claranova™

The condensed consolidated financial statements were approved by the Board of Directors on September 30, 2019.
The consolidated accounts have been audited and the audit report is being prepared.

Growth accelerates as profitability surges

- **+€100 million additional revenue at €262.3 million (+62%)**
- **Fourfold increase in EBITDA[1] to +€16.0 million, with an operating margin of 6.1% compared to 2.4%**
- **Positive net cash flow from operating activities of €14.8 million, compared to -€1.5 million**
- **Net loss of €41.4 million, after a non-cash IAS 32 expense of €44.6 million[2] tied to the increased value of the Internet division (up from US$87 million to US$162 million[3])**
- **Adjusted net income[1] of €8.4 million**
- **Strengthened goals: target revenue of €700 million, integrating the acquisition of Personal Creations, with an operating margin in excess of 10% by 2023**

Paris, France – October 1, 2019. The Claranova group records another year of strong growth to June 30, 2019, accompanied by a marked improvement in profitability. **Group revenue is up over €100 million at €262.3 million** (+62%, including organic growth of +33%[4]), with a **fourfold increase in EBITDA to €16.0 million, driven mainly by strong momentum in the Internet segment triggered by the successful integration of the businesses acquired** at the beginning of the fiscal year. The operating profitability of the Group's activities improved from 2.4% in the last fiscal year to 6.1%, while the Group continued to invest heavily in marketing to strengthen growth potential in the coming years. Group net cash flow from operating activities improved +€16.3 million to €14.8 million, compared to -€1.5 million in the previous fiscal year. After adjusting for non-recurring items not impacting the Company's cash position, **Adjusted net income is up +€7.1 million at €8.4 million.**

(in € million)	**2018-2019 July-June**	2017-2018 July-June	Var. € million
Revenue	**262.3**	**161.5**	+100.8
EBITDA	**16.0**	**3.9**	**+12.1**
EBITDA as a % of Revenue	6.1%	2.4%	
Operating income	14.3	(3.7)	+17.9
Net financial income	(49.2)	(0.3)	-48.9
Net income	(41.4)	(8.2)	-33.3
Adjusted net income	**8.4**	**1.3**	**+7.1**
Net cash flow from operating activities	**14.8**	**-1.5**	**+16.3**

[1] Non-GAAP financial measures. The calculation of these measures is presented in appendix.
2 Please refer to the related detailed note in appendix
3 Valuation performed by an independent firm using the discounted cash flow method
[4] Organic growth is equal to the increase in revenue at constant consolidation scope and exchange rates.

Strong profitable growth

Claranova closes another fiscal year in line with its strategy of strong revenue growth and progressive increase of the operating profitability of its activities. **Fiscal year 2018-2019 consolidated revenue is up over €100 million year-on-year at €262.3 million,** with over half this increase generated by organic growth in the Group's businesses. **Revenue surged +62%, including +33% organic growth, with a limited positive exchange rate impact of +4%.**

EBITDA, the Group's operating performance indicator, **increased over fourfold during the fiscal year to €16.0 million.** This rise enabled the Group to report a marked increase in operating profitability, **with an improvement in EBITDA as a percentage of revenue from 2.4% to 6.1%.** EBITDA therefore increased by €12.1 million for revenue growth of €100 million, representing an **additional operating margin in excess of 12%.**

This additional 12% margin could have been higher if the Group had not invested heavily in marketing during the year, to strengthen the Group's growth potential and profitability in the coming years. The shift in the business model from standard software distribution to software publishing with recurring revenue, has an immediate negative impact on profit due to significant investment in marketing, but will provide improved visibility of recurring revenue and higher profitability in the future.

These results demonstrate the Group's ability to maximize its return on marketing investment, which increased 76% in the fiscal year from €29.1 million to €51.4 million. By accelerating this expenditure, the Group has been able to consolidate and increase the Mobile segment's customer base and accompany the transition of the Internet segment's business model towards a software publishing model with subscription sales. This provide the Group with increased visibility of growth in its future revenue base.

The fiscal year also saw the successful integration of the newly acquired activities in the Internet segment, bringing fresh growth and profitability impetus to the segment. This segment reported revenue of €83.0 million, including **additional revenue of €41.4 million and EBITDA of €9.1 million following the integration of the new activities and the realization of synergies between the different businesses.**

Internet segment doubles in value in one year to US$162 million

The successful integration of Claranova's new Internet segment businesses led to a significant revaluation of the entire segment. **Its value (estimated by an external firm) all but doubled during the year, increasing from US$87 million to US$162 million between July 1, 2018 and June 30, 2019**. Despite illustrating the operating success of this activity, this increase nonetheless had a sharply negative impact on net income for the year. The increase in the value of the Internet segment led to the remeasurement of the financial instruments issued on acquisition and the recognition of an exceptional **non-monetary** financial expense of €44.6 million.

This exceptional expense is tied to the specific nature of the financial instruments issued under this transaction and is not representative of the accounting treatment of other past or future transactions. The charge related to the changes in the valuation of these instruments is specific to this fiscal year and should not impact the Group's results in the coming years.

This accounting treatment explains the Net loss for the year of €41.4 million, compared to Net income of €8.4 million restated for non-recurring items relating to these acquisitions.

Positive cash flow from operations of €14.8 million

The Group's strong growth was accompanied by positive cash flow generation. **Net cash flow from operating activities totaled €14.8 million, up +€16.3 million, representing 16% of the additional revenue realized during the period.**

Cash flow from investing activities is negative at -€15.8 million, following the acquisitions by the Internet segment on

July 1, 2018. Cash flow from financing activities totaled +€17.9 million and mainly includes the Euro PP bond issue performed in June 2019 in the amount of €19.7 million.

The Group therefore closed FY 2018-2019 with a further improvement in the cash position as of June 30, 2019 to €75.4 million, up €9.6 million (+15%).

(in € million)	**June 30, 2019**	June 30, 2018	Var. € million
Net cash flow from operating activities	*14.8*	*(1.5)*	*+16.3*
Change in working capital requirements and other	*(7.5)*	*6.7*	*-14.2*
Cash flow from operations	7.2	5.2	+2.0
Cash flow from investing activities	(15.8)	14.0	-29.8
Cash flow from financing activities	17.9	29.6	-11.7
Increase (decrease) in cash	**9.3**	**48.8**	**-39.6**
Opening cash position	**65.7**	**16.6**	**+49.2**
Effect of exchange rate fluctuations on cash	0.3	0.3	-
Closing cash position	**75.4**	**65.7**	**+9.6**

Profitable growth in the Internet and Mobile segments

Internet segment: accelerated transition towards a recurring revenue model

The Internet segment reported remarkable results in FY 2018-2019, with **EBITDA up from €0.7 million in FY 2017-2018 (i.e. 2.0% of revenue) to €10.3 million (12.4%)**, boosted by the integration of the SodaPDF, Adaware and Upclick businesses. With this acquisition the segment scaled-up, with a structurally improved growth and profitability profile. **Segment revenue therefore more than doubled in FY 2018-2019, increasing +132% in one year from €35.8 million to €83.0 million**. It now represents 32% of Group revenue, compared to 22% last year.

	Internet segment (Avanquest)		
(in € million)	**2018-2019 July-June**	2017-2018 July-June	Var.
Revenue	83.0	35.8	+132%
EBITDA	**10.3**	**0.7**	+€9.6m
EBITDA as a % of Revenue	12.4%	2.0%	

One year after the integration of the new businesses, this segment has started its transformation, focusing on three pillars: i) software publishing in specific sectors (PDF, security, photo), ii) fintech, with the development of payAware, an innovative secure payment solution and iii) traffic monetization. In addition, in its software publishing business, the Internet segment accelerated its transition to a subscription sales business model in the second-half of 2018-2019, substantially increasing its marketing investment. Recurring revenue now represents one-third of segment revenue and the Group will continue efforts to increase this proportion. This investment, while impacting profitability in the short term, will provide greater visibility of revenue generation, with a resulting improvement in the long-term margin.

The activity's performance in the fiscal year confirms the relevance of the commercial and strategic measures taken by the Group to make the Internet segment a major web player with revenue exceeding €200 million and profitability of

15% to 20% by 2022-2023.

Mobile segment: strong growth in revenue and profitability

Since its launch, the Mobile segment has shown continuous growth year after year, with revenue multiplied by 10 in five years (€176.1 million in FY 2018-2019 versus €17.3 million in FY 2013-2014). This strong growth is accompanied by **improved profitability, with EBITDA of nearly €11 million at the end of June 2019 (6.2% of revenue)**, compared to €6.4 million (5.2% of revenue) one year previously.

	Mobile segment (PlanetArt)		
(in € million)	**2018-2019 July-June**	2017-2018 July-June	Var.
Revenue	176.1	122.0	+44%
EBITDA	**10.9**	**6.4**	+71%
EBITDA as a % of Revenue	6.2%	5.2%	

The Group confirms its dual-objective strategy for the Mobile segment: maintain a high rate of business growth driven by the regular launch of new products and targeted geographic coverage, and strengthened profitability through the development of higher-margin products at low marketing cost. This strategy enables the division to position itself among the best major players in the sector, both in terms of **organic growth and operating margin.**

The FreePrints apps are now available in ten countries worldwide, following their launch in the Netherlands and Belgium at the beginning of 2019 and in India in September 2018. The FreePrints offering was also expanded with the addition of FreePrints Cards, a new app that allows customers to order personalized cards (greeting cards, thank you cards, birthday cards, etc.).

To accelerate this strong and profitable growth, on August 2, 2019, the Group's Mobile segment announced the acquisition of **Personal Creations'®** assets, the personalized gifts business of the US group FTD Companies, Inc. With this acquisition, the segment will be able to expand into the personalized gifts market, estimated at over US$260 billion worldwide by the research firm, Technavio[5].

Internet of Things segment: a benchmark position in the IoT ecosystem

	IoT[6] segment (myDevices)	
(in € million)	**2018-2019 July-June**	2017-2018 July-June
Revenue	3.2	3.7
EBITDA	**(5.2)**	**(3.1)**

While the IoT segment is not material at consolidated level, it remains a strategic growth and profit driver for the Group in the mid-term, offering substantial prospects. Claranova stepped up investment in this segment during the fiscal year.

[5] Technavio, "Global Personalized Gifts Market 2017-2021", February 16, 2017.
[6] Internet of Things

In recent years, this segment has successfully established a position in the IoT ecosystem. Initial contracts and proof-of-concept studies are currently being rolled out. The impact on FY 2018-2019 remains limited, but the considerable potential of this market, and this activity in particular, is starting to take shape. This strategy is particularly reflected by partnerships signed in the last two years: Microsoft, Semtech, Ingram Micro, ARM, etc. It is beginning to bear fruit, with the expansion of the customer base to in excess of 250 final customers.

Revenue generated with each final customer remains low, as this type of solution is based on monthly subscription revenue proportional to the number of connected devices. The size of target customers therefore means sluggish scale-up prior to global roll-out, in terms of usage (number of connected devices) and operating sites. It reveals considerable development potential for each customer.

Losses realized by the activity total €5.2 million, but would appear necessary for the Group to strengthen myDevices' position in the IoT ecosystem, a strong development lever for the future. Had we not undertaken this investment, which masks part of the gain made by the Group's profitable activities, EBITDA would have exceeded €21 million.

A healthy Balance Sheet

The improvement in the Group's cash position contributes to maintaining an extremely healthy financial position as of June 30, 2019: cash net of all Group debt is **€23.5 million**.

As of June 30, 2019, the Group's balance sheet was significantly increased by the acquisitions completed in July 2018, with notably goodwill of €63.0 million.

(in € million)	**June 30, 2019**	June 30, 2018	Var. € million
Goodwill	63.0	0.0	+63.0
Other non-current assets	12.1	1.3	+10.8
Current assets	25.5	13.4	+12.2
Cash	75.4	65.7	+9.6
TOTAL ASSETS	**176.1**	**80.5**	**+95.6**

(in € million)	**June 30, 2019**	June 30, 2018	Var. € million
Equity	63.6	14.3	+49.3
Financial liabilities	51.9	28.2	+23.7
Other non-current liabilities	2.8	0.9	+2.0
Other current liabilities	57.8	37.1	+20.7
TOTAL EQUITY AND LIABILITIES	**176.1**	**80.5**	**+95.6**

4-year growth prospects increased €100 million to €700 million

Following Claranova's excellent performance during the fiscal year, management has raised its 4-year goals. While the Group had previously announced a goal of €600 million in revenue by 2022-2023, it now believes it can generate revenue of at least €700 million by this date, taking into account the integration of Personal Creations. The Group also confirms a target profitability rate in excess of 10% (for EBITDA).

Pierre Cesarini, CEO of the Claranova Group, underlined:

"FY 2018-2019 was an excellent year for the Group, with revenue growth of 62% accompanied by a marked improvement in profitability. EBITDA increased fourfold year-on-year, with positive net cash flow from operating activities of €15 million.

During the period, we demonstrated, once again, our ability to boost the performance of our businesses. In the Internet sector, the shift towards a recurring revenue model and the synergies realized with the companies acquired last year, increased operating profitability from 2% to 12%.

Similarly, in the Mobile segment, its continued success enabled revenue growth of 44% and especially improved operating profitability from 5.2% to 6.2%, while continuing to invest heavily in marketing during the period.

In addition, R&D investment and developments in the Internet of Things (IoT) are taking shape, with the roll-out of our IoT solutions to 250 customers in the past six months. Although this is not yet reflected in the Group's figures, we're recording new orders every day, proof that the launch of this huge market has effectively started. We're convinced that we're perfectly positioned to become a key player in IoT.

We will continue our excellent profitable growth trajectory, driven by accelerated performances in the Internet sector, combined with the launch of the personalized gifts market in the Mobile segment, with the integration of Personal Creation®, and the ramp-up of our IoT activities. With net cash flow from operating activities of €15 million, available cash in excess of €75 million and negative net debt, our financial position is also extremely healthy and solid. This positive momentum has encouraged us to raise our 4-year goals and we're now aiming for revenue of €700 million and operating profitability in excess of 10%".

Next Claranova Group events:

Publication of the Universal Registration Document: October 21, 2019

Q1 revenue: November 6, 2019

General Shareholders' Meeting: December 3, 2019

About Claranova:

Claranova is an international technology group operating in three distinct markets: Internet, mobility and IoT. In recent years, it has stood out for its command of major technological issues and its ability to systematically make each of its businesses a resounding success. Boosted by these achievements, for the past four years Claranova has enjoyed an average annual growth trajectory of +30% while improving its profitability, both through organic and external growth. Claranova reports annual revenue of €262 million (FY 2018-2019), with operating profitability of 6.1%.

For more information on the Claranova group: www.claranova.com *or* www.twitter.com/claranova_group

Appendix

Impact of the remeasurement of the Internet segment and expenses relating to the acquisition of the Internet segment businesses in the 2018-2019 income statement

On July 1, 2018, Claranova completed the acquisition of the Adaware, SodaPDF and Upclick businesses in the Internet segment, for a consideration of €69.5 million. This acquisition was completed for a cash payment of €28.5 million, including €9.9 million paid immediately, and the issue of Preferred Shares to the sellers, convertible into Avanquest Software SAS shares (parent company of the Internet segment). The deferred portion of the purchase consideration (paid at the beginning of July 2019), generated an accretion expense of €1.1 million in the fiscal year.

In accordance with IFRS 9 and IAS 32, the preferred shares issue was initially recognized as a debt instrument in other current liabilities, valued in proportion to the Internet segment as a whole (estimated by an independent firm of experts using the discounted cash flow method). The excellent performance of the Internet segment during the fiscal year, and the improved outlook of this business, following the successful integration of the new activities, doubled the estimated value of this segment, from US$87 million to US$162 million. The remeasurement of the debt instrument between July 1, 2018 and June 30, 2019 therefore led to the recognition of a financial expense of €44.6 million, **with no impact on the Group cash position**. The financial instrument was reclassified in equity as of June 30, 2019. A share of net income of the Internet segment will therefore be allocated to minority interests from July 1, 2019.

In accordance with IFRS 2, an additional expense of €2.9 million was recognized in other operating income and expenses, in respect of remuneration paid to the financial intermediary. **This additional expense in the income statement, similarly did not generate a cash outflow for the Group.**

Therefore, the accounting recognition of this acquisition by the Internet segment in July 2018 led to the recognition of an expense of €48.5 million in FY 2018-2019, with no cash impact.

Calculation of EBITDA and Adjusted net income

EBITDA (Earnings before interest, taxes, depreciation and amortization) and Adjusted net income are non-GAAP measures and should be viewed as additional information. They do not replace operating and financial performance measures of an accounting nature. Claranova's Management considers these measures to be relevant indicators of the Group's operating and financial performance. It presents them for information purposes, as they enable most non-operating and non-recurring items to be excluded from the measurement of business performance.

EBITDA is used to monitor the operating profitability of the various businesses. It is equal to recurring operating income before depreciation, amortization and share-based payments.

In € million	**2018-2019 July-June**	2017-2018 July-June
Recurring Operating Income	**14.3**	**(3.7)**
Depreciation and amortization	(2.0)	(0.5)
Share-based payments	0.3	(7.1)
EBITDA[1]	**16.0**	**3.9**
EBITDA as a % of Revenue	6.1%	2.4%

[1]*Non-GAAP measures.*

In FY 2018-2019, EBITDA is equal to Recurring operating income restated for depreciation and amortization of €2.0 million and share-based payment income of €0.3 million (mainly following the waiver by executives of their free share grants in November 2017).

In € million	**2018-2019 July-June**	2017-2018 July-June
Net income	**(41.4)**	**(8.2)**
Share-based payments	0.3	(7.1)
Other operating income and expenses	(2.9)	(2.4)
Fair value remeasurement of financial instruments	(47.2)	-
Adjusted net income[1]	**8.4**	**1.3**
Adjusted net income as a % of Revenue	3.2%	0.8%

[1]Non-GAAP measures.

Impact of acquisitions on the 2018-2019 balance sheet

In accordance with IFRS 3, the Group measured the fair value of the companies forming the Adaware, SodaPDF and Upclick businesses at the acquisition date and valued the SodaPDF and Adaware technologies at €5.2 million. A deferred tax liability of €1.4 million was recognized. After adjusting for these items, the balance sheet as of June 30, 2019 shows goodwill following the purchase price allocation for the companies forming the Adaware, SodaPDF and Upclick businesses of €63.0 million, to which translation differences of €1.9 million must be added.

Additionally, financial instruments issued in partial payment of the acquisition total €85.3 million and are recognized in equity as of June 30, 2019.