H1 2019 results:
EBITDA doubled,
record EBITDA margin of 17.9%

PRESS RELEASE

PARIS, September 25, 2019 - EKINOPS (Euronext Paris - FR0011466069 – EKI), leading supplier of telecommunications solutions for telecom operators, has published its first half 2019 financial statements (for the period ending June 30, 2019) as approved by the Board of Directors on September 24, 2019. The statutory auditors have conducted a limited review of the first half financial statements and have issued the corresponding report. The Group has applied IFRS 16 "Leases" with effect from January 1, 2019.

€m - IFRS	H1 2018	H1 2019	Change in %
Revenue	**42.1**	**45.0**	**+7%**
Gross margin	**23.5**	**24.9**	**+6%**
% of revenue	*55.8%*	***55.3%***	
Operating expenses	23.6	**22.3**	**-6%**
EBITDA[1]	**4.0**	**8.1**	**+100%**
% of revenue	***9.6%***	***17.9%***	
Current operating income/(loss)	**(0.1)**	**2.6**	**n.a.**
Other operating income/(expenses)	(0.9)	**(2.4)**	**n.a.**
Operating income/(loss)	(1.1)	**0.2**	**n.a.**
Net income/(loss)	**(1.1)**	**(0.3)**	**n.a.**

(1) EBITDA (Earnings before interest, taxes, depreciation and amortization) corresponds to current operating income restated for (i) amortization, depreciation, provisions and write-offs, and (ii) income and expenses relating to share-based payments.

Record first half revenue of €45 million, 16% growth in the USA

Ekinops posted consolidated first half revenue of €45.0 million, up 7% (5% at constant exchange rates) from last year's strong performance of €42.1 million.

The period was marked by strong business momentum on the international market, which generated 68% of first half 2019 revenue versus 58% in FY 2018. All international regions posted double-digit growth in the first half of 2019, led by the USA at 16%.

First half EBITDA doubled, record EBITDA margin of 17.9%

Gross margin came to €24.9 million, up 6%. The gross margin ratio remained high at 55.3% of revenue versus 55.8% in H1 2018, slightly above the upper limit of the Group's long-term target range of 50-55% under normal conditions.

EBITDA was €8.1 million, double that of H1 2018, driven by strong gross margin and tight control of expenses. Furthermore, operating expenses fell 6% versus H1 2018, with the sharpest reductions seen in R&D (down 7%) and sales and marketing expenditures (down 9%). Application of IFRS 16 increased first half 2019 EBITDA by €1.0 million.

The EBITDA margin reached a new record high of 17.9% (15.8% excluding IFRS 16 impact) versus 9.5% in H1 2018 and 12.4% in FY 2018.

The acquisition of the OTN technology last july resulted in the addition of 25 R&D engineers based in Campinas (Brazil). Ekinops revised its staffing requirements for 2019 and 2020. As a result, additional operating expenses related to the hiring plan were lower than expected for the first half and will be so for the second half. Furthermore, the cost optimization plan rolled out in 2018 following the OneAccess acquisition continues to bear fruit. Despite the hiring required to support the Group's growth plans, expenses will remain under control over the coming months thanks to the cost control policy pursued by Ekinops.

After net depreciation, amortization and provisions (€4.4 million) and non-cash expenses relating to share-based payments (€1.1 million), current operating income amounted to €2.6 million (5.8% of revenue) in H1 2019, compared to a €0.2 million loss last year.

Other operating income and expenses amounted to a €2.4 million net expense (vs. a €0.9 million net expense in H1 2018), solely consisting of M&A transaction costs and fees. Operating income came to €0.2 million versus a €1.1 million operating loss in H1 2018.

After financial items and tax, Ekinops posted a net loss, Group share of €0.3 million.

€22.5 million net cash as of June 30, 2019

Ekinops generated free cash flow of €5.6 million in first half 2019, resulting in a net operating cash inflow of €3.1 million after change in working capital.

Cash flow used by investing activities, mainly capex (non-current assets and R&D) was limited to €1.5 million. As previously announced, the acquisition of the OTN technology at a cash price of €10.2 million was closed in July 2019 and will therefore be included under H2 2019 cash flows used by investing activities.

First half 2019 cash flow from financing activities amounted to a €13.3 million inflow, fueled by the successful capital increase by private placement (€7.5 million) carried out in June 2019 and new bank borrowings amounting to €7.1 million net of repayments.

Accordingly, change in cash and cash equivalents amounted to a €14.9 million inflow in H1 2019, taking cash and cash equivalents to €40.0 million as of June 30, 2019 versus borrowings of €17.5 million. Net cash and cash equivalents[1] at June 30, 2019 therefore came to €22.5 million (versus €14.2 million as of December 31, 2018), before the OTN acquisition and settlement of the final earn-out payment in respect of the OneAccess acquisition (€2.5 million cash payment).

ASSETS - €m IFRS	12/31 2018	6/30 2019
Non-current assets	**71.1**	**76.8**
of which Goodwill	27.5	27.5
of which Intangible assets	30.4	28.3
of which Right-of-use	-	6.7
Current assets	**37.8**	**36.9**
of which Inventories	11.2	9.2
of which Trade receivables	20.7	22.1
Cash & cash equivalents	**25.1**	**40.0**
TOTAL	**134.1**	**153.8**

EQUITY & LIABILITIES - €m IFRS	12/31 2018	6/30 2019
Shareholders' equity	**74.4**	**82.0**
Financial liabilities	**10.9**	**17.5**
of which factoring	5.0	6.8
of which conditional advances/interest free loans	2.1	1.8
CIR pre-financing liabilities	**4.8**	**4.8**
Trade payables	**14.0**	**14.4**
Lease liabilities	**-**	**7.0**
Other liabilities	**30.0**	**28.0**
TOTAL	**134.1**	**153.8**

Outlook

First half 2019 results are in line with the virtuous trend seen throughout 2018, driven by the synergies and value created by the OneAccess acquisition.

Business is expected to continue to grow in H2 2019 and in 2020 given strong market demand in key areas covered by Ekinops:

- deployment of virtualized functions (VNFs - Virtual Network Functions),
- development and marketing of software for SD-WAN applications (Software-Defined Wide Area Network), and, in the longer term,
- launch of 5G complementary solutions, and
- delivery of OTN solutions starting early 2020, which are expected to triple the Group's optical transport business over the next 5 years.

Due to these developments, the Group's software and services business is expected to make a growing contribution to Group revenue over the coming years, which will drive up profit margins in the long term.

Business is currently booming in the USA, which is expected to post the strongest growth in 2019, possibly over 30%.

Excluding the OTN acquisition, which is expected to generate full-year expenses of around €2 million (excluding amortization charges), 2019 operating expenses are expected to stay roughly flat compared to the previous year. In 2020, barring exceptional and unplanned expenditures, operating expenses are

[1] Cash and cash equivalents – borrowings (excluding bank debt relating to CIR pre-financing and lease liabilities (IFRS 16))

expected to increase by €2-4 million versus 2019 (excluding amortization charges), mainly due to the new OTN business and additional hiring to support growth.

Over the long term, the Group is now aiming at double-digit year-on-year organic growth and a double-digit EBITDA margin.

Lastly, the Group has not currently identified any acquisition opportunities likely to close in the coming quarters.

Financial reporting calendar

Date	Release
Thursday, October 10, 2019 (instead of initial date of October 16, 2019)	Q3 2019 revenue (unaudited)
Wednesday, January 22, 2020	FY 2019 revenue (unaudited)

All press releases are published after Euronext Paris market close.

About EKINOPS

Ekinops is a leading provider of open and fully interoperable Layer 1, 2 and 3 solutions to service providers around the world. Our programmable and highly scalable solutions enable the fast, flexible and cost-effective deployment of new services for both high-speed, high-capacity optical transport as well as virtualization-enabled managed enterprise services.

Our product portfolio consists of two highly complementary product sets. One, marketed under the Ekinops 360 brand name, provides a single, fully integrated platform for metro, regional, and long-haul applications. The other, marketed under the OneAccess brand name, provides a wide choice of physical and virtualized deployment options for Layer 2 and Layer 3 network functions.

As service providers embrace SDN and NFV deployment models, Ekinops' solutions enable them to deploy today in the knowledge that they can seamlessly migrate to an open virtualized delivery model at a time of their choosing.

A global organization, with operations in 4 continents; Ekinops (EKI) - a public company traded on the Euronext Paris exchange - is headquartered in Lannion, France, and Ekinops Corp., a wholly-owned subsidiary, is incorporated in the USA.

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Ticker: EKI
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