loss)	(2,241)	3
Exceptional income/(loss)	(33)	(74)
Net profit/(loss)	(8,532)	(9,085)

¹ EBITDA : Operating profit excluding depreciation and amortization on fixed assets and excluding provisions and depreciation

² Adjusted operating profit/(loss) : operating profit/(loss) + research tax credit





2019 balance sheet

Consolidated and audited data (K€)	31/12/19	31/12/18	K€	31/12/19	31/12/18
Intangible assets	16,936	14,217			
Tangible assets	4,674	1,713			
Financial assets	609	335			
NON CURRENT ASSETS	22,218	16,265			
Inventories	240	216			
Accounts Receivable	764	411			
Other receivable (CIR, Subsidies)	1,779	4,173			
CASH	15,725	28,782			
CURRENT ASSETS	18,508	33,582			
Accrued expenses	414	271			
TOTAL ASSETS	41,140	50,118			
			EQUITY	26,665	35,541
			Provisions	89	85
			R&D refundable advances	5,904	5,815
			Bank loans	775	457
			Accounts Payable	3,128	3,571
			Taxes & contributions payable	1,549	1,360
			Other debts	354	472
			DEBTS & LIABILITIES	11,799	11,760
			Deferred revenue (Subsidies)	2,676	2,817
			TOTAL LIABILITIES & EQUITY	41,140	50,118

Cash flow statement at December 31, 2019

Consolidated and audited data – (€000)	2018	2019
Operating cash flow before change in working capital	(3,509)	(5,204)
Change in working capital	(3,264)	1,138
Operating cash flows	(6,773)	(4,066)
Tangible & intangible assets acquisitions	(3,013)	(5,335)
R&D capitalization	(5,657)	(6,217)
Investment subsidies	321	1,431
Cash flows from investment activities	(8,349)	(10,121)
Free cash flow	(15,122)	(14,187)
Net Cash from investors	40,942	96
Bank Debt (net)	(91)	318
R&D conditionnal advances and prepaid subsidies (net)	449	716
Other	(350)	-
Cash flows from financing activities	40,950	1,130
Change in cash and cash equivalents	25,828	(13,057)
Opening cash balance	2,954	28,782
Closing cash balance	28,782	15,725

