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Fourth Quarter Report Ending 31 December 2018 **28 February 2019**

CYBER1 Q4 2018

CYBER1 completes 2018 with second successive highest quarterly revenue result of 21.43m EUR, with total annual revenue growth of 159% and annual organic revenue growth of 67%

- Q4 2018 revenue equated to 21.43m EUR, an 238% increase (15.1m EUR) on Q4 2017 (6.34m EUR).
- Total annual revenue growth increased by 159% (27.35m EUR), from 17.19m EUR YTD Q4 2017, to 44.54m EUR YTD Q4 2018.
- Organic revenue increased by 67.4% (11.58m EUR), from 17.19m EUR YTD Q4 2017, to 28.77m EUR YTD Q4 2018.
- Group Q4 2018 EBITDA of -292k EUR, (Q4 2017 EBITDA -93k EUR).
- Credence Security increased revenue by 62.8% from 3.99m EUR YTD Q4 2017, to 6.49m EUR YTD Q4 2018.
- Cognosec increased revenue by 83.7% (8.7m EUR), from 10.49m EUR YTD Q4 2017, to 19.2m EUR YTD Q4 2018.
- Beyond the Quarter, CYBER1 appointed a new CEO in Nick Viney, followed by an exclusive five-year partnership with Formula 1, becoming their official cyber security provider.

Performance Overview

The fourth quarter results detailed in this report, have rounded off a pivotal year in the history of CYBER1. Building on top of a strong third quarter, the company achieved Q4 revenues of 21.43m EUR. With many of the subsidiaries being traditionally back-end loaded, continued organic revenue growth has been further realised year on year at 67.34%. This is a key mission statement for CYBER1, in building long term trust with our partners, combining proven results in implementing our services and solutions. We strongly feel this client centred approach will result in longer term benefits to CYBER1, its vendors and overall customer portfolio.

Combined with our recent acquisition results in 2018, overall year on year quarterly revenue growth has yielded a 238% increase (15.1m EUR). The former Itway subsidiaries continue to add tremendous value to the CYBER1 Group, with a number of diverse vendors and unique client base, that aid in consolidating and increasing our overall market presence in Europe, a key objective for 2019. These two drivers of internal growth combined with a methodical acquisition process, have underpinned our approach to further extend and build the company. Intertwined with this is ensuring that CYBER1's integration process allows for entrepreneurial creativity and vision, combined with strong leadership and governance throughout the Group. CYBER1 sees these three pillars of organic growth, select acquisitions and a robust governance as the key to unlocking the company's potential growth in the future.

RESULTS IN DETAIL

Q4 2018 revenues across the Group have increased 238.1% (15.1m EUR), recording 21.43m EUR compared to 6.34m EUR in Q4 2017. Total annual revenue growth between 2017 and 2018 equates to 27.35m EUR (159% year on year) bringing an annual revenue for 2018 to 44.54m EUR.

Consistently high organic growth for annual revenue (without factoring the newly acquired companies in Itway, Intact, A-Tek and Cognosec GmbH) has been realised at 67.34% (11.58m EUR), when comparing 2017 vs 2018 annual revenue. CYBER1 efforts to realise and maintain internal growth with new enterprise business and upselling on existing contracts will be a clear objective for 2019.

An increase in operating expenditure for Q4 is due to the inclusion of two new subsidiaries that were assimilated within Q3 2018, with total annual operating expenditure up 40% (3.95m EUR). Excluding new acquisitions, operating expenditure was up slightly at 9.9m EUR, 130k EUR more compared Q4 2017 (9.77m EUR). This marginal increase is a significant achievement, given the meaningful revenue and margin growth demonstrated across the Group. It is anticipated that further integration and streamlining of operations will result in an overall reduction of organic operating expenditure for 2019.

A planned shortfall in margins stretched the Group’s cash position, pending debtor collections and unwinding of deposits.

The total results for YTD Q4 2018 was a Group loss of -1.64m EUR (YTD Q4 2017: -2.92m EUR).

HIGHLIGHTS

- Credence Security increased revenue by 62.79%, from 3.99m EUR YTD Q4 2017, to 6.49m EUR YTD Q4 2018.
- Cognosec increased annual revenue by 83.67%, from 10.49m EUR YTD Q4 2017, to 19.2m EUR YTD Q4 2018.
- Organic revenue (excluding 2018 acquisitions) increased by 67.34%, from 17.19m EUR YTD Q4 2017, to 28.77m EUR YTD Q4 2018.
- Total revenue growth increased by 159%, from 17.19m EUR YTD Q4 2017, to 44.54m EUR YTD Q4 2018.
- Group Gross Margin increased 79.17%, from 6.63m EUR Q4 YTD 2017, to 11.87m EUR in YTD Q4 2018.
- Group Gross Margin for Q4 2018 was 18% (Q4 2017 Gross Margin: 34%).
- Group Q4 2018 EBITDA loss of -292k EUR, (Q4 2017 EBITDA -93k EUR).

CYBER1 GROUP: Financial key-ratios	Oct-Dec Q4 2017	Oct-Dec Q4 2018	Jan-Dec FY 2018	Jan-Dec Q4 2017
Total Group Income €('000s)	6,339	21,435	44,544	17,193
Total Group Gross Margin €('000)	2,169	3,888	11,872	6,626
Total Group Gross Margin (percent)	34%	18%	27%	39%
Cash Flow in the Period €('000s)	-1,173	2,544	5,816	-1,687
Operating Margin €('000s)	-261	-402	-1,887	-3,184
Operating Margin (percent)	-4%	-2%	-4%	-22%
Result after Taxes €('000s)	-356	748	-2,957	-3,068
Earnings per share €*	-0.0102	0.0025	-0.0109	-0.0120

*Result per share refers to result per share attributable to equity owners of the parent company. There is no dilution of earnings per share. This report is published in English. Average number of shares outstanding for the period 31 December 2018 (Q4 2018) were 292,235,506 (Q4 2017 number of shares outstanding 257,179,500). The new share issue relates to the three offset share issues (1,860,465 & 1,777,778 & 13,277,097) and the payment of shares for the completion of the two Itway subsidiaries (16,666,666), A-tek Ltd. (924,000) and Intact Ltd. (550,000).

Contacts

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About CYBER1 (Nasdaq First North: CYB1.ST) (ADR program OTCQX: CYBNY)

CYBER1 is engaged in providing cyber resilience solutions and conducts its operations through physical presences in Sweden, South Africa, UK, Kenya, Germany, Austria, Turkey, Greece, Italy, Ukraine and the United Arab Emirates. Listed on Nasdaq First North (Nasdaq: CYB1.ST) and as an American Depositary Receipt (OTCQX: CYBNY), the Group delivers services and technology licenses to enhance clients' protections against unwanted intrusions, to provide and enhance cyber resilience and to prevent various forms of information theft. CYBER1 had revenues of 44.54m EUR in 2018 and 239 personnel at the end of Q4 2018. For further information, please visit www.cyber1.com/investors.

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Comments by Nick Viney, CEO of CYBER1

Dear Shareholders,

It is with great pleasure that I write my first report to you, updating on the exciting developments and performance within Q4 2018. Given the already phenomenal growth throughout this year, I am delighted that our last quarter was also able to continue in this vein. The Group's strong rapport and relationships with clients have cultivated a trust and understanding of their environments and we are delighted to continue those partnerships. The newly acquired businesses have continued their performance and I am excited with the cross-collaborative opportunities that are already bearing return, in driving overall organic growth within the Group of 67% in 2018. Moreover, there was a significant regional shift in our Q4 Revenues, with a total split of Africa (49%), Middle East (15%) and Europe (36%) being achieved across 2018. These markets have equal prominence and importance for CYBER1 and a further natural spread of revenue across these regions will mitigate any market shifts moving forward. Overall, reaching 44.54m EUR in revenue is an incredible achievement, with 159% annual growth being a testament to the hard work and dedication of the CYBER1 staff.

Looking ahead to 2019, the ever-developing cyber threats highlight that cyber security continues to be a prominent topic. From C-Level Executives of large multinational corporations to individual SME businesses, the threats and vulnerabilities are apparent for all, regardless of size and scope. This has been apparent in a number of organisations we work with, who are seeking further solutions and services we provide and in turn creating a number of upselling opportunities. Additional solutions are already being realised in the last quarter results with our largest clients around the Group, who are seeking one provider for multiple services. An example of this was a multimillion euro upsell of additional services and products for a longstanding financial services client in South Africa, a model we intend to roll out further around the Group. CYBER1 is ready to meet the needs of our clients, providing our highly accredited staff, expertise in product solutions and overall implementation of strong, resilient security architectures.

Already in my short tenure as CEO, I am galvanised by the growth potential within our existing jurisdictions and the new geographies we aim to target over the coming quarters. Working closely with the CYBER1 Global Advisory Board, led by former Chairman of the Homeland Security Advisory Council Joseph Grano Jr., will be crucial in realising the many opportunities that exist both internally within the business areas and through new and exciting avenues that will be explored in the coming months.

Beyond the quarter, we announced an exclusive five-year partnership with Formula 1, the world's premier motorsport series. CYBER1 will provide Formula 1 with an array of cyber security solutions, designed to enhance and secure Formula 1's infrastructure from potential cyber threats. We have been working closely with the talented Information Technology department at Formula 1 and look forward to having another trusted partner of our solutions and services under CYBER1. During the five-year period, CYBER1's partnership with Formula 1, will also enhance the Company's overall B2B marketing strategy, to help grow the business and its overall global market presence.

My thanks go to Robert Brown who is stepping down as CYBER1 CEO and assisting with my smooth transition into the role. I wish him well in his future endeavours. For 2019, as we enter into our third year as a listed company, I look forward to working to bring our subsidiaries closer together, to realise opportunities whilst ensuring appropriate internal governance can be achieved with our newly acquired and existing companies.

Whilst already looking forward to 2019 and beyond, I would like to pause and thank a number of key stakeholders for closing off an impressive 2018. I would like to thank the CYBER1 staff, for welcoming me into the Group and demonstrating the strong culture that we wish to build on. To the Board for their support and guidance, I look forward to working closely with them in realising our shared vision of success and prosperity. To our customers, my thanks for trusting us as your key cyber security provider and to our partners, who facilitate the visions of how we secure our environments. In an exciting time for the industry, I am looking forward to challenging the latest threats and vulnerabilities, with CYBER1 driving new and innovative security landscapes for our customers both now and into the future.

Nick Viney, CEO CYBER1

BUSINESS OVERVIEW

MARKETS

A number of significant data breaches within the quarter continues to highlight the risk that our online information is exposed to. Facebook, who have suffered a number of recent accusations on the overall privacy of customer information with the Cambridge Analytica scandal, experienced further embarrassment by association, with at least 81,000 accounts having their private messages being reportedly published. It has been assessed that the data had been obtained through various malicious browser extensions that can be downloaded from the internet. Third party extensions on browsers such as Chrome, Opera and Firefox can potentially monitor activity when logging into various social media accounts.

Amazon has confirmed that they have removed a number of staff around their global offices, for failing to adhere to ethical practises related to misusing company data, to combat against users tricking its systems to make products more prominent. Employees within India, China and the US were removed from employment based on internal reviews of the organisation.

Marriot International confirmed that 500 million customers of the group have been involved in a data breach of sensitive information. The breach dated back to 2014, which originated through an acquisition of Starwood in 2016, at the time creating the largest hotel network of over 5800 properties. There were also additional concerns that despite the large percentage of information stolen being encrypted, the private keys may have been taken also.

CYBER1 offers an array of assurance and advisory services to clients. Our ability to provide a detailed and well performing managed service whilst being able to distribute vendor products, sets us apart from our competitors by offering global cyber technology architectures.

REVENUE PERFORMANCE BY SUBSIDIARY

€ '000s	***Oct-Dec***	**Share**	***Oct-Dec***	**Share**	***Jan-Dec***	**Share**	***Jan-Dec***	**Share**
Overview Sales	**Q4 2017**	**%**	**Q4 2018**	**%**	**FY 2017**	**%**	**FY 2018**	**%**
Credence (UAE)*	1,690	27%	2,199	10%	3,986	24%	6,489	15%
Credence Security (South Africa) **	88	1%	398	2%	1,056	6%	2,034	5%
Cognosec (South Africa)	4,285	68%	7,110	33%	10,490	61%	19,265	43%
Cognosec (Kenya)	186	3%	95	1%	923	5%	777	1%
Credence (Europe)****	-	0%	11,315	53%	-	0%	14,279	32%
Cognosec (Europe)**	91	1%	318	1%	738	4%	1,700	4%
Total	***6,339***	**100%**	**21,434**	**100%**	**17,193**	**100%**	**44,544**	**100%**

*Credence UAE consists of Credence Security DMCC (Dubai) and Cognosec DMCC (Dubai)

**Credence Security (South Africa) consists of Credence SA and Intact

*** Credence Security Europe, consists of Credence ltd (UK) and Itway Turkey and Greece

****Cognosec Europe consists of Cognosec Ltd (UK) Cognosec GmbH (Germany) Cognosec GmbH (Austria)

Outlook and financial information

2018 was an exciting year for CYBER1. The acquisition of the former Itway Turkish and Greek subsidiaries (Itway Hellas S.L. S.A and Itway Turkyie Ltd) were implemented on July 13, 2018. Accordingly, they were included in the consolidated income statement and balance sheet from July to December 2018. The year recorded a significant year–on-year revenue growth in all sectors; both revenue and earnings before interest and taxes (EBIT) reached their highest level compared with corresponding period in the preceding year. Group sales revenue amounted to 44.5m EUR, up 159% year-on-year. Organic growth was especially strong in the third and fourth quarters of the year, amounted to EUR 28.8 million, up 67% in the year. Acquisitions, mainly in Europe, contributed 15.7m EUR in sales, corresponding to growth of 35%.

Overall assessment of the Group's economic situation
The Group's economic situation has improved as a result of the restructuring and rising revenue. Sales volume activities have increased significantly compared with prior years, while job orders and projects on hand are also significantly higher together with the year–on-year revenue growth. We also see evidence of this in the fact that our measurements of customer satisfaction, are moving in the right direction. We are broadening our service scope by adding manage services through the acquisitions during 2018. We are confident that our customers will appreciate this move, which will give us a basis for growth in our sectors. The consistency of our financial performance was proven by our result (EBITA) in the fourth quarter, which was 44% above last year. Looking back over the year, we see sales growth of 159% and similar EBIT deficiency down. Nevertheless, our P&L and EBIT margin yet to be improved. We are on the way to restoring profitability in the affected countries. In general, the acquisitions carried out in late and early 2018 have developed according to expectations and contributed sales growth of 35% for the full year.

Our assessment of the market is largely unchanged compared with the previous quarter. The industrial climate is strong, which is reflected in the performance of our VAD (Valued Added Distributing & System Integrator), Advisory, and Managed Services segments. Investments in cyber infrastructure continue to remain at a high level, while ongoing digitalisation is resulting in a good market for embedded security systems and IT providers. Therefore, coping with these positive effects on the market and, the growing needs of cyber security; CYBER1 presented a new strategy in 2018, reformulated financial targets and acquired new multinational businesses to delivering in line with the new direction. The strategy entails a clarified international expansion, with a unique business model, in which CYBER1 will offer clients more packaged solutions and concepts; with an adjustment to financial management to achieve sharper client focus, more end-to-end solutions and internationalisation.

In terms of earnings, CYBER1 regained considerable ground in the fourth quarter. The negative EBIT of 1.9 m EUR recorded in the first half of the year was slightly offset in the fourth quarter, resulting in a progressive figure of 1.64m EUR for the year. This was mainly attributable to the extremely strong quarterly revenue accompanied by modest cost improvement.

Performance among the divisions

The **VAD Division** reports continued good growth, in line with its target rolling twelve months projected sales portfolio and, the Group's operating deficit before amortisation of acquisition-related intangible assets (EBITA) down by 44% to 1.64m EUR (2.92m EUR). The momentum picked even further in this fourth quarter; we have seen an improved market share activity, as well as gross profit margin.

The **Advisory Division** also continues to grow with a healthy profitability on an expanding digitalisation and embedded security threats market. Demand for the division's services is strong, and we have seen a positive trend with swiftly increasing demand for advisory and consulting project assignments in 2018.
In June 2018, CYBER1 also acquired Advantio; a design, consulting and technical advisory business. The company has strong technical expert advisory personnel with annual sales revenue of approximately 3.1m EUR. This acquisition will make CYBER1 a leading provider of advisory, cyber testing and assurance services. The acquire company would also allow CYBER1 to capture the upside of the business while at the same time taking an active part in the expected consolidation of the industry. Activities are ongoing to complete the transaction in the first quarter of 2019.

Fourth quarter underlying total revenue rose by 238%, of which advisory sales revenue accounted for 62%.

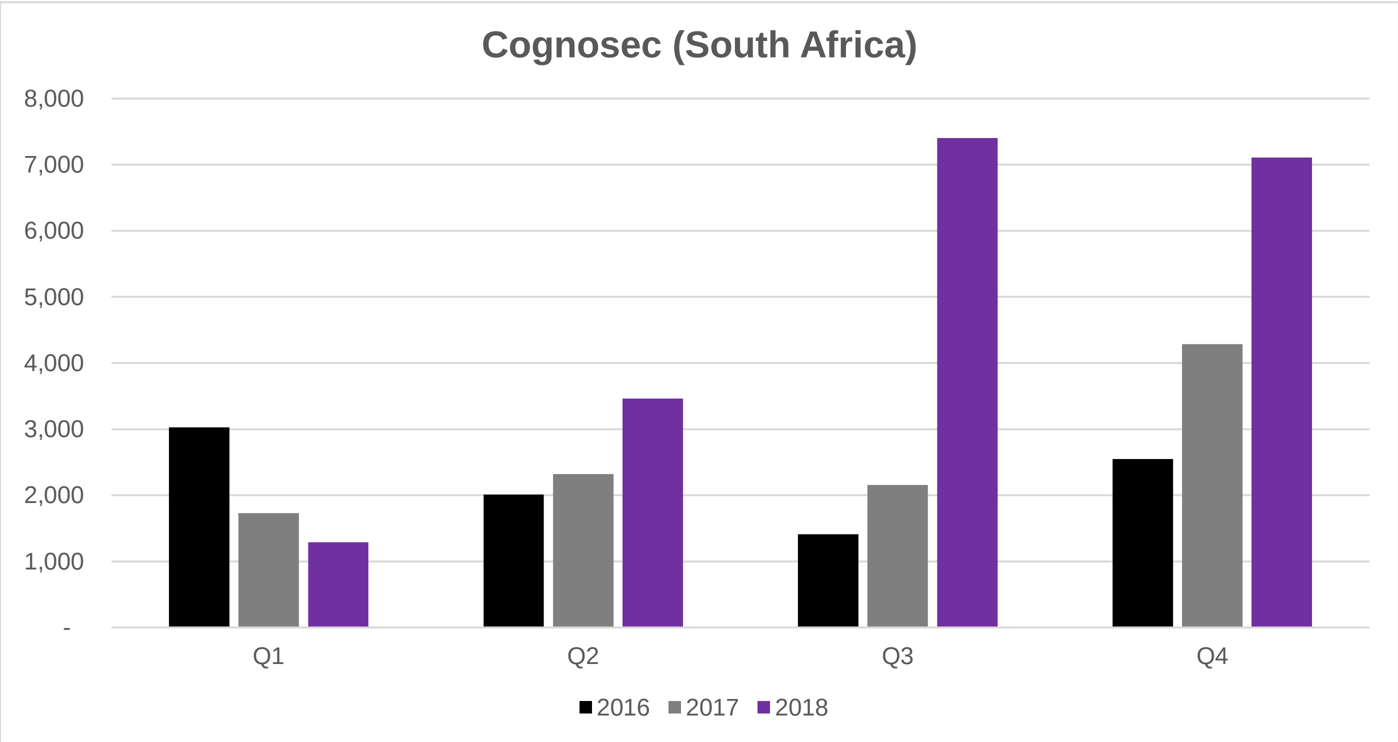
For **Managed Service Division**, the target is to achieve a sustainable profitable business by continuing to develop and manage this sector as an independent and focussed division within CYBER1. The operations and services propositions will be further developed, in line with the CYBER1 tactical and transformational strategic execution plans.

Overall, CYBER1's growth is good, and we see opportunities to further improve profitability. We are now entering a new phase where we are increasingly utilising our breadth and strength by providing clients with tailored solutions in our core markets and in several selected niche areas internationally. The Group is aiming to continue increasing its revenue and earnings in the coming years. In the medium term, the Management and Board intends to return to generating EBIT margins of at least 10% while achieving a significant improvement in ROCE.

Forward-looking statements

The 'Other Information' section includes forward-looking statements. Actual results may differ from those stated. Internal factors such as the successful management of research programmes and intellectual property rights may affect future results. There are also external conditions such as the economic climate, political changes and competing research programmes that may affect CYBER 1's results. Forward-looking statements speak only as of the date they were made, and, other than as required by applicable law, CYBER1 Company undertakes no obligation to update any of them in light of new information or future events.

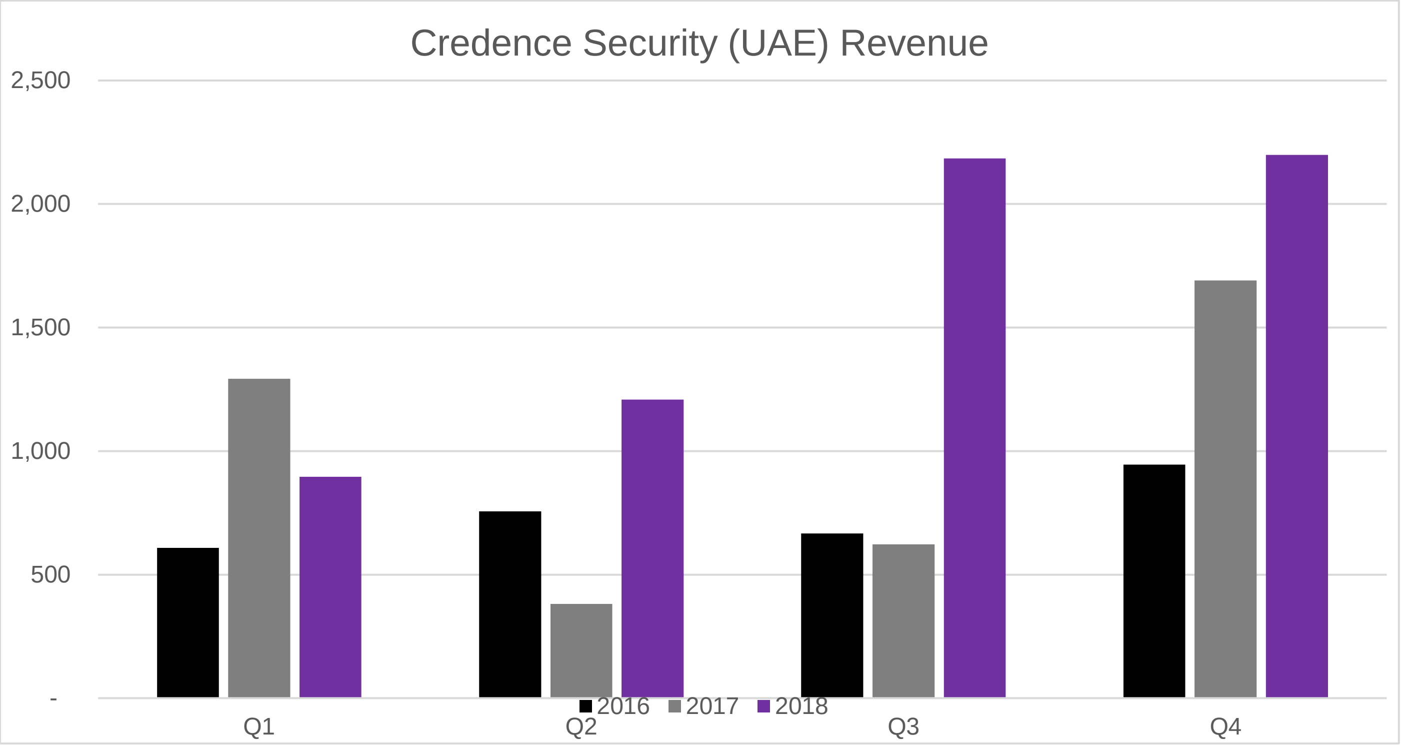
Cognosec (South Africa / DRS)



Cognosec South Africa continues its strong year on year growth in Q4 2018, closing 7.11 m EUR in revenue. The 65.92% increase (2.82m EUR) compared to Q4 2017, has been realised through a combination of upselling with long established clients and new business. A significant portion of the increase in revenue growth versus the previous q4 in 2017 has been from acquiring new business with new clients from competitors within the region. It is anticipated that further solutions will be provided in the coming quarters as we provide further added value as their trusted cyber security providers. This demonstrates Cognosec South Africa's ability to engage with clients and demonstrate a considerable high touch level of service, with solutions that can be integrated and implemented with existing infrastructures. Annual revenue growth has increased by 83.67% (8.7m EUR) in 2018 to 19.2m EUR, compared to 10.49m EUR for 2017.

Notable clients included further upselling within the key financial services players within South Africa and a large telecommunications and mobile network operator.

Credence Security (UAE)



Credence Security Middle East and India surpassed its record quarter in Q3, closing 2.19m EUR for Q4 2018, a 29.58% increase compared to the Q4 2017 and the most successful quarter in the subsidiary's history. Overall annual revenue growth has increased 62.79% (2.5m EUR) to 6.49m EUR, compared to 3.99m EUR in 2017.

Momentum from the last two quarters is intended to be further realised in 2019, where a number of opportunities with newly acquired vendors will continue to demonstrate the subsidiary as one of the best performing within the region. The knowledge and expertise of solutions in this subsidiary has resulted in the overall year on year growth and further development with new clients, which will be significant in realising an increased market share within the Middle East.

Notable deals included a blend of cyber security and forensic solutions for governmental departments within the Middle East, a large financial services institution and a multi-national telecommunications company.

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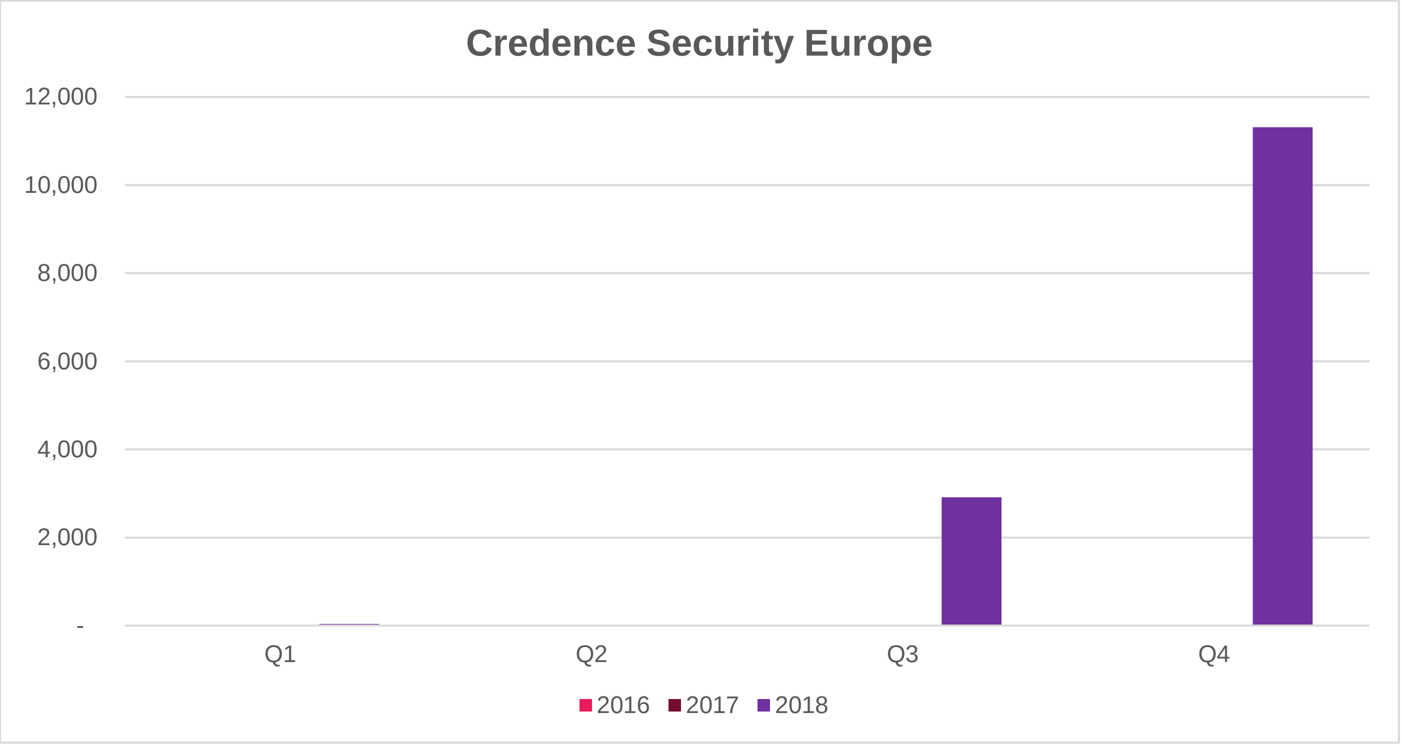
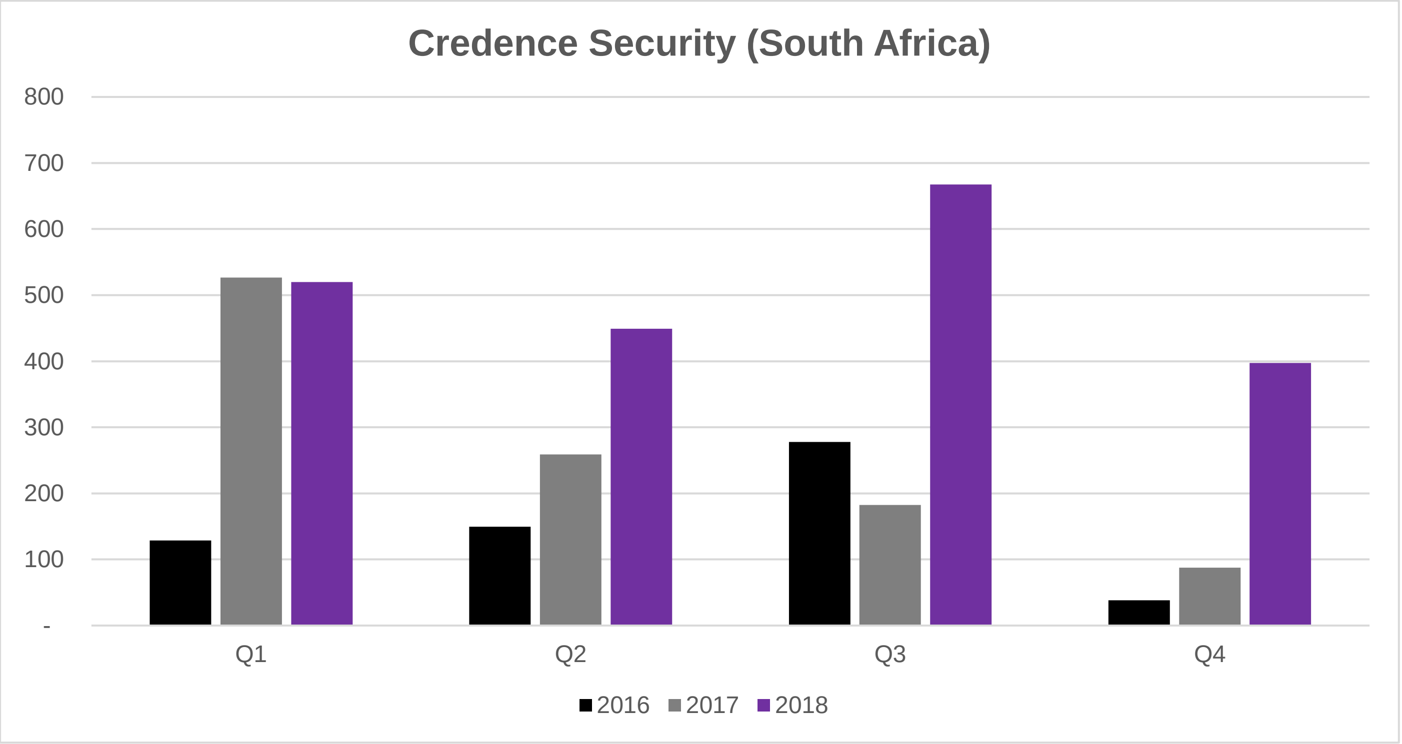
Credence Security (Europe)



Credence Security Europe recorded 11.32m EUR in revenue for the Q4 period. The two entities in Turkey and Greece are similar to other Value Add Distributors within CYBER1, in that a large percentage of revenue closed is back end loaded within Q4. A number of collaborative initiatives are being realised with our service providers within CYBER1 and upselling to the regions. With the vast and diverse client relationships already existing within Turkey and Greece, it is anticipated that further cross subsidiary alignment will improve organic growth for 2019 and beyond.

Credence Security (South Africa)

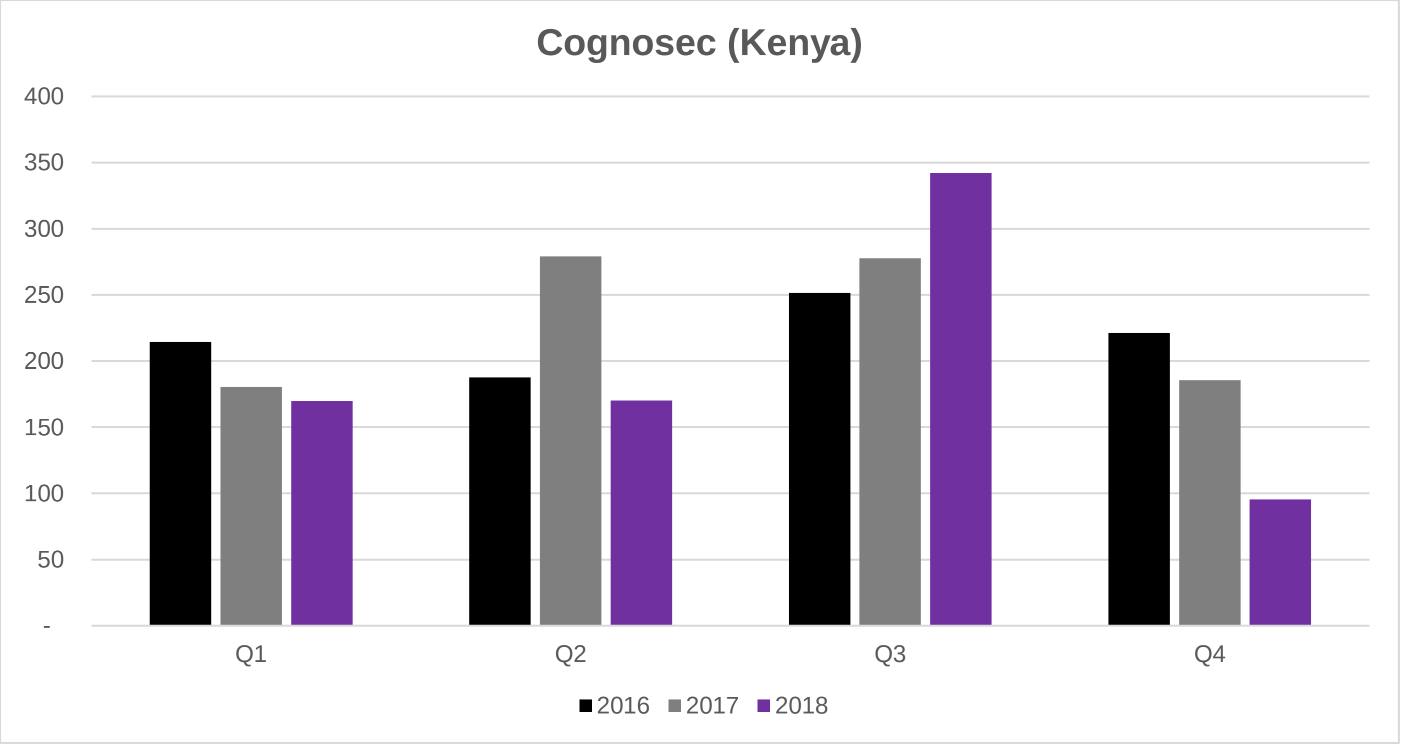


Credence Security South Africa, has continued its strong momentum from Q3, closing 398k for Q4 2018.

This rounds off an impressive year for Credence Security South Africa, who have demonstrated annual revenue growth of 92.61% (978k EUR) and quarterly growth of 352.3% (310k EUR). The overall alignment with key vendors within the region has equated to an uptake in new and innovative solutions, for existing and new customers that require the latest products and services for their businesses.

Notable deals within the quarter include multiple solutions within one of the largest financial services in South Africa, a Government department focused on economic policy and services to a legal intelligence firm. Collaborating with internal partners in the African region has led to an increased pipeline, which we anticipate to demonstrate tangible value moving into 2019.

Cognosec (Kenya)

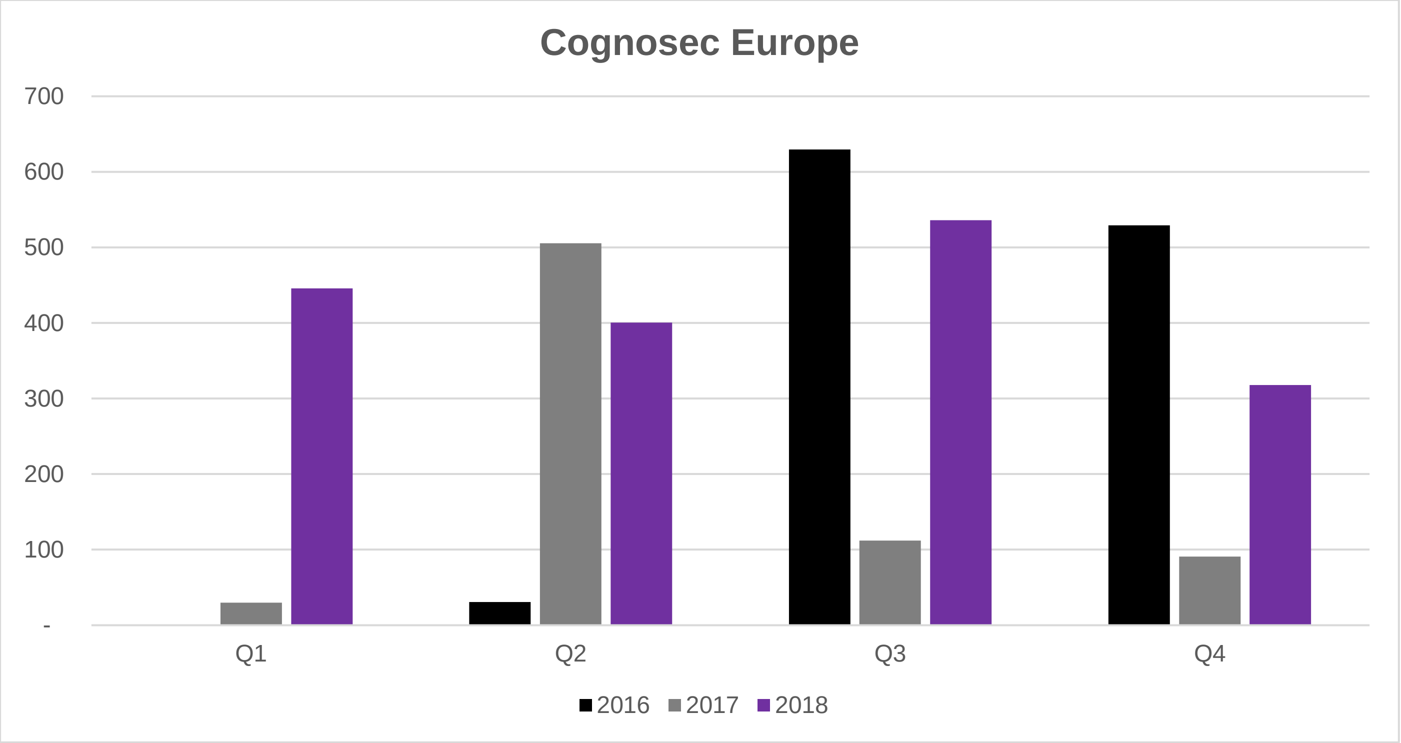


Cognosec Kenya finished the fourth quarter for 2018, closing 95k EUR of revenue. A number of clients that have benefitted from our cyber security services, including a clearing and settlement services within the Kenyan Capital Markets, an NGO focused on national health within Kenya and a commercial bank regulated by the Central Bank of Kenya.

Moving into 2019, a number of new vendor solutions introduced to the region, combined with cross collaboration with other subsidiaries, is likely to prove tangible in realising organic revenue growth within the subsidiary.

Cognosec (Europe)

Cognosec Europe closed Q4 with 318k EUR, with a track record for consistent revenue being realised with the European region. The professional service arm continues to provide key advisory solutions to its clients, most notably beyond the close with Formula 1. Cognosec Europe will work closely with other partners in the Group, to deliver a CYBER1 value added solution. Annual revenue for Cognosec Europe, equated to 1.7m EUR, an increase of 230%, compared to 2017 revenues of 738k EUR.



CUSTOMERS

CYBER1's customers range from government departments, large-scale industrial organisations, financial institutions, companies operating across the TMT sectors, national global communications carriers as well as SME sector businesses. Long-term exclusive relationships are the norm, especially when it comes to the technology that they are using. Potential new clients are eager to learn about the services and successes that the Group have achieved and continue to implement. A number of partnerships are being established with Government entities, globally.

TECHNOLOGY PARTNERS

The Group continues to expand its partner network and now includes the following technologies: Access Data, Algosec, CensorNet, Checkpoint, Demisto, Digital Guardian, Everbridge, Fidelis, Infocyte, McAfee, Popcorn Training, Pulse Secure, Redseal, RSAM, Solus, Trustwave amongst others.

We continue to work closely with McAfee (formerly Intel Security) on an EMEA Strategy around offering services, having been appointed as a McAfee Support Partner.

CASH FLOW

Continued expansion of the European region through acquisitions has affected the Q4 Operational Cash Flow negatively. Whilst working capital remains tight, the directors are confident that the business forecast will support continued liquidity.

The Board is working on improving the Group's cash position through operational cash flow and capital injections from outside sources and has so far been successful in this. The mandate given by the AGM last year will be utilised for some of these injections and the Board is confident that this will provide sufficient funds.

FINANCIAL INFORMATION

INTERIM REPORT: COMPARATIVE FIGURES

The Q4 2018 report has not been reviewed by the Group's auditor.

PROFIT FOR THE PERIOD

Group

Fourth Quarter revenues amounted to 21.43m EUR (Q4 2017 Revenue: 6.3m EUR) an increase of 238%.

Profit after tax for Q4 2018 amounted to 748k EUR (Q4 2017 loss: -3.97m EUR).

Loss after tax for YTD Q4 2018 amounted to -2.9m EUR (YTD Q4 2017 loss: -3.07m EUR).

Depreciation and amortisation for Q4 2018 amounted to 109 EUR, Q4 2017 Depreciation and Amortisation: 208k EUR.

There was a Net Cash Outflow for YTD Q4 2018, which amounted to 5.8m EUR (Net Cash Outflow YTD Q4 2017 -1.7m EUR).

At the end of Q4 2018, the Group's cash balance amounted to 5.9m EUR (Q4 2017: 265k EUR).

Parent

The Parent Company's loss for Q4 2018 amounted to -993k EUR (Q4 2017: -441k EUR).

FINANCIAL POSITION

Group

The Group's equity for end of Q4 2018 amounted to 14.98m EUR (End of Q4 2017: 4.65m EUR).

CYBER1 did not pay any dividends to shareholders during 2018, 2017, 2016 or 2015.

Parent

The equity for the parent company amounted to 14.5m EUR at the end of Q4 2018 (End of Q4 2017, 3.12 EUR) and 3k EUR cash or cash equivalent (End of Q4 2017, 3k EUR).

INVESTMENTS

The Group seeks to expand by way of profitable M&A activity in what remains a highly fragmented market.

CYBER1 continues to identify not for sale and niche companies, to expand and consolidate its global presence. North America has been highlighted as a key area of expansion moving into 2019, with a number of targets being identified in collaboration with our Mergers and Acquisition advisors, UC Capital.

TAXATION

Group

No provisional corporation tax was paid in Q4 2018.

Deferred Tax Credit has been recognised in the Group during 2018.

Parent

No current or deferred tax has been recognised in the Profit and Loss for the parent during 2018.

ALLOCATION OF PROFITS

As indicated in the Financial Position section no dividends were paid to shareholders, therefore no allocation of profit was required for the period of reporting.

TRANSACTIONS WITH RELATED PARTIES

Up until the end of Q4 2018, the Groups subsidiaries in South Africa paid office premises rented via a company that is controlled by the Group's CEO. The Board of Directors considers that the rental charge is in line with market conditions. Due to the appointment of Nick Viney as the Company's new CEO beyond the quarter, such a transaction will not be deemed to be with related parties moving forward.

SHARE INFORMATION

Cyber Security 1 AB (Publ) (Trading as CYBER1) is a public company whose shares are traded on Nasdaq First North (CYB1.ST) and as an American Depositary Receipt on the OTC market (OTCQX:CYBNY).

The Company's share register is maintained by Euroclear Sweden AB.

Total number of registered shares at 31 December 2018 are: 292,235,506.

FINANCIAL CALENDAR

First Quarter 2019	April 26, 2019
Publication of 2018 Annual Report	w/b 3 June 2019
Annual General Meeting	June 27, 2019
Half Year Report	August 30, 2019
Nine Month Report	October 31, 2019

ACCOUNTING PRINCIPLES

The interim report has been issued in accordance with International Financial Reporting Standards requirements ("IFRS").

RISKS AND UNCERTAINTIES

Inherent risks and uncertainties for CYBER1 consist primarily of:

Business risks concerning the delivery of contracted projects and payment.

Financial risks (such as risks related to currency, interest rates, counter-parties, future capital), market risks (e.g. competition, changes in demand) and risks related to the local conditions in the countries in which the Group conducts its business infrastructure. There are also risks of delays due to various disturbances in the delivery of contracted projects.

Liquidity risk is managed through liquidity forecasting, which ensures sufficient funds are in place to meet the Group's obligations and the overall strategy for the Group.

INVESTOR EVENTS

CYBER1 participated in a number of non-deal roadshows in New York as part of our launch of the American Depositary Receipt on the OTC Markets (OTCQX: CYBNY).

In addition, CYBER1 Chairman, Kobus Paulsen presented at the Beursgenoten Symposium 2018, in the Netherlands.

CERTIFIED ADVISORS

Mangold Fondkommission AB is appointed as the Certified Advisor for CYBER1.

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INVESTOR RELATIONS ADVISORS

IFC act as CYBER1's European investor relations advisor.

For additional information, please contact: Tim Metcalfe or Miles Nolan, Investor Relations, IFC Advisory, CYBER1 Telephone: +44 203 934 6630.
E-mail: cyber1@investor-focus.co.uk

Liolios, based in California, United States, act as CYBER1's North American investor relations advisor.
For additional information, please contact: Matt Glover or Najim Mostamand, CFA, Liolios Group.
E-mail: cyber1@liolios.com

AUDITORS

PwC (Sweden) represented by Martin Johansson act as auditor for CYBER1 and the Group. This report has not been reviewed by the Company's Auditor.

ELECTION COMMITTEE AND ANNUAL GENERAL MEETING

The Annual General Meeting took place on 28 June 2018.

Elected to the Board of CYBER1 were Jacobus Paulsen, Lord David Blunkett, Patrick Boylan, Neira Jones, Lord Anthony St John and Daryn Stilwell.

The AGM decided in accordance with the proposal, to authorise the Directors of the Board to issue, at one or more occasions, with or without deviation from shareholders preferential rights, up to 50,000,000 new shares, convertible bonds and / or warrants.

CERTIFICATION AND SIGNATURES

The Board of Directors and the CEO certifies that the summarised interim report gives a true and fair view of the financial information in this report.

The Board of Cyber Security 1 AB (Publ), corporate identity number 556135-4811

Jacobus Paulsen, Chairman
Patrick Boylan, Deputy Chairman & Ordinary Board member
Daryn Stilwell, Ordinary Board member & Group General Counsel
Lord David Blunkett, Ordinary Board member
Neira Jones, Ordinary Board member
Lord Anthony Tudor St John of Bletso, Ordinary Board member

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DETAILED FINANCIAL INFORMATION

GROUP PROFIT AND LOSS

(Thousand Euros)	**Oct-Dec 2018**	**Oct -Dec 2017**	**Jan-Dec 2018**	**Jan-Dec 2017**	**Jan-Dec 2016**
Net Revenue	21,435	6,339	44,544	17,193	14,636
Cost of Sold Goods	-17,547	-4,170	-32,673	-10,567	-8,851
Gross Profit	**3,888**	**2,169**	**11,872**	**6,626**	**5,785**
Sales Costs	-1,979	-1,630	-8,350	-6,409	-4,810
Administration Costs	-2,202	-632	-5,157	-3,135	-3,764
Depreciation	-109	-208	-252	-266	-234
Total Operating Cost	**-4,290**	**-2,470**	**-13,759**	**-9,810**	**-8,808**
Operating Result	**-402**	**-301**	**-1,887**	**-3,184**	**-3,022**
EBITDA	**-292**	**-93**	**-1,635**	**-2,918**	**-2,788**
Financial income and costs	-	-	-	-	-
Finance income	572	16	572	16	-
Finance costs	742	11	-1,297	-37	-634
Total Finance income and costs - net	**1,313**	**26**	**-725**	**-21**	**-634**
Result before tax	**912**	**-275**	**-2,612**	**-3,205**	**-3,656**
Tax (Period)	-164	-122	-345	137	-12
Total result for period	**748**	**-397**	**-2,957**	**-3,068**	**-3,668**
Attributable to Parent	694	-503	-3,011	-3,071	-3,737
Minority interest	*54*	*106*	*54*	*2*	*69*
Earnings per share (€/share) attributable to owners of the parent	*0.0025*	*-0.0020*	*-0.0109*	*-0.0119*	*-0.0145*

PARENT COMPANY PROFIT AND LOSS

(Thousand Euros)	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017	Jan-Dec 2016
Net Revenue	-	-	-	-	-
Cost of Sales	-	-	-	-	-
Gross profit	**-**	**-**	**-**	**-**	**-**
Depreciation	-3	-183	-10	-183	-72
Administration costs	-985	-248	-1,618	-663	-1,021
Total Costs	**-988**	**-431**	**-1,628**	**-846**	**-1,093**
Operating result	**-988**	**-431**	**-1,628**	**-846**	**-1,093**
Finance costs	-6	-10	-47	-10	-624
Result before tax	***-993***	***-441***	***-1,676***	***-856***	***-1,717***
Tax	-	-	-	-	-
Result for the period	***-993***	***-441***	***-1,676***	***-856***	***-1,717***

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BALANCE SHEET	**Group**		**Parent**	
(Thousand Euros)	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
ASSETS				
Non-current assets				
Property, plant and equipment	221	133	-	-
Intangible Assets	4,790	52	42	52
Investments in subsidiaries	-	-	14,258	4,075
Goodwill	8,321	6,152	-	-
Total Non-current assets	**13,333**	**6,337**	**14,300**	**4,127**
Current Assets				
Inventory (PIP)	685	240	-	-
Deferred tax asset	3	152	-	-
Share issue receivable	-	-	-	-
Short term receivable	-	-	-	-
Trade receivable	17,656	7,102	3,294	82
Other Claims	197	84	-	1,556
Cash & Bank	5,909	265	3	3
Total Current Assets	**24,451**	**7,843**	**3,297**	**1,642**
TOTAL ASSETS	**37,784**	**14,180**	**17,597**	**5,769**
DEBT AND EQUITY CAPITAL				
Equity Capital				
Share Capital	171	70	171	70
Share premium	18,768	5,852	18,680	5,763
Ongoing share issue		-		-
Period result	-2,110	-763	-1,676	-838
Other reserves	-1,926	-510	-2,655	-1,874
Total Equity	**14,904**	**4,649**	**14,520**	**3,121**
Capital and reserves attributable to owners	14,701	4,500	14,520	3,121
Non-controlling interests	203	*149*	-	-
Long-term Debt				
Short term debt				
Interim Debt	1,630	2,252	1,027	1,569
Short term credit facility	-	-		-
Intragroup Debt	-	-0	1,327	460
Suppliers	19,120	6,777	759	572
Tax Debt	1,837	207	-56	47
Provisions	293	294	20	-
Total Short Term Debt	**22,880**	**9,531**	**3,077**	**2,648**
TOTAL DEBT AND EQUITY	**37,784**	**14,180**	**17,597**	**5,769**

CASH FLOW ANALYSIS (Thousand Euro)	Group			
	Oct-Dec 2018	**Oct-Dec 2017**	**Jan-Dec 2018**	**Jan-Dec 2017**
Profit before income taxes	-1,334	-757	-2,612	-3,068
Adjustments non C/F items	-591	24	-727	371
Operating Cash Flow	**-1,924**	**-733**	**-3,339**	**-2,697**
Paid Taxes	-508	24	208	-274
Received finance payments - net	-	-		
Changes in Working Capital	5,825	795	10,263	-755
Cash Flow from Operating Activities	**3,393**	**85**	**7,132**	**-3,727**
Acquisition of subsidiaries	-290	-	-9,967	-
Acquisition of Fixed Assets	-695	-85	-840	-202
		-		
Cash Flow from Investment Activities	**-984**	**-85**	**-10,807**	**-202**
New share issues	-	-	-	-
Directly related costs to the listing	-	-	-	-
Proceeds from ongoing share issue	-	-	-	-
Dividend payment to minority	-	-	-	-
Short Term Financing	136	992	9,491	2,243
Cash Flow from Financing Activities	**136**	**992**	**9,491**	**2,243**
Cash Flow from the Period	**2,544**	**992**	**5,816**	**-1,687**
Opening Cash	2,520	-144	265	1,363
Acquired cash		-		
FX-diff Period	844	-583	-172	589
Closing Cash Position	**5,909**	**265**	**5,909**	**265**

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CASH FLOW ANALYSIS

(Thousand Euro)

	Parent			
	Oct-Dec 2018	**Oct-Dec 2017**	**Jan-Dec 2018**	**Jan-Dec 2017**
Operating Profit	-993	-441	-1,676	-856
Adjustments non C/F items	2	183	8	183
Operating Cash Flow	**-991**	**-258**	**-1,668**	**-673**
Paid Taxes	-	-	-	-274
Changes in Working Capital	2,179	-827	2,348	-411
Cash Flow from Operating Activities	**1,188**	**-1,085**	**680**	**-1,358**
Acquisition of Fixed Assets	-	-52	-	-52
Payments related to acquisition of subsidiaries	-673	-459	-1,765	-459
Transfers to subsidiaries	-	-	-	-
Sale of Fixed Assets	-	-	-	-
Cash Flow from Investment Activities	**-673**	**-511**	**-1,765**	**-511**
New share issues	-	-	-	-
Directly related costs to the listing	-	-	-	-
Proceeds from ongoing share issue	-	-	-	-
Dividend payment to minority	-	-	-	-
Short Term Financing	-515	1,559	1,027	1,559
Cash Flow from Financing Activities	**-515**	**1,559**	**1,027**	**1,559**
Cash Flow from the Period	**-0**	**-37**	**-58**	**-310**
Opening Cash	3	-	3	12
FX-diff Period		40	58	302
Closing Cash Position	**3**	**3**	**3**	**3**

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CHANGES IN EQUITY CAPITAL

(Thousand Euros)

	Group			
	Oct-Dec 2018	**Oct-Dec 2017**	**Jan-Dec 2018**	**Jan-Dec 2017**
Equity - Opening Balance	**5,644**	**3,946**	**4,649**	**5,412**
Adjustment from acquisition analysis				
Share Issues	9,107	-	13,018	
Profit from the Period	-864	1,908	-2,957	-763
Tax impact from deductible costs for ongoing share issue				
Adjustment related to acquisition analysis	-485		-1,130	
Foreign Exchange-Differential	1,583	-1,204	1,408	-
Changes in equity during the period	**9,340**	**703**	**10,339**	**-763**
Equity - Closing Balance	**14,984**	**4,649**	**14,988**	**4,649**

CHANGES IN EQUITY CAPITAL

(Thousand Euros)

	Parent			
	Oct-Dec 2018	**Oct-Dec 2017**	**Jan-Dec 2018**	**Jan-Dec 2017**
Equity - Opening Balance	**4,513**	**3,047**	**3,121**	**3,959**
Adjustment from acquisition analysis			-	-
Share Issue	11,000		13,074	-
Profit from the Period	-993	-423	-1,676	-838
Foreign Exchange-Differential	-	497	-	-
Changes in equity during the period	**10,007**	**74**	**11,399**	**-838**
Equity - Closing Balance	**14,520**	**3,121**	**14,520**	**3,121**

NOTES TO THE INTERIM FINANCIAL STATEMENTS

Corporate information

The interim condensed consolidated financial statements of Cyber Security 1 AB (Plc) and its subsidiaries (collectively, the Group) for the 12 months ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 28 February 2019.

Cyber Security 1 AB (Plc) (the Company) is public company, incorporated and domiciled in Sweden, whose shares are publicly traded. The registered office is located at: CYBER1, 1st Floor, Klarabergsgatan 29, 111 21 Stockholm, Sweden. The Group is principally engaged in the provision of cyber security application distribution (sale and implementation) advisory and managed services globally.

Note 1 – Accounting principles

This report for the Group is prepared in accordance with the Accounting Standard IAS 34 Interim Financial Reporting and applicable rules in the Annual Accounts Act. The report for the Parent Company for the same period is prepared in accordance with the Annual Accounts Act, Chapter 9 and RFR 2. Additional disclosures as required under IAS 34.16A may be found within the financial statements and related notes and in the narrative text of the interim financial report.

New standards, amendments and interpretations applied in 2018

As of January 1, 2018, CYBER1 AB adopted IFRS 9 Financial Instruments, which replaces IAS 39 Financial Instruments: Recognition and Measurement, as well as IFRS 15 Revenue from Contracts with Customers, which supersedes IAS 18 Revenue and IAS 11 Construction Contracts and the related Interpretations. The application of IFRS 15 Revenue from Contracts with Customers had no material impact on the financial statements of CYBER1 AB. IFRS 15 does not materially affects the revenue and profit recognition of the CYBER1 distribution channel functions. However, the implementation of IFRS 15, CYBER1 AB segment reporting has changed as of 2018. This is further described below and in Note 2. IFRS 15 also influenced the timing of revenue recognition from returned goods within the reportable segment VAD and Advisory, constituting an immaterial amount. Other new amendments and interpretations applicable as of January 1, 2018 did not have a material effect on the Group's financial result or position.

All other accounting principles and basis of calculation applied in this report are the same as in the annual report for 2017

The nature and effect of the change from the adoption of IFRS 9

IFRS 9 Financial Instruments brings about new principles regarding classification and measurement of financial assets and liabilities, introduces a new expected credit loss model for calculating impairment on financial assets, and implies new requirements for general hedge accounting aimed at simplifying and aligning with the Group's risk management strategies.

IFRS 9 does not have a significant impact on the Group's financial statements, as CYBER1 AB's classification and measurement policies are consistent with the new standard, credit loss amounts are immaterial, and hedge accounting transactions are to be treated in a similar manner under the new standard as before.

The new standard is applied from January 1, 2018. Financial instruments for 2017 in this report are presented in accordance with previous standard, IAS 39.

The nature and effect of the change from the adoption of IFRS 15

The main principle of IFRS 15 is that revenue shall be recognised when the control of the promised goods or service is transferred to the customer at the expected consideration for such delivery, including expected outcome of variable consideration.

Adopting IFRS 15 has not resulted in any reduction in sales and cost of goods sold attributed to distributed third party VAD products compared to how CYBER1 previously reported such sales and cost of sales under IAS 18. Under IFRS 15, it was concluded that for most of the transactions, the CYBER1 distribution function is acting as an agent. For the transactions where the CYBER1 distribution function is acting as an agent, the revenue recognised now represents the amount of the fee received from the principals (the manufacturers of the goods) for arranging delivery of the goods to retail/dealer. This fee equals the gross profit previously recognised for these transactions under IAS 18, i.e. the net amount retained from the consideration received from retail customers after paying the principals. Recognising the fee equity, the gross invoiced amount which does not materially reduced the net sales nor alter operating profit for CYBER1.

Accordingly, inventory relating to the third party VAD products for which the CYBER1 distribution function is acting as an agent when arranging for the delivery to retail and has limited control over such inventory has not been recognised in CYBER1's balance sheet.

The new standard has neither material effect income statement nor the balance sheet.

New IFRSs and interpretations which have not yet been applied

As of January 1, 2019, CYBER1 AB will adopt IFRS 16 Leases, which will replace IAS 17 Leases and the related Interpretations. IFRS 16 prescribes the principles for the recognition, measurement, presentation and disclosure of leases for both lessee and lessor.

The adoption of IFRS 16 is not expected to have a material impact on the Group's financial statements.

The new standard will have the effect that most of the Group's lease contracts will be recognised as right-of use assets and lease liabilities measured at the present value of future lease payments. In the income statement, depreciations of the right-of-use assets and the interest expenses on the lease liabilities will be recognised instead of the lease payments recognised as cost when incurred.

The new standard will be dependent on management's judgement and estimates of certain variables that have a direct impact on the reported balances. An example of this is the assumption on the discount rates to be applied in the measurement of the lease liabilities and the corresponding right-of-use assets. Other judgments that may have significant impact on the reported balances are judgements on the likelihood of using extension and termination options in lease contracts. The assessment of utilizing or not utilizing extension and termination options impacts the lease period of future lease payments included in the measurement of the lease liabilities and the related right-of-use assets.

Contracts or parts of contracts, where the terms provide CYBER1 with the right to control the use of an identified asset for a period of time in exchange for consideration, constitute lease contracts and will thus be recognised as right-of-use assets and lease liabilities on the Group's balance sheet.

Lease contracts within the Group mainly pertain to real estate leases, such as rental of office premises, warehouses and storages. Real estate leases represent approximately 90 percent of the total value of leases within the Group. The duration of real estate leases is typically 3-5 years, excluding assessments of the likelihood of utilising extension and termination options. The Group also has some lease contracts for machineries, equipment and vehicles.

In the measurement of the opening balance of IFRS 16 right-of-use assets and lease liabilities, CYBER1 has chosen to apply the practical expedients in IFRS 16 for short-term leases (contracts with a lease term of 12 months or less) and leases for which the underlying asset is of low value. The Group's lease contracts of low value are mainly leasing of office equipment, furniture, water dispensers, coffee machines and IT equipment for individual use. Such lease contracts will not be included in the Group's opening balance for lease liabilities and related right-of-use assets and will continue to be reported as operating leases with the lease payments expensed in the income statement when incurred. In addition, leases of intangible assets, such as software, licenses, etc., are also excluded from IFRS 16.

The Group's policy for determining the discount rates will be based on the incremental borrowing rate for lease contracts. The key parameters to determine the discount rates will be based on type of underlying asset of the lease contract, the lease term and the economic environment where the asset will operate.

Transition to IFRS 16

CYBER1 has chosen to apply the cumulative catch-up approach as the transition method for IFRS 16 in accordance with IFRS 16.C5(b), where the opening balance of a right-of-use asset is set equal to the corresponding lease liability on transition to IFRS 16. In addition, the right-of-use assets, where applicable, will also include pre-paid lease expenses relating to the utilisation of the underlying asset applicable to periods after the date of transition.

This transition method will be applied to all types of lease contracts in scope for IFRS 16 to be reported on the balance sheet. This transition method means that comparable financial information will not be restated. Instead, IFRS 16 will be applied on the financial statement prospectively as per January 1, 2019. Furthermore, this transition method implies that for existing lease contracts with a remaining lease term of more than 12 months, at the date of when the new standard will be effective, will be recognised as a lease liability measured as the discounted net present value of the remaining future lease payments of the contract, with the corresponding right-of-use assets recognised on the balance sheet. Consequently, lease contracts for which the lease term ends within 12 months of the date of initial application will be reported as short-term leases, with the lease payments expensed when incurred in accordance with the practical expedients in IFRS 16.C10. The discount rates will be determined as per the date of the transition, i.e. January 1, 2019. The transition to IFRS 16 is not expected to have any effect to be recognised as an adjustment to the opening balance of retained earnings of the annual reporting period starting January 1, 2019.

Summary of financial impact

The Group's reported assets and liabilities will increase due to the recognition of right-of-use assets and lease liabilities. The opening balances for the Group's lease liabilities and right-of-use assets as per January 1, 2019 amount to **514 TEUR** respectively. In the assessment of the measurement of the opening balance for the Group's lease liabilities, the weighted average discount rate applied was **6.3** percent and the average duration of the lease term was 2.3 years, including assessments of the likelihood of utilizing extension and termination options.

CYBER1 has assessed that the financial effect on the Group in 2019 is expected to reduce net profit by approximately **14 TEUR,** mainly relating to higher interest costs on lease liabilities which more than offset reduced operating expenses. Cash flow from financing activities is estimated to be negatively impacted by the amortisation of lease liabilities of approximately **32 TEUR**, but which is offset by improved cash flow from operating activities.

The Group's EBITDA is estimated to improve by approximately **189 TEUR** in 2019 as lease payments recognised as operating costs when incurred under IAS 17 will be replaced by depreciation costs on the right of-use assets and interest expenses on the related lease liabilities. The Group's net debt is estimated to increase by 514 TEUR as lease liabilities are classified as financial liabilities. The impact on net debt/EBITA ratio and other key ratios is estimated to be immaterial.

Reconciliation of operating lease obligations

Up until December 31, 2018, the Group's lease contracts are reported as operating leases under IAS 17. As per December 31, 2018, total future minimum lease payments for non-cancellable operating lease contracts amounted to **454 TEUR** (undiscounted value).

The difference between lease contracts reported as operating leases under IAS 17 and the IFRS 16 lease liability as per January 1, 2019 mainly pertains to the exemptions of lease payments relating to short-term and low value lease contracts. Furthermore, the Group's lease liabilities are also increased by future lease payments for periods included from the assessment of the likelihood of using extension options or not utilizing termination options. For further detail, please see the table below.

Reconciliation operating lease obligations vs. IFRS 16 opening balance lease liabilities

TEUR	
Total undiscounted lease liabilities at December 31, 2018	**454**
Less expenses for short-term leases	(14)
Less expenses for low value leases	(6)
Adjustments relating to likelihood of using extension/termination options	45
Adjustments relating to price changes in future lease payments	5
Total undiscounted IFRS 16 lease liabilities to be reported in the balance sheet at January 1, 2019	**484**
Discounted effect on lease liabilities	30
IFRS 16 opening balance lease liabilities at January 1, 2019	**514**

CYBER1 assesses that IFRS 16 will have a slightly positive impact on EBITA and a slightly negative impact on financial items. Total assets will increase as a result of an increase in non-current assets and net debt.

Note 2 – Disaggregation of revenue

The main revenue streams for the CYBER1 Group arise from rendering 'Professional services' (Advisory and Managed services) and Valued Added Distribution & System Integration (VAD). The professional services of Advisory and Manged services are sold on their own in separately identified contracts with customers and the VAD are sold together as a bundled package of resale of software/or implementation services.

Revenue for the sale of VAD (Distribution & System Integration), Advisory and Managed services are **recognised at a point in time** when the control of the promised good or service is transferred to the customer at the expected consideration to be received for such delivery. The expected consideration recognised reflects estimates of potential outcome of variable considerations as well as expected reimbursements for product returns.

Sales for the twelve months ended 31 December

	2018			2017		
Primary geographical markets	**VAD**	**Advisory & Managed Services**	**Jan -Dec 2018 Total Segments**	**VAD**	**Advisory & Managed Services**	**Jan - Dec 2017 Total Segments**
Revenue	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Africa	10,624	11,329	21,954	6,141	5,849	11,990
UAE	6,074	415	6,489	3,843	623	4,465
Europe	14,338	1,761	16,099	33	705	738
External customer sales	**31,037**	**13,505**	**44,542**	**10,016**	**7,177**	**17,193**
Timing of revenue recognition						
Goods and services transferred at a point in time	31,037	13,505	44,542	10,016	7,177	17,193
Total revenue from contracts with customers	**31,037**	**13,505**	**44,542**	**10,016**	**7,177**	**17,193**

Note 3 –Acquisition and Business combinations

On January 1, 2018, CYBER1 recognised the 100 percent acquisitions of Cognosec GmbH Austria, Intact and Credence Security (UK) Ltd within the Group consolation.

On June 13, 2018, it was announced that an agreement to acquire ITWAYS, a leading VAD solutions company, had been concluded. ITWAYS market and sells VAD (Value Added Distribution /System Integration) products and services. The purchase price for the shares was EUR 10m, and takeover of net debt amounted to approximately EUR 5,44m. The acquisition is fully debt free-funded. The transaction, which was subject to customary regulatory approvals, was closed on July 13, 2018.

Through these transactions CYBER1 assumed all service contract revenues as well as business services and personnel, which in effect will bring CYBER1 closer to its customers in those regions.

The table below presents the acquired assets and liabilities at fair values recognised in the Group's balance sheet at the acquisition date, including goodwill, and the effect from the acquisition on the Group's cash flow:

(Thousand Euro)	Fair value reported in the Group
Property, plant and equipment	104
Intangible	499
Long-term receivables and other non-current assets	-
Inventory	589
Trade receivables and current assets	10,026
Total liquid funds	1,553
Trade liabilities and other current liabilities	6,491
Deferred tax liability	1,096
Net identifiable assets and liabilities	**5,184**
Negative goodwill	-1,268
Group Intangible and goodwill	6,633
Total consideration paid	**10,549**
Less acquired liquid funds	1,553
Net effects on Group's liquid funds from acquisition	8,996

The goodwill associated to the acquisition represents the opportunity for CYBER1 to broaden our product offer in line with our vision. No part of the goodwill value is expected to be deductible for tax purposes.

Acquisition costs are mainly pertaining to consultancy fees relating to the due diligence process. Acquisition costs are recognised in profit and loss as administration costs.

No contingent liabilities arising from the acquisition have been identified.

Note 4 – Carrying value and fair value

Beginning January 1, 2018, CYBER1 applies IFRS 9, which contains new principles in how financial assets are classified and measured, determined by the business model in which the financial asset is held. The business models are:

Hold to collect - measured at amortised cost

Hold to collect and sell - measured at fair value through other comprehensive income (FVOCI)
Other - measured at fair value through profit and loss (FVTPL)

The following table shows the transition of the classification and measurement of financial assets between IAS 39 at closing balance December 31, 2017 and IFRS 9 at opening balance January 1, 2018 according to the balance sheet. The classification of the financial assets is based on measurement category for IAS 39 and the business model for IFRS 9.

Carrying value and fair value transition effects

TEUR (€'000)	IAS 39			IFRS 9			
	Closing balance 2017			Opening balance 2018			Difference
Categories:	**Items carried at fair value via the income statement**	**Cash flow hedges**	**Loans and receivables**	**Other**	**Cash flow hedges**	**Hold to collect**	
measured at:	**FVTPL**	**FVOCI**	**Amortised cost**	**FVTPL**	**FVOCI**	**Amortised cost**	
Trade receivables	-	-	7,102	-	-	7,102	-
Other non-current financial receivables	-	-	-	-	-	-	-
Other current assets and financial receivables	-	-	-	-	-	-	-
Prepaid expenses and accrued income	-	-	-	-	-	-	-
Cash and cash equivalents	-	-	265			265	-
Total assets	**-**	**-**	**7,367**	**-**	**-**	**7,367**	**-**

CYBER1 uses the following valuation techniques of the fair value hierarchy in determining the fair values of the financial instruments:

Level 1 - Quoted prices (unadjusted) in active markets
Level 2 - Inputs other than quoted prices that are observable, either directly or indirectly
Level 3 - Inputs that are not based on observable market data

The accounting principles related to financial liabilities are essentially unchanged compared with previous years. CYBER1 has updated its accounting principles related to expected credit losses and has, in accordance with the standard, implemented the “expected loss model.”

The following table shows carrying value and fair value for financial instruments applying IFRS 9 per December 31, 2018

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Carrying value and fair value

TEUR (€'000)	Financial instruments measured at FVTPL	Financial assets measured at amortised cost	Other financial liabilities	Cash flow hedges measured at FVOCI	Other receivables and liabilities	Total carrying value	Estimated fair value
Trade receivables	-	17,656				17,656	17,656
Other current assets and financial receivables	-	-	-	-	180	180	180
Cash and cash equivalents	-	5,909	-	-	-	5,909	5,909
Total assets	**-**	**23,565**	**-**	**-**	**180**	**23,745**	**23,745**
Loans and borrowings			1,013		604	1,616	1,630
Other current liabilities	-	-	-	-	1,837	1,837	1,837
Accrued expenses and deferred income	-	-	-	-	293	293	293
Trade payables	-	-	19,120	-	-	19,120	19,120
Total liabilities	**-**	**-**	**20,133**	**-**	**2,733**	**22,866**	**22,880**

The following table shows carrying value and fair value for financial instruments applying IAS 39 per December 31, 2017

Carrying value and fair value

TEUR (€'000)	Items carried at fair value via income statement	Loans and receivables	Other financial liabilities	Cash flow hedges	Other receivables and liabilities	Total carrying value	Estimated fair value
Trade receivables	-	7,102	-	-	-	7,102	7,102
Other current assets and financial receivables	-	-	-	-	-	-	-
Cash and cash equivalents	-	265	-	-	-	265	265
Total assets	**-**	**7,367**	**-**	**-**	**-**	**7,367**	**7,367**
Loans and borrowings	-	-	1600	-	-1600	0	10
Other current liabilities	-	-	-	-	207	207	207
Accrued expenses and deferred income	-	-	-	-	294	294	294
Trade payables	-	-	6777	-	-	6777	6777
Total liabilities	**-**	**-**	**8,377**	**-**	**-1,099**	**7,278**	**7,288**

DISTRIBUTION BY LEVEL WHEN MEASURED AT FAIR VALUE

TEUR (€'000)	December 31, 2018				December 31, 2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS								
Financial assets measured at fair value through profit or loss:								
Derivative financial instruments – hedge accounting	-	-	-	-	-	-		-
Total financial assets	**-**	**-**	**-**	**-**	**-**	**-**		**-**
FINANCIAL LIABILITIES								
Financial liabilities at fair value through profit or loss:								
Contingent considerations	**-**	**-**	14	14	**-**	**-**	10	10
Derivative financial instruments – hedge accounting	-	-	-	-	-	-		-
Total financial liabilities	**-**	**-**	**14**	**14**	-	-	**10**	**10**

***Financial instruments, level** 2*

The fair value of financial instruments that are not traded on an active market are determined by means of available valuation techniques. Market information is used when available. The use of corporate-specific information is avoided whenever possible. If all important in-data required for a fair value valuation of an instrument is observable, the instrument is in level 2. Specific valuation techniques used in the valuation of financial instruments include, for example, listed market prices, fair value for interest-rate swaps, calculated as the present value of estimated future cash flows based on observable yield, fair value of currency forward contracts determined through the use of rates for currency foreign exchange contracts on the balance sheet date.

Financial instruments, level 3

The change during the year for instruments at level 3 refers to contingent considerations. Contingent considerations are valued at the fair value based on data available such as conditions set forth in the purchase agreement and current assessments of the estimated fulfilment of the conditions.

MOVEMENTS FINANCIAL INSTRUMENTS LEVEL 3		
Contingent considerations	**2018**	**2017**
Opening balance January 1	**10**	0
Payments	-10	-
Reversals	-	-
Revaluations	14	10
Translation differences	-	-
Closing balance December 31	**14**	**10**

No transfer in or out of level 3 or level 2 has been made during the fourth quarter 2018. The recognised amounts are regarded as reasonable estimates for all items measured at carrying value in the balance sheet, except for loans and borrowings, as these amounts have a long time to maturity. The fair value of loans and borrowings differ from their carrying value as a consequence of changes in the market interest rates. Items not valued at fair value in the balance sheet are measured at amortised cost.