

First Half Report Ending 30 June 2019

12 August 2019

## CYBER1 H1 2019

### **CYBER1 achieves a 267.7% year on year increase in revenue for H1 2019, of which 121% deriving from organic growth. Revenue results of 13.5m EUR for Q2 and 33.13m EUR for H1 2019.**

- Q2 2019 revenue equated to 13.5m EUR, a 131.56% increase from 5.83m EUR in Q2 2018.
- Year to date H1 2019 revenue equated to 33.13m EUR, an 267.7% increase from 9.01m EUR in H1 2018.
- Organic revenue increased by 121% (10.90m EUR), from 9.01m EUR H1 2018, to 19.91m EUR H1 2019, driven by acquiring new enterprise business and upselling of additional products into existing environments we operate in.
- Group H1 2019 EBITDA improvement from -1.91m in H1 2018 EUR to -764k EUR.
- Credence Security Middle East & India increased revenue by 179% from 2.11m EUR H1 2018, to 5.86m EUR in H1 2019.
- Cognosec SA increased revenue by 131% (6.25m EUR), from 4.75m EUR H1 2018, to 11.0m EUR H1 2019.
- Cognosec Kenya increased revenue by 114% (387k EUR), from 340k EUR H1 2018, to 727k EUR H1 2019.

#### **Performance Overview**

The second quarter results detailed in this report, have demonstrated the continued and sizable year on year growth within the business. Our subsidiaries continue to focus on new enterprise customers, by utilising our extensive value-added services and the latest cyber security and forensics tools in the market. Combining new client relationships with a methodical upselling of our additional solutions and services continues to drive our long-term organic growth.

Our regional growth has ensured that our market share is rising in those areas, driven greatly by the leadership and empowered vision of the business heads in those jurisdictions. In doing so, we are able to demonstrate to our strategic partners to be the distribution and reseller partners of choice, given our extensive understanding of how their solutions can be delivered into the end user. This is pivotal for long term and sustainable renewals for those products of choice in the end user. Combining with our professional service divisions, ensures that our end to end solutions can be realised through one, accessible and knowledgeable partner. In the Middle East our regional organic revenue growth has been realised at 179% (when comparing H1 2018 versus 2019), alongside Africa with a significant 113% growth in revenues for the same period. Our strategic acquisitions have provided a boost to our overall European presence, demonstrated by the 1609% year on year revenue growth for the European region, highlighting the importance of the region for our long-term strategy. Given the opportunities in some of the countries within Europe, CYBER1 has undertaken a strategic review of its delivery of solutions within these jurisdictions, to ensure that we are able to meet the needs of our immediate and long-term consumers, within a highly competitive market. Our technical offering (particularly in the professional services and advisory piece) has been re-aligned to lower cost jurisdictions, to benefit from the arbitrage opportunities available within the market and ensuring our quality of services can continued to be achieved.

Recognising the continued evolution of the cyber security industry, CYBER1 continues to adapt its strategic approach, to ensure we are at the cutting edge of the market in the future. Focusing on the Managed Security Service Provider space (MSSP), is the opportune platform to harness our global 5,500-customer base and provide a total solution offering, becoming their sole and trusted partner to all services and products, in a 24/7 context.

During the second quarter the above organic growth has been realised at 121%, when excluding companies not acquired up until this point last year. This is our most important benchmark, to ensure that our subsidiaries are able to leverage internal expertise, geographical vendor relationships and cyber security knowledge across the Group. In doing so, we are able to provide a long term and sustainable strategy for the business, with a robust corporate governance that facilitates collaboration and high performance as a minimum standard.

## RESULTS IN DETAIL

H1 2019 revenues across the Group have increased 267.7% (24.12m EUR), recording 33.13m EUR compared to 9.01m EUR in H1 2018.

Consistently high organic annual revenue growth (without factoring in the newly acquired companies in Itway - Turkey and Itway - Greece) has been realised at 121% (10.90m EUR), when comparing H1 2018 versus H1 2019. For the Q2 period our subsidiaries have been able to leverage a variety of positive outcomes, ranging from lead generation roadshows, thought leadership pieces, as well as being recognised for awards by vendors and the cyber security industry.

The ability to engage with new enterprise clients in providing our unique offering, has increased our market presence within EMEA, coupled with the further opportunity to penetrate existing enterprise customers and provide a number of additional products and services to them is a positive sign that this revenue growth will persist.

Year on year operating expenditure has increased, primarily through additional acquisitions into the business from the beginning of Q3 2018, combined with increased marketing exposure and investment in key staff personnel across the Group.

A planned shortfall in margins stretched the Group's cash position, pending debtor collections and the unwinding of deposits however all within managed parameters.

## HIGHLIGHTS

- Total revenue growth increased by 267.7%, from 9.01m EUR H1 2018, to 33.13m EUR H1 2019
- Organic revenue (excluding 2018 acquisitions) increased by 121%, from 9.01m EUR H1 2018, to 19.91m EUR H1 2019.
- Group Gross Margin increased 86.8%, from 3.71m EUR H1 2018, to 6.93m EUR in H1 2019.
- Group Gross Margin for H1 2019 was 21% (Q1 2018 Gross Margin: 41%), underpinned by the integration of the Itway Turkey and Greece acquisitions in the Product space, CYBER1 continues to harness cross collaboration opportunities in those businesses.
- Group H1 2019 loss of EBITDA -763k EUR, (H1 2018 EBITDA -1.9m EUR). Based on continued harmonisation of operations and leveraging greater economies of scale, whilst maintaining a steady headcount increase.
- Credence Security Middle East and India increased revenue by 179%, from 2.11m EUR H1 2018, to 5.86m EUR H1 2019.
- Cognosec SA increased annual revenue by 131%, (6.25m EUR) from 4.75m EUR H1 2018, to 11.0m EUR H1 2019.

<b>CYBER1 GROUP: Financial key-ratios</b>	<b>Apr-Jun Q2 2019</b>	<b>Apr-Jun Q2 2018</b>	<b>Jan-June H1 2019</b>	<b>Jan-June H1 2018</b>
Total Group Income €('000s)	13,504	5,831	33,130	9,010
Total Group Gross Margin €('000)	2,908	2,167	6,928	3,706
Total Group Gross Margin (percent)	22%	37%	21%	41%
Cash Flow in the Period €('000s)	1,047	120	-3,649	120
Operating Margin €('000s)	-760	-705	-1,069	-1,942
Operating Margin (percent)	-5.6%	-12%	-3.2%	-22%
Result after Taxes €('000s)	-816	-745	-946	-2,562
Earnings per share €*	-0.0020	-0.0039	-0.0024	-0.0109

<b>Basic earnings per share, EURO</b>								
- of which continuing operations	-	0.0020	-	0.0039	-	0.0024	-	0.0109
Diluted earning per share, EURO	-	0.0020	-	0.0039	-	0.0024	-	0.0109
Basic weighted average number								
of outstanding millions		293.9		259.7		293.9		293.9
Basic weighted average number								
of outstanding millions		293.9		259.7		293.9		293.9

\*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 30 June 2019 (Q2 2019) were 295,486,482 (Q2 2018 number of shares outstanding 262,817,743). 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 UK, Greece, Italy, Sweden, Kenya, Austria, South Africa, Turkey, Ukraine, United Arab Emirates and the United States. 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 43.95m EUR in 2018. For further information, please visit [www.cyber1.com/investors](http://www.cyber1.com/investors).

## Comments by Nick Viney, CEO of CYBER1

Dear Shareholders,

I am delighted to present the second quarter results for 2019, which demonstrates the continued upward trend in our growth for our subsidiaries and long-term commitment for progress, both organically and through acquisitions.

Moving into my third quarter as CEO, it continues to be a pleasure in working with a diverse group of employees, all willing to contribute to the larger CYBER1 vision we are fostering. This vigour and passion they have for our company and the cyber security industry as a whole, emits a strong point of difference when working in partnership with our clients. We have seen the need for our solutions, ranging from compliance, to incident response and post breach forensics with our customers, highlighting the ever-present dangers and evolution of our industry. These examples provide the opportunity for CYBER1 to demonstrate its true value, in preparing, mitigating and in some circumstances ensuring limitation on damages and maintaining the client's reputation amidst growing external threats.

The results for Q2/H1, build on the foundations of a strong start for 2019. Our aim to realise 2019 as the best ever year for the company is achievable, both in terms of financial performance and greater alignment with our governance and structures. In doing so, this approach will ensure long-term shareholder value, with the fundamentals of a prosperous company in place to build and thrive into the future.

Being recognised in the industry provides validation for the direction and objectives we try to achieve with our companies within CYBER1. I was delighted, that DRS, a CYBER1 company received the Most Valuable Partner for 2019 from leading educational awareness vendor KnowBe4. Examples such as this, highlight that we go far beyond just providing a solution to a customer, we advise based on your specific environment and objectives and provide a complementary route map from instigation right through to implementation and management. It is this unique marker that separates us from our competitors. This recognition builds on the back of DRS and Credence Security Middle East, who have received recognition with McAfee and Digital Guardian respectively in the previous quarters with further rewards.

Beyond the quarter, CYBER1 completed its AGM at the end of July, with Patrick Boylan, who has stepped down from the Board of Directors and as Deputy Chairman of CYBER1. I thank him for his contribution to CYBER1 and wish him well for the future. We have also appointed new Auditors in RSM Stockholm AB, I look forward to working closely with them in the future, whilst also pausing to thank PwC for their help and guidance as our outgoing auditors over the last three years.

Recognising the fantastic work our key stakeholders of the business have achieved in this quarter, my thanks go out to all the CYBER1 staff and partners, for a hugely successful second quarter of 2019 and for committing to the vision of our collective progress into the future. To the Board, my thanks for the strong strategic guidance to ensure CYBER1 is current and forward thinking in our offering both with our clients and the investor community. To our customers, my thanks for your trust and business in in Q2, I look forward to building strong relationships with you now and into the future. Finally, my biggest thanks go to the shareholders. The continued vision in refining our corporate governance, twinned with aggressive growth by a number of strategic measures, will deliver opportunities for the investment community to realise the unique components of CYBER1. In doing so, I hope you will see a company that is motivated to realise long term prosperity in our value, through building of relationships with the cyber security industry, to best impact positively the clients we take enormous pride in partnering with.

**Nick Viney, CEO CYBER1**

## BUSINESS OVERVIEW

### MARKETS

A number of significant data breaches and compliance risks within the quarter continues to highlight the risk that our online information is exposed to.

With the General Data Protection Regulation in full flow British Airways received one of the single largest fines to date, based on their recent breach of their security systems. In September 2018, it was revealed that up to 500,00 customer details were utilised by malicious attackers through the diversion to a fraudulent site. The fine of £183m could be considered low, considering the penalty amounts to just 1.5% of its global turnover in 2017, out of the possible 4% that could have been applied. Prior to this fine, the largest penalty imposed in the UK was for £500,000 dealt to Facebook over their role in the Cambridge Analytica.

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	Apr-Jun	Share	Jan-Jun	Share	Apr-Jun	Share	Jan-Jun	Share	Jan-Dec	Share
Overview Sales	Q2 2018	%	H1 2018	%	Q2 2019	%	H1 2019	%	FY 2018	%
Credence (UAE)*	1,209	21%	2,105	23%	2,877	21%	5,863	18%	6,489	15%
Credence Security (South Africa) **	449	8%	969	11%	570	4%	1,191	4%	2,034	5%
Cognosec (South Africa)	3,463	61%	4,694	52%	2,717	20%	11,003	33%	19,265	43%
Cognosec (Kenya)	170	3%	340	4%	276	2%	727	2%	777	2%
Credence (Europe)****	22	0%	56	1%	6,657	49%	13,275	40%	13,686	31%
Cognosec (Europe)***	401	7%	847	9%	408	3%	1,071	3%	1,700	4%
<b>Total</b>	<b>5,714</b>	<b>100%</b>	<b>9,010</b>	<b>100%</b>	<b>13,505</b>	<b>100%</b>	<b>33,130</b>	<b>100%</b>	<b>43,951</b>	<b>100%</b>

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

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

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

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

### Outlook and financial information

CYBER1 had another solid quarter with an organic sales growth of 121% year -on- year for H1, driven by advisory and MSSP investments as well as VAD (value added distribution) increased volumes related to strategic contracts. While strategic contracts will be margin accretive in the long term, the impact on near-term profitability is progressive. In the quarter the Company had an encouraging impact on gross margin, with an expectation that this positive impact will continue to improve during the second half of the year. Our strategy, to work with leading customers in prime markets, generates both VAD business and Advisory business; and the rollout of our Managed Services commercialisation as a further growth opportunity. To date we have publicly announced Formula 1 in a five-year partnership and exclusive cyber security provider, as well as large orders obtained from major named business customers, demonstrating an overall increase in newly acquired customers.

EBITDA (Earnings before tax, depreciation and amortisation) improved from a deficiency of EUR 1.909m to EUR 764K YoY, driven by improvements in VAD and Professional Advisory Services segments and by the recently signed partnership with Formula 1.

The VAD Segment had a strong quarter, with an organic sales growth of 118% QoQ, driven by increased investments in Africa and Europe. VAD gross margin improved to EUR 4.504m (EUR 1.726m) QoQ, mainly due to higher sales' activities and revenues from cross selling. As previously announced our intent to acquire the Turkish company INFONET's VAD and advisory business will further expand our capabilities offering, in both VAD and professional services in Central Europe.

Organic sales in Advisory and Managed Services were stable YoY. We continue to see a good business momentum for the new portfolio managed services and advisory-native services, with many important contracts closed in the quarter. Gross margin was stable QoQ and operating income improved YoY, driven by reductions in operating expenses; was supported by a favourable business mix. We continue to execute on our plan to strategies the "Professional Services" business into new and profitable regions. The implementation of our revised strategy is progressing well. Organic sales growth has generated an operating gross profit of EUR 2.377m (EUR 1.958m). Our aim is to scale and help create future business for CYBER1.

Driven by improved earnings, free cash flow excluding M&A amounted to EUR 1.047m (120k) in the quarter and with an improved cash position we are well positioned to grow the company in a profitable way; continuing to take strategic contracts, gaining momentum and being well positioned to capture opportunities. We will continue to make substantial investments in M&A, especially in the Advisory and Managed services space, given the growth potential in these markets. This is a key part of our focus, to strengthen our long-term business and strategy to reach our targets for 2020 and beyond.

## **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 quarter-on-quarter 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 2019. 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 H1 (Half-year), which was 59% above last year. Looking back over the year, we see sales significant growth and similar EBIT deficiency is down. We are taking necessary steps to restore profitability in the affected countries where necessary. In general, the acquisitions carried out in 2018 have developed according to expectations and contributed sales growth of 40% for the full year.

Our assessment of the market is largely unchanged compared with the previous quarters. 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 presents a new strategy in 2019, reformulating financial targets and having acquired new multinational businesses, facilitate with the new direction of the company. 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 and a more complete end-to-end solution for its existing customers.

Overall, CYBER1's growth is healthy, and we see opportunities to further improve profitability. We are now entering a new phase where we are increasingly the utilisation of our breadth and strength of offering, 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 Board and management intends to return to generating EBIT margins of at least 10% while achieving a significant improvement in ROCE.

## **Risks and uncertainties**

CYBER1 divides risks into circumstantial risk (the future of our products/services and business cycle sensitivity), financial risk (currency, interest, financing and credit risks) as well as business risk (customer concentration, operational risks, risks in operating expenses as well as contracts and disputes). These risks, together with a sensitivity analysis, are described in more detail within the Annual Report for 2018. Circumstances in the world around us since the Annual Report was published are not believed to have caused any significant risks or influenced the way in which the Group operates, compared to the description in the Annual Report 2018.

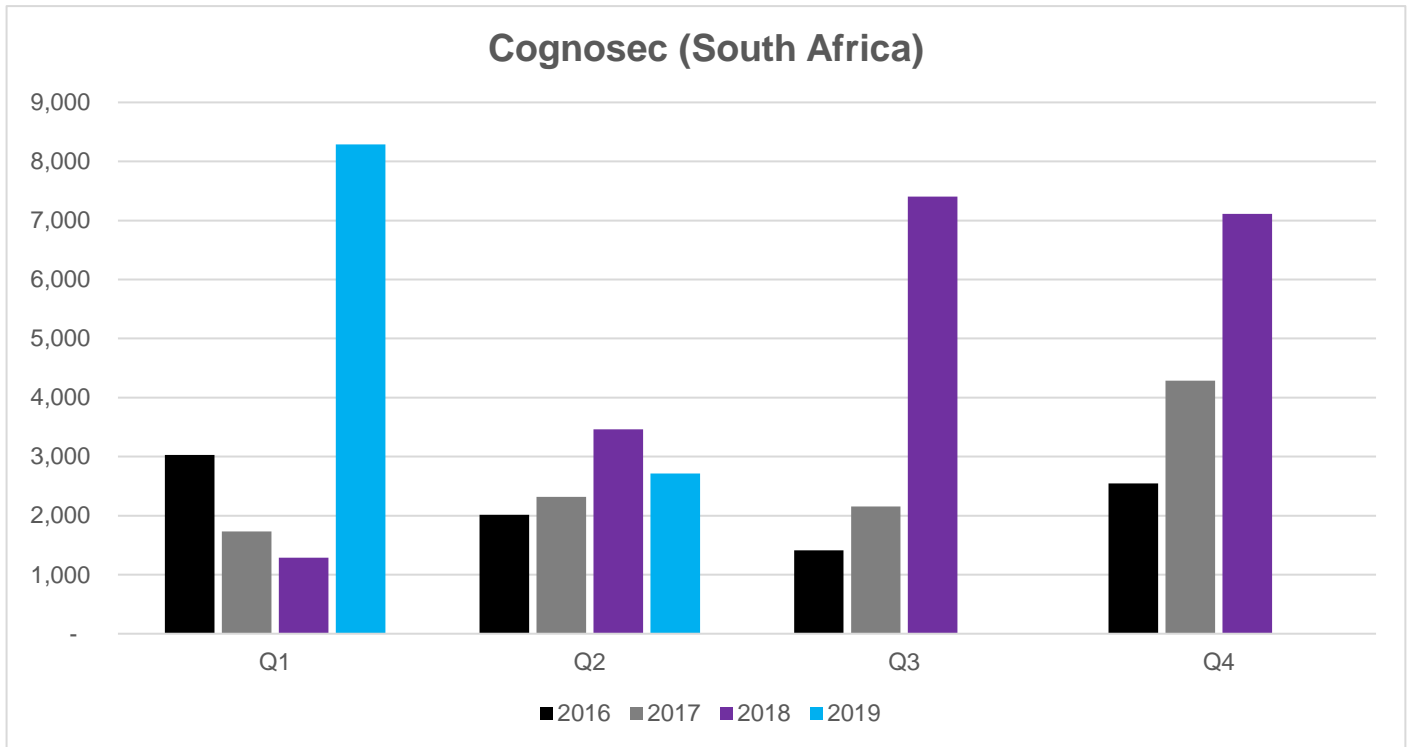
## Goal and strategy

CYBER1's overall goal is to be a leader in global solutions in supply chain management, with a world class integrated offer. Our strategy is to work in niches in each business area where the company can attain a leading position in the market. We will achieve this goal by being best at meeting customers' demands for efficiency and delivery. Acquisitions play an important role in our company's development and provide competence, broader product and service offerings and an enlarge our customer base

## 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*

## Cgnosec (South Africa / DRS)



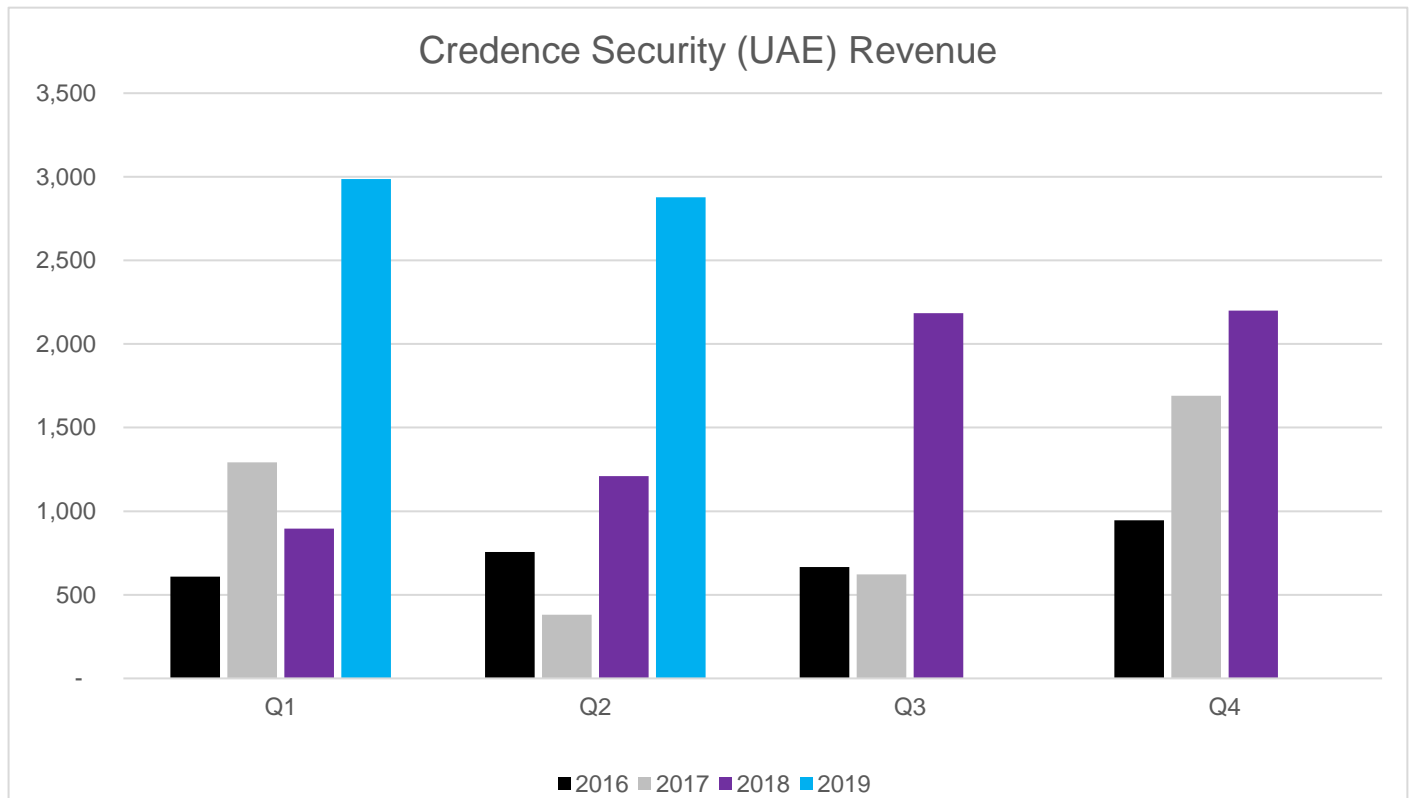
Cgnosec South Africa continues the strong performance from Q1, producing 2.72 m EUR in Revenue for Q2, with a combined H1 2019 results of 11m EUR, a 134% year on increase from H1 2018.

The subsidiary has focused greatly on the value-added professional services it brings to its clients, with many customers utilising information from our stringent audit findings and the need to keep ahead of changing regulation and governance to great effect. Combined with a noticeable shortage of cyber security personnel, has positioned Cgnosec South Africa as a provider of tangible information to upper and executive management, that have realised the business and security risks associated with not having tools and governance in place.

During the quarter, the subsidiary was recognised by the educational awareness vendor KnowBe4 as their Most Valuable Partner for 2019. The vendor continues to be a key strategic partner of CYBER1 in driving user education, to combine with a robust security posture and internal governance compliance.

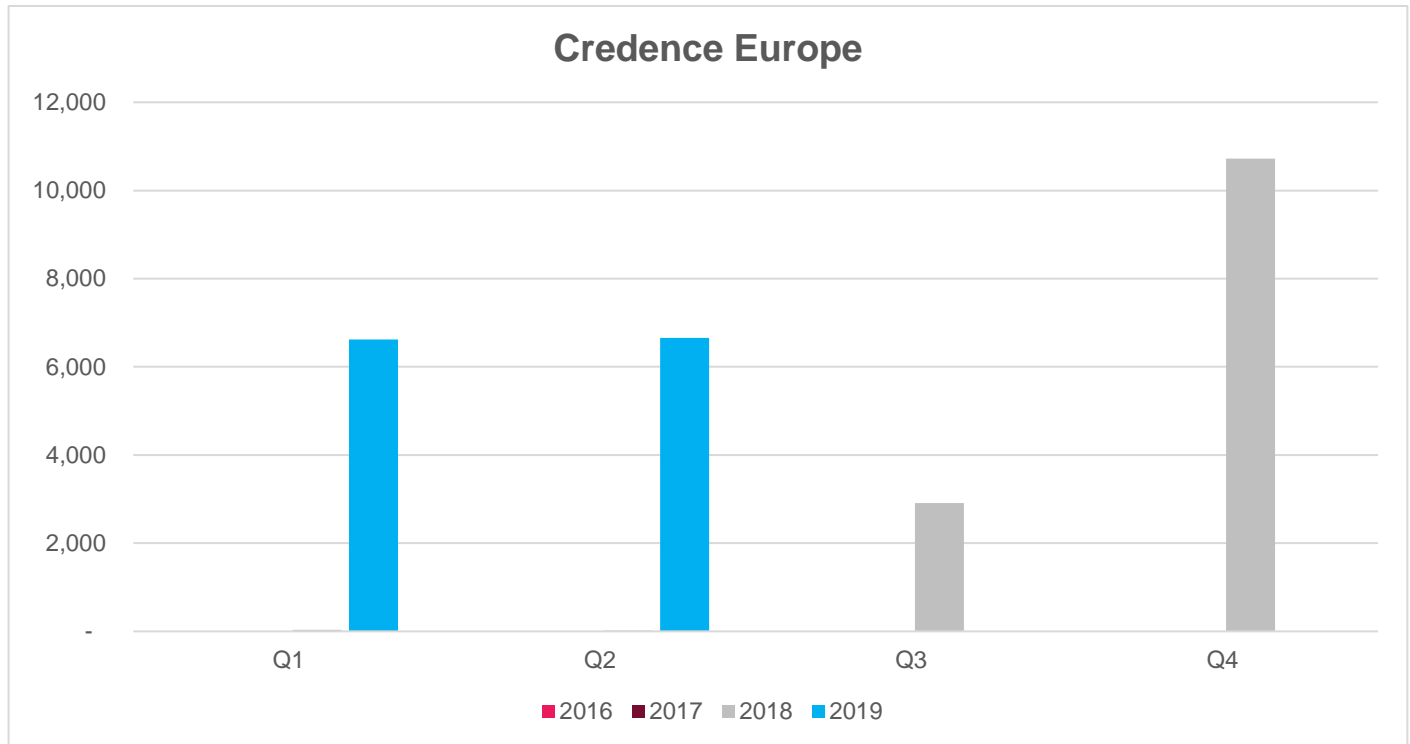


## Credence Security (UAE)



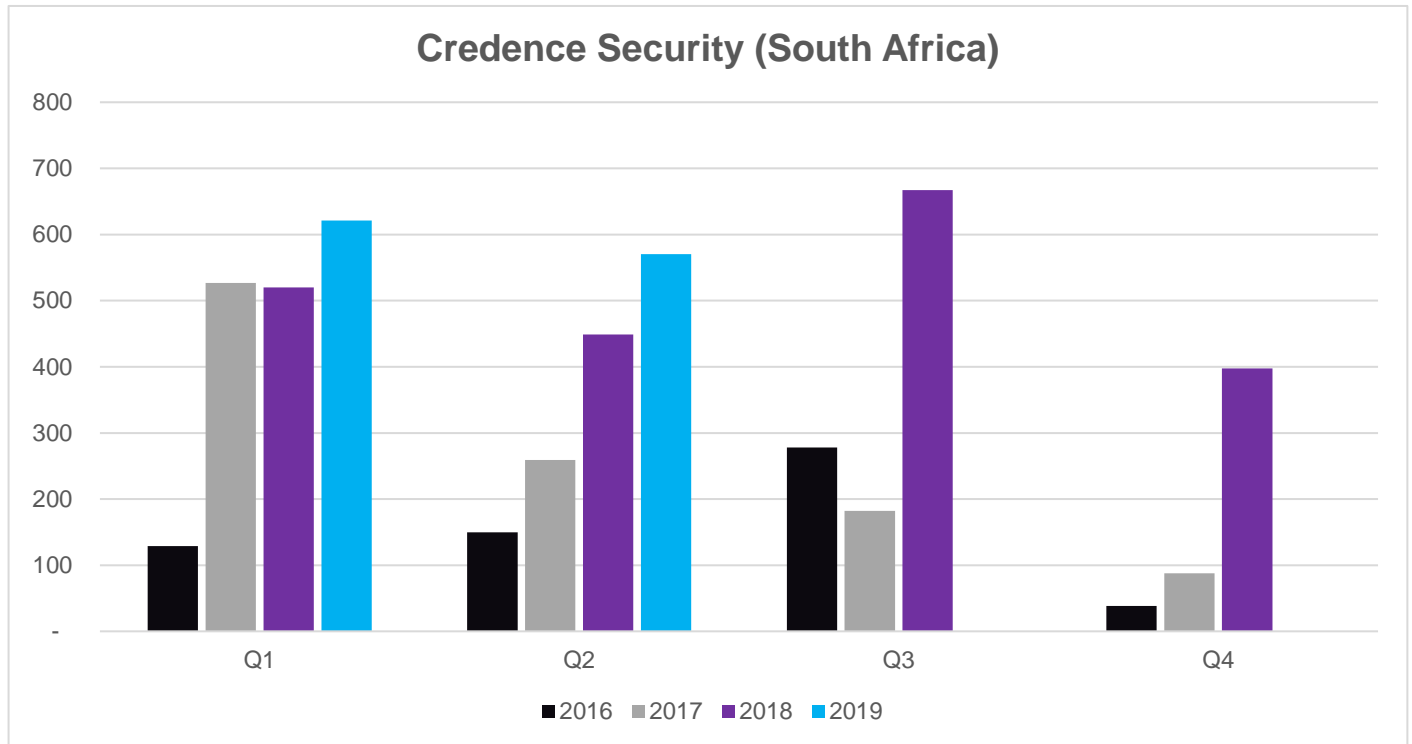
Credence Security Middle East and India recorded its second best ever quarter, recording 2.88m EUR of revenue for the period, an 138% increase versus the same period in 2018-and-a-half-year increase of 179% from 2.11m EUR H1 2018, to 5.86m EUR in H1 2019.

## Credence Security (Europe)



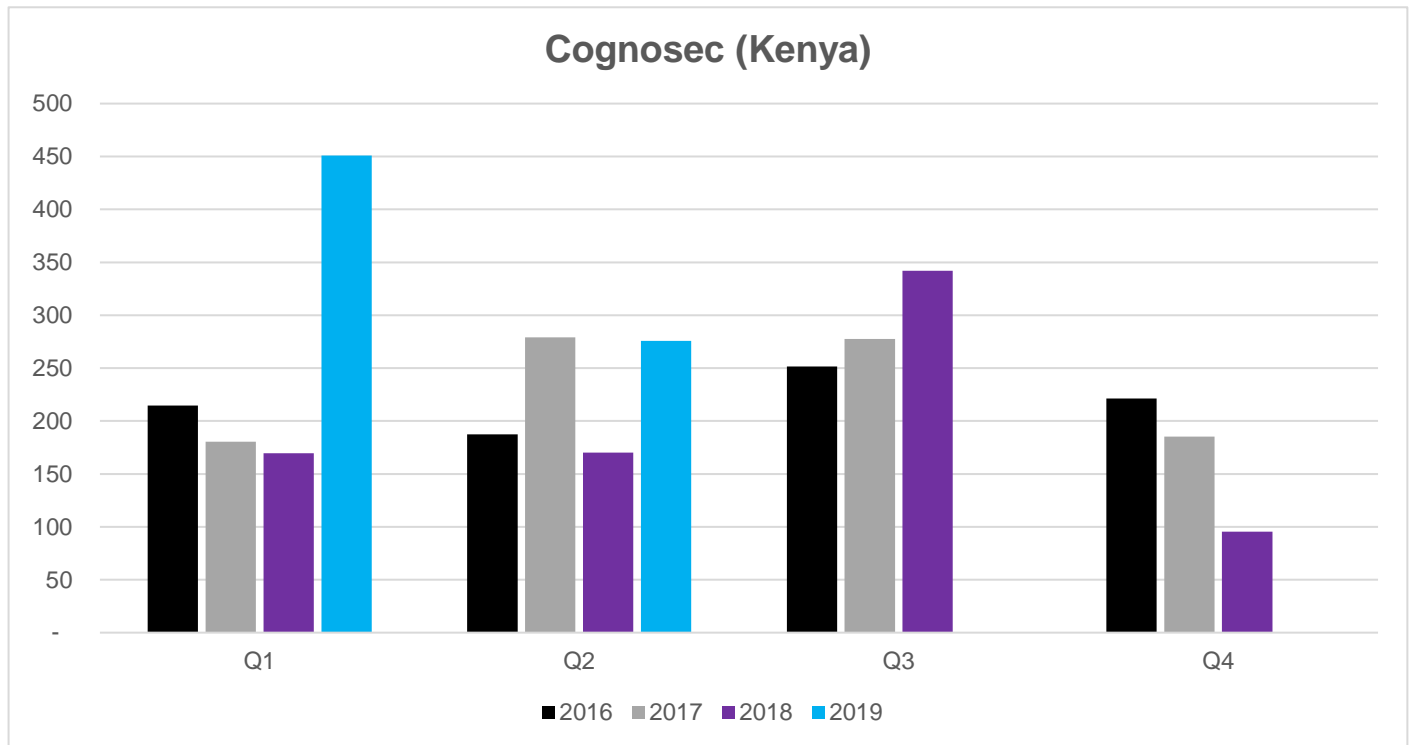
Credence Security Europe recorded 6.66m EUR in revenue for the Q2 period. A number of collaborative initiatives are being realised with our service providers within CYBER1, where the opportunity to leverage a number of vendor relationships across the group will have material benefit for all of our subsidiaries. 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 into 2020.

## Credence Security (South Africa)



Credence Security South Africa, has produced its best second quarter to date, generating 570k EUR of revenue. Combining with its successful start to 2019 in Q1, brings a total H1 2019 revenue of 1.19m EUR, up 22% on H1 2018 of 969k EUR.

## Cognosec (Kenya)

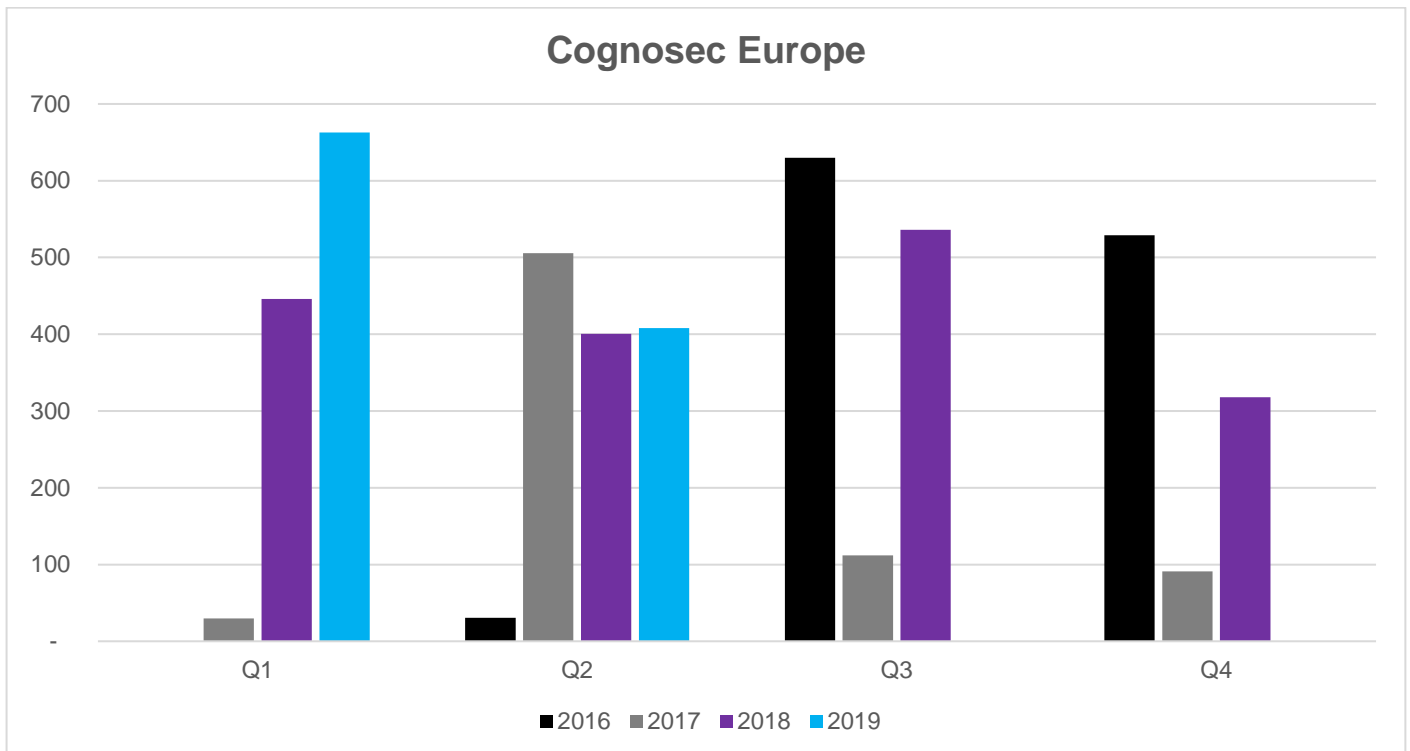


Cognosec Kenya finished the second quarter for 2019, close its second best ever Q2 results for the period, closing 276k EUR in revenue for the period. Combined with the positive results from Q1 means that for the half year period of 2019 revenue resulted in 727k EUR, 116% up 387k EUR on the same prior year period for H1 2018.

A number of clients that have benefitted from our cyber security services, including an international payments provider, with two leading African banks being acquired as new customers.

## Cognosec (Europe)

Cognosec Europe closed Q1 with 663k EUR. The professional service arm continues to provide key advisory solutions to its clients. Following the strategic changes in the Cognosec subsidiaries, the Group provide professional service delivery from its UK and Middle Eastern Office in Dubai, where we are increasing and strengthening the number of personnel with industry leading accreditations needed for compliance with international regulations and cyber security frameworks



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## CUSTOMERS

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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.

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## TECHNOLOGY PARTNERS

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The Group continues to expand its partner network and now includes the following technologies: Access Data, AlgoSec, CensorNet, Checkpoint, Cisco, Cyberark, Cybereason, Demisto, Digital Guardian, Everbridge, Fidelis, Galvanize, KnowBe4, Infocyte, McAfee, Popcorn Training, Pulse Secure, Rapid7, Redhat, Redseal, Solus, Thales, Trustwave amongst others.

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## CASH FLOW

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Continued expansion of the European region through acquisitions has affected the Q2 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 in July, will be utilised for some of these injections and the Board is confident that this will provide sufficient funds.

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## FINANCIAL INFORMATION

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### INTERIM REPORT: COMPARATIVE FIGURES

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The H1 2019 report has not been reviewed by the Group's auditor.

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### PROFIT FOR THE PERIOD

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#### Group

Second Quarter revenues amounted to 13.5m EUR (Q2 2018 Revenue: 5.83m EUR) an increase of 131%.

Total first half year results amounted to 33.13m EUR (H1 2018 Revenues: 9.01m EUR) an increase of 267%.

Loss after tax for Q2 2019 amounted to 817k EUR (Q2 2018 loss of 743k EUR).

Loss before tax for Q2 2019 amounted to 731k EUR (Q2 2018 loss of 743k EUR).

Depreciation and amortisation for Q2 2019 amounted to 156k EUR, Q2 2018 Depreciation and Amortisation: 16k EUR.

There was a Net Cash Outflow for Q2 2019, which amounted to 1.05m EUR (Net Cash Outflow Q2 2018 120k EUR).

At the end of Q2 2019, the Group's cash balance amounted to 1.32m EUR (Q2 2018: 437k EUR).

## Parent

The Parent Company's loss for H1 2019 amounted to 797k EUR (H1 2018: -231k EUR).

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## FINANCIAL POSITION

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### Group

The Group's equity for end of H1 2019 amounted to 14.12m EUR (End of H1 2018: 5.64m EUR).

CYBER1 did not pay any dividends to shareholders during Q2, Q1 2019, 2018, 2017, 2016 or 2015.

### Parent

The equity for the parent company amounted to 14.54m EUR at the end of H1 2019 (End of H1 2018, 4.82m EUR) and 3k EUR cash or cash equivalent (End of H1 2018, 3k EUR).

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## INVESTMENTS

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

The Company continues to identify a number of acquisition targets. The approach for CYBER1 is to assess various forms of companies that can complement and add to their overall offering in the Product and Professional and Managed Service space. The Company continues to identify acquisition targets in various jurisdictions, in collaboration with the CYBER1 Global Advisory Board, Chaired by Joseph J. Grano Jr.

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## TAXATION

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### Group

No provisional corporation tax was paid in Q2 2019.

Deferred Tax Credit has been recognised in the Group during 2019.

### Parent

No current or deferred tax has been recognised in the Profit and Loss for the parent during 2018 or Q1 & Q2 of 2019.

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## ALLOCATION OF PROFITS

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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.

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## TRANSACTIONS WITH RELATED PARTIES

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There have been no significant changes in the relationships or transactions with related parties for the Group or Parent Company with the information given in the annual report 2018.

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## SHARE INFORMATION

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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 30 June 2019 are: 295,486,482.

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## FINANCIAL CALENDAR

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First Quarter 2019	April 26, 2019
Publication of 2018 Annual Report	6 June 2019
Annual General Meeting	June 27, 2019
Half Year Report	August 12, 2019
Nine Month Report	October 31, 2019

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## ACCOUNTING PRINCIPLES

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

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## RISKS AND UNCERTAINTIES

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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.



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## INVESTOR EVENTS

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CYBER1 participated in a number of non-deal roadshows in New York as part of our continued effort to establish an investor base in the US.

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## CERTIFIED ADVISORS

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

Address:  
Box 55691  
102 15 Stockholm  
[CA@mangold.se](mailto:CA@mangold.se)  
+46 8-503 015 50

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## INVESTOR RELATIONS ADVISORS

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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](mailto: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](mailto:cyber1@liolios.com)

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## AUDITORS

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The 2019 AGM resolved to elect RSM Stockholm AB, with Malin Lanneborn as auditor-in-charge, for the time up until the next annual general meeting in the company.

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## ELECTION COMMITTEE AND ANNUAL GENERAL MEETING 2019

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Beyond the close, the Annual General Meeting of Cyber Security 1 AB (publ) (the "Company") was held on the 25 July 2019.

Elected to the Board of CYBER1 were Jacobus Paulsen, 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 150,000,000 new shares, convertible bonds and / or warrants.

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## CERTIFICATION AND SIGNATURES

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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 & Non-executive Board member  
Daryn Stilwell, Executive Board member & Group General Counsel  
Neira Jones, Non-executive Board member  
Lord Anthony Tudor St John of Bletso, Non-executive Board member

## DETAILED FINANCIAL INFORMATION

### GROUP PROFIT AND LOSS

(Thousand Euros )

	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jan-Dec 2018
Net Revenue	13,505	5,654	33,130	9,010	43,950
Cost of Sold Goods	-10,597	-3,485	-26,202	-5,304	-32,511
<b>Gross Profit</b>	<b>2,908</b>	<b>2,169</b>	<b>6,928</b>	<b>3,705</b>	<b>11,440</b>
Sales Costs	-2,067	-1,919	-4,069	-3,816	-8,318
Administration Costs	-1,444	-937	-3,622	-1,799	-5,016
Depreciation	-156	-16	-306	-34	-253
<b>Total Operating Cost</b>	<b>-3,667</b>	<b>-2,872</b>	<b>-7,997</b>	<b>-5,648</b>	<b>-13,587</b>
<b>Operating Result</b>	<b>-759</b>	<b>-703</b>	<b>-1,069</b>	<b>-1,942</b>	<b>-2,147</b>
<b>EBITDA</b>	<b>-604</b>	<b>-687</b>	<b>-764</b>	<b>-1,909</b>	<b>-1,895</b>
<b>Financial income and costs</b>	-	-	-	-	-
Finance income	9	-	321	-	634
Finance costs	18	-40	-98	-613	-426
<b>Total Finance income and costs - net</b>	<b>28</b>	<b>-40</b>	<b>224</b>	<b>-613</b>	<b>208</b>
<b>Result before tax</b>	<b>-731</b>	<b>-743</b>	<b>-845</b>	<b>-2,556</b>	<b>-1,939</b>
Tax (Period)	-85	-	-101	-6	-342
<b>Total result for period</b>	<b>-817</b>	<b>-743</b>	<b>-946</b>	<b>-2,562</b>	<b>-2,281</b>
<i>Attributable to Parent</i>	-604	-668	-700	-2,486	-2,233
<i>Minority interest</i>	-212	-76	-246	-76	-48
<i>Earnings per share (€/share) attributable to owners of the parent</i>	-0.0020	-0.0026	-0.0024	-0.0096	-0.0090

## PARENT COMPANY PROFIT AND LOSS

(Thousand Euros)

	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018
Net Revenue	384	-	775	-
Cost of Sales	-	-	-	-
<b>Gross profit</b>	<b>384</b>	<b>-</b>	<b>775</b>	<b>-</b>
Depreciation	-3	-	-5	-
Administration costs	-485	-115	-1,594	-232
<b>Total Costs</b>	<b>-487</b>	<b>-115</b>	<b>-1,599</b>	<b>-232</b>
<b>Operating result</b>	<b>-103</b>	<b>-115</b>	<b>-825</b>	<b>-232</b>
Finance costs	25	-	27	1
<b>Result before tax</b>	<b>-78</b>	<b>-115</b>	<b>-797</b>	<b>-231</b>
Tax	-	-	-	-
<b>Result for the period</b>	<b>-78</b>	<b>-115</b>	<b>-797</b>	<b>-231</b>

BALANCE SHEET (Thousand Euros)	Group			Parent		
	30 Jun 2019	30 Jun 2018	31 Dec 2018	30 Jun 2019	30 Jun 2018	31 Dec 2018
<b>ASSETS</b>						
<b><u>Non-current assets</u></b>						
Property, plant and equipment	166	215	205	-	-	-
Right-of-use-Asset	634	-	-	-	-	-
Intangible Assets	4,585	111	4,791	37	52	42
Investments in subsidiaries	-	-	-	14,560	4,585	14,258
Goodwill	7,609	6,651	7,609	-	-	-
<b>Total Non-current assets</b>	<b>12,994</b>	<b>6,977</b>	<b>12,606</b>	<b>14,596</b>	<b>4,637</b>	<b>14,300</b>
<b><u>Current Assets</u></b>						
Inventory	558	470	775	-	-	-
Deferred tax asset	14	4	3	-	-	-
Share issue receivable	-	-	-	-	-	-
Short term receivable	-	-	-	-	-	-
Trade receivable	20,868	8,030	17,849	4,128	2,239	3,294
Other Claims	232	405	197	-	-	-
Cash & Bank	1,320	437	5,924	3	3	3
<b>Total Current Assets</b>	<b>22,992</b>	<b>9,346</b>	<b>24,748</b>	<b>4,131</b>	<b>2,242</b>	<b>3,297</b>
<b>TOTAL ASSETS</b>	<b>35,986</b>	<b>16,323</b>	<b>37,354</b>	<b>18,727</b>	<b>6,879</b>	<b>17,597</b>
<b><u>DEBT AND EQUITY CAPITAL</u></b>						
<b><u>Equity Capital</u></b>						
Share Capital	87	71	76	87	71	171
Share premium	19,668	7,869	18,863	19,579	7,780	18,680
Ongoing share issue	-	-	-	-	-	-
Period result	-946	-2,414	-2,427	-797	-375	-1,676
Other reserves	-4,694	118	-1,839	-4,334	-2,655	-2,655
<b>Total Equity</b>	<b>14,116</b>	<b>5,644</b>	<b>14,673</b>	<b>14,536</b>	<b>4,820</b>	<b>14,520</b>
<i>Capital and reserves attributable to owners</i>	14,116	5,571	14,701	14,536	4,820	14,520
<i>Non-controlling interests</i>	231	73	203	-	-	-
<b><u>Long-term Debt</u></b>						
<b><u>Short term debt</u></b>						
Interim Debt	2,119	1,548	1,630	968	660	1,027
Lease liabilities	633	-	-	-	-	-
Intragroup Debt	-	-	-	1,337	575	1,327
Suppliers	16,752	8,067	19,118	1,980	763	759
Tax Debt	1,703	678	1,524	-93	17	-56
Provisions	664	386	352	--	44	20
<b>Total Short-Term Debt</b>	<b>21,871</b>	<b>10,679</b>	<b>22,624</b>	<b>4,192</b>	<b>2,059</b>	<b>3,077</b>
<b>TOTAL DEBT AND EQUITY</b>	<b>35,986</b>	<b>16,323</b>	<b>37,298</b>	<b>18,727</b>	<b>6,879</b>	<b>17,597</b>

## CASH FLOW ANALYSIS

(Thousand Euro)

	Group				
	Apr- Jun 2019	Apr- Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jan-Dec 2018
Profit before income taxes	-731	-848	-845	-2,562	-2,085
Adjustments non C/F items	-3	-447	1,010	-563	917
<b>Operating Cash Flow</b>	<b>-734</b>	<b>-1,295</b>	<b>164</b>	<b>-3,125</b>	<b>-1,168</b>
Paid Taxes	88	-	-241	-	205
Received finance payments - net	-	-	-	-	-
Changes in Working Capital	398	566	-5,186	3,144	7,259
<b>Cash Flow from Operating Activities</b>	<b>-247</b>	<b>-729</b>	<b>-5,263</b>	<b>19</b>	<b>6,296</b>
Acquisition of subsidiaries	-	-	-	-91	-9,967
Acquisition of Fixed Assets	-29	-9	-752	-674	-824
<b>Cash Flow from Investment Activities</b>	<b>-29</b>	<b>-9</b>	<b>-752</b>	<b>-764</b>	<b>-10,791</b>
New share issues	-	-	-	-	-
Directly related costs to the listing	-	-	-	-	-
Proceeds from ongoing share issue	15	-	816	-	8,458
Dividend payment to minority	-	-	-	-	-
Lease liabilities	-	-	-46	-	-
Short Term Financing	1,308	858	1,596	865	1,033
<b>Cash Flow from Financing Activities</b>	<b>1,323</b>	<b>858</b>	<b>2,366</b>	<b>865</b>	<b>9,491</b>
<b>Cash Flow from the Period</b>	<b>1,047</b>	<b>120</b>	<b>-3,649</b>	<b>120</b>	<b>4,996</b>
<b>Opening Cash</b>	<b>1,113</b>	<b>247</b>	<b>5,924</b>	<b>265</b>	<b>265</b>
Acquired cash	-	-	-	-	-
FX-diff Period	-840	70	-955	52	664
<b>Closing Cash Position</b>	<b>1,320</b>	<b>437</b>	<b>1,320</b>	<b>437</b>	<b>5,924</b>

## CASH FLOW ANALYSIS

(Thousand Euro)

Parent

	Apr- Jun 2019	Apr- Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jan-Dec 2018
Profit before income taxes	-77	-150	-797	-375	-1,676
Adjustments non C/F items	2	-	3	-1	8
<b>Operating Cash Flow</b>	<b>-75</b>	<b>-150</b>	<b>-795</b>	<b>-376</b>	<b>-1,668</b>
Paid Taxes	-	-	-	-	-
Changes in Working Capital	48	-429	-240	-158	2,348
<b>Cash Flow from Operating Activities</b>	<b>-27</b>	<b>-579</b>	<b>-1,035</b>	<b>-534</b>	<b>680</b>
Acquisition of Fixed Assets	-	-	-	-	-
Payments related to acquisition of subsidiaries	-	-	-	-92	-1,765
Transfers to subsidiaries	-	-	-	-	-
Sale of Fixed Assets	-	-	-	-	-
<b>Cash Flow from Investment Activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-92</b>	<b>-1,765</b>
New share issues	-	-	-	-	-
Directly related costs to the listing	-	-	-	-	-
Proceeds from ongoing share issue	-	-	813	-	-
Dividend payment to minority	-	-	-	-	-
Short Term Financing	22	660	222	660	1,027
<b>Cash Flow from Financing Activities</b>	<b>22</b>	<b>660</b>	<b>1,035</b>	<b>660</b>	<b>1,027</b>
<b>Cash Flow from the Period</b>	<b>-5</b>	<b>81</b>	<b>0</b>	<b>34</b>	<b>-58</b>
<b>Opening Cash</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
FX-diff Period	4	-81	-0	-34	58
<b>Closing Cash Position</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CAPITAL

(Thousand Euros)

	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jan-Dec 2018
<b>Equity - Opening Balance</b>	<b>14,673</b>	<b>4,649</b>	<b>14,673</b>	<b>4,649</b>	<b>4,649</b>
Adjustment from acquisition analysis	-	-0	816	2,018	13,018
Share Issues	-	-	-	-	-
Profit from the Period	-942	-1,239	-1,034	-2,414	-2,957
Tax impact from deductible costs for ongoing share issue	-	-	-	-	-
Adjustment related to acquisition analysis	-	2,408	-427	1,566	-1,360
Foreign Exchange-Differential	385	-175	88	-175	1,324
<b>Changes in equity during the period</b>	<b>-557</b>	<b>995</b>	<b>-558</b>	<b>995</b>	<b>10,024</b>

<b>Equity - Closing Balance</b>	<b>14,116</b>	<b>5,644</b>	<b>14,116</b>	<b>5,644</b>	<b>14,673</b>
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## PARENT COMPANY CHANGES IN EQUITY CAPITAL

(Thousand Euros)

	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jan-Dec 2018
<b>Equity - Opening Balance</b>	<b>14,520</b>	<b>3,121</b>	<b>14,520</b>	<b>3,121</b>	<b>3,121</b>
Adjustment from acquisition analysis	-	-	-	57	-
Share Issue	-	1,929	813	2,018	13,074
Profit from the Period	15	-230	-797	-375	-1,676
Foreign Exchange-Differential	-	-	-	-	-
<b>Changes in equity during the period</b>	<b>15</b>	<b>1,699</b>	<b>16</b>	<b>1,699</b>	<b>11,399</b>

<b>Equity - Closing Balance</b>	<b>14,536</b>	<b>4,820</b>	<b>14,536</b>	<b>4,820</b>	<b>14,520</b>
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## NOTES TO THE INTERIM FINANCIAL STATEMENTS

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### Corporate information

Cyber Security 1 AB (Plc) (the Company) is a 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.

### Accounting policies

This interim report is prepared in accordance with IAS 34. The term "IFRS" used in this document refers to the application of IAS and IFRS as well as interpretations of these standards as issued by IASB's Standards Interpretation Committee (SIC) and IFRS Interpretations Committee (IFRIC). The accounting policies adopted are consistent with those of the annual report for the year ended December 31, 2018 and should be read in conjunction with said annual report, with exception for the accounting policies described below.

### New standards as from January 1, 2019

One new IFRS standard IFRS 16 "Leases" and one new interpretation IFRIC 23 "Uncertainty over income tax treatments" are effective as from January 1, 2019. IFRIC 23, has not had a material impact on the Group's financial statements.

### IFRS 16 – Leases

#### *Presentation in the financial statements*

The Group has implemented this standard using the cumulative catch-up method, which means that the prior periods financial statements and key ratios presented in this quarterly report have not been restated to reflect adoption of this new standard.

Based on the new requirements under IFRS 16, right-of-use assets and lease liabilities have been added as new lines in the consolidated balance sheet and lease liabilities as a new line in the statement of cash flows. The right-of-use assets and liabilities were previously reported as off-balance and repayment to lessors was reported as a part of cash flow from operating activities. Now the amortization of lease liabilities is reported as cash flow from financing activities.

### Transition

The standard is effective for annual periods beginning on or after January 1, 2019. The Group has applied the new standard as from January 1, 2019. At transition, the Group has applied the practical expedient under IFRS 16 to not reassess whether a contract is, or contains, a lease. Therefore, the Group has applied the standard to contracts previously identified as leases, or as containing a lease under IAS 17 and IFRIC 4. The Group has also applied the following practical expedients when applying IFRS 16 at transition date:

- The IAS 37 onerous lease contract measurement for the operating leases existing as per the transition date. This expedient has been applied as a substitute for the measurement of impairment for the related right-of-use assets. Impairment testing will be applied going-forward.
- Exclusion of initial direct costs from the measurement of the right-to-use asset at the date of initial recognition.

The Group has implemented the standard using the cumulative catch-up method, with the cumulative effect being adjusted to the opening retained earnings balance in equity at transition date. No restated information has been presented for previous years.

The Group has, as a lessee, recognised lease liabilities for leases previously classified as operating leases. The weighted average incremental borrowing rate applied to lease liabilities recognised in the balance sheet at the transition date was 6.3%. Right-of-use assets have for most contracts been recognised based on the amount equal to the related lease liability. For some larger real estate contracts right-of-use assets have been recognised as if IFRS 16 had been applied since the commencement date, however, using the incremental borrowing rate as per the effective date. The asset value for these contracts is EUR 14 thousand lower than the related liabilities. This difference causes the reduction of equity as per transition date. Under IAS 17 operating leases were not recognised in the balance sheet of a lessee. Future undiscounted minimum lease payments obligations were however disclosed in 2018, amounting to EUR 454 thousand. The lease liabilities were as per January 1st, 2019 recognised in the balance sheet with EUR 673 thousand. The difference is mainly related to the discounting effect of the liability. The liability is calculated as the net present value



of the future payments, while the numbers disclosed according to IAS 17 was not discounted – as prescribed in IAS 17. In addition, the exclusion of lease payments related to low-value assets from the balance sheet are instead expensed straight-line in the income statement.

Opening balance sheet impact of IFRS 16 TEUR adjustment right-of-use assets 659 TEUR Lease liabilities, current 135 TEUR Lease liabilities, non-current 538 TEUR Equity 14 TEUR.

In the transition the following items have been considered: Onerous contracts, straight-lining, periodisation of lease costs and other net adjustments. The tax effect on the equity posting is deemed to be immaterial. There is no impact on the income statement.

### Reconciliation of operating lease obligations (TEUR)

<b>Assumptions for operating leases, 31 December 2018</b>	<b>514</b>
Discounting using the Group's incremental borrowing rate	(30)
Liabilities for finance leases, 31 December 2018	31
Contracts pertaining to short-term leases that are expensed	(6)
Contracts pertaining to leases of assets with a low value that are expensed	5
Adjustment for extension options or termination clauses	159
<b>Lease liability on 1 January 2019</b>	<b>673</b>

### Summary of the effects from the adoption of IFRS 16 on the opening balance at January 1, 2019

Condensed consolidated balance sheet		IFRS 16 transition effects adjustments		Adjusted Jan 1, 2019
TEUR	Dec 31, 2018	Recognition opening balance right-of-use assets and lease liabilities	Reclassification prepaid lease expense included in right-of-use assets	
Total non-current assets	12,606	659	-	13,265
Total current assets	24,691	-	(14)	24,677
<b>Total assets</b>	<b>37,298</b>	<b>659</b>	<b>(14)</b>	<b>37,942</b>
Equity attributable to equity holders of the Parent	14,476	14	(14)	14,476
Non-controlling interests	197	-	-	197
<b>Total equity</b>	<b>14,673</b>	<b>14</b>	<b>(14)</b>	<b>14,672</b>
Total non-current liabilities	-	511	-	511
Total current liabilities	22,624	135	-	22,759
<b>Total liabilities</b>	<b>22,624</b>	<b>646</b>	<b>-</b>	<b>23,270</b>
<b>Total equity and liabilities</b>	<b>37,298</b>	<b>659</b>	<b>-14</b>	<b>37,942</b>

The impact of right-of-use assets increased the total asset value by approximately 2%.

### Accounting policy - IFRS 16 Leases

The main types of assets leased by the Group are, in the order of materiality, real estate, IT-equipment and vehicles. Vehicles are mainly used under service contracts. The Group recognises right-of-use assets and lease liabilities arising from all leases in the balance sheet, with some exceptions. This model reflects that, at the start of a lease, the lessee always obtains the right to use an asset for a period of time and has an obligation to pay for that right.

In the assessment of a lease contract the lease components are separated from non-lease components and the lease term is defined considering any extension or termination options. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted normally using the Company's incremental borrowing rate. Lease payments included in the liability are fixed payments, variable payments depending on an index or rate, residual values and penalties for termination of contracts.

The right-of-use asset is initially measured at cost, which equals the amount of the initial measurement of lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received plus any initial direct costs, and restoration costs.

The Group applies the recognition exemption for short-term leases and leases for which the underlying asset is of low-value recognising the lease payments for those leases as an expense on a straight-line basis over the lease term.

## Risks and factors of uncertainty

### *Market risks*

The demand for Cyber1's products and services are affected by changes in the customers' investment and service delivery levels. A general economic downturn, geopolitical tensions, changes in trade agreements, a widespread financial crisis and other macroeconomic disturbances may, directly or indirectly, affect the Group negatively both in terms of revenues and profitability. However, the Group's sales are well diversified with customers in many industries and countries around the world, which mitigates the risk.

### *Financial risks*

CYBER1 is subject to currency risks, interest rate risks, tax risks, and other financial risks. In line with the overall goals with respect to growth, return on capital, and protecting creditors, CYBER1 has adopted a policy to control the financial risks to which the Group is exposed. A financial risk management committee meets regularly to manage and follow up financial risks, in line with the policy.

### *Product/solution risks*

Many products are sourced from various vendors. The availability is dependent on the vendors' product compatibility and resilient, this may adversely affect product. To minimise these risks, CYBER1 has established a global network of vendors, which means that in most cases there are more than one vendor that can supply a number of cyber resilient solutions.

CYBER1 is also directly and indirectly exposed to product prices. Cost increases for products and solutions often coincide with strong end-customer demand and can partly be compensated for by increased sales prices.

### *Acquisitions*

CYBER1 has the ambition to grow all its business areas, primarily through organic growth, complemented by selected acquisitions. The integration of acquired businesses is a difficult process and it is not certain that every integration will be successful. Therefore, costs related to acquisitions can be higher and/or synergies can take longer to materialise than anticipated.

For further information, see the annual report 2018.

## 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 managed 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.

## Revenue from contracts with customers

Set out below is the disaggregation of the Group's revenue from contracts with customers

### For the three months ended 30 June

	2019			2018		
Primary geographical markets	VAD (Value Added Distributing)	Advisory & Managed Services	Jan -June 2019 Total Segments	VAR	Advisory & Managed Services	Jan Jun 2018 Total Segments
	€'000	€'000	€'000	€'000	€'000	€'000
Revenue						
Africa	5,341	7,579	12,921	2,901	3,080	5,981
UAE	5,599	265	5,863	1,990	110	2,101
Euroland	13,275	1,071	14,346	109	818	928
<b>External customer sales</b>	<b>24,215</b>	<b>8,915</b>	<b>33,130</b>	<b>5,001</b>	<b>4,009</b>	<b>9,010</b>
Timing of revenue recognition						
Goods and services transferred at a point in time	24,215	8,915	33,130	5,001	4,009	9,010
<b>Total revenue from contracts with customers</b>	<b>24,215</b>	<b>8,915</b>	<b>33,130</b>	<b>5,001</b>	<b>4,009</b>	<b>9,010</b>

## Segment information

The following tables present revenue and profit information for the Group's operating segments for the months ended 30 June 2019 and 2018, respectively:

### For the six months ended 30 June 2019

	VAD	Advisory & Managed services	Total segments	Adjustments and eliminations	Consolidated
	€'000	€'000	€'000	€'000	€'000
Revenue					
External customer	24,543	8,940	33,483	(288)	33,130
Inter-segment	(328)	(25)	(353)	288	-
<b>Total revenue</b>	<b>24,215</b>	<b>8,915</b>	<b>33,130</b>	<b>-</b>	<b>33,130</b>
<b>Results</b>					
<b>Segment gross margin</b>	<b>4,504</b>	<b>2,377</b>	<b>6,881</b>	<b>47</b>	<b>6,928</b>

**For the three months ended 30 June 2018**

<b>Segments</b>	<b>VAD</b>	<b>Advisory &amp; Managed services</b>	<b>Total segments</b>	<b>Adjustments and eliminations</b>	<b>Consolidated</b>
<b>Revenue</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
External customer	5,183	4,121	<b>9,304</b>	(294)	9,010
Inter-segment	(182)	(112)	<b>(294)</b>	294	-
<b>Total revenue</b>	<b>5,001</b>	<b>4,009</b>	<b>9,010</b>	<b>-</b>	<b>9,010</b>
<b>Results</b>					
<b>Segment gross margin</b>	<b>1,726</b>	<b>1,958</b>	<b>3,684</b>	<b>22</b>	<b>3,706</b>

Finance income, finance costs, taxes and fair value gains and losses on certain financial assets and liabilities are not allocated to individual segments as these are managed on an overall group basis. These are included in adjustments and eliminations in the segment disclosures.

**For the three months ended 30 June**

<b>Reconciliation of profit</b>	<b>2019</b>	<b>2018</b>
	<b>€'000</b>	<b>€'000</b>
<b>Segment profit</b>	6,928	3,706
Administrative expenses	(7,901)	(5,648)
Finance income	137	(72)
Finance costs	(98)	0
Inter-segment profit/(elimination)	88	(401)
<b>Loss before tax</b>	<b>(845)</b>	<b>(2,414)</b>

***Seasonality of operations***

Management has concluded that the business is not “highly seasonal” in accordance with IAS 34.

**Note 3 – Carrying value and fair value**

Cyber Security 1AB applies IFRS 9 to classify and measure financial instruments.

Cyber Security 1 AB 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 June 30, 2019

<b>Carrying value and fair value</b>							
<b>TEUR (€'000)</b>	<b>Financial instruments measured at FVTPL</b>	<b>Financial assets measured at amortized cost</b>	<b>Other financial liabilities</b>	<b>Cash flow hedges measured at FVOCI</b>	<b>Other receivables and liabilities</b>	<b>Total carrying value</b>	<b>Estimated fair value</b>
Trade receivables	-	20,868				20,868	20,868
Other non-current financial receivables	-	-	-	-	-	-	-
Other current assets and financial receivables	-	-	-	-	232	232	232
Prepaid expenses and accrued income	-	-	-	-	-	-	-
Cash and cash equivalents	-	1,320	-	-	-	1,320	1,320
<b>Total assets</b>	-	<b>22,189</b>	-	-	<b>232</b>	<b>22,421</b>	<b>22,421</b>
Loans and borrowings			1,594		525	2,119	2,167
Other non-current financial liabilities	-	-	-	-	506	506	506
Other current liabilities	-	-	-	-	1,829	1,829	1,829
Accrued expenses and deferred income	-	-	-	-	664	664	664
Trade payables	-	-	16,752	-	-	16,752	16,752
<b>Total liabilities</b>	-	-	<b>18,346</b>	-	<b>3,525</b>	<b>21,871</b>	<b>21,919</b>

The following table shows carrying value and fair value for financial instruments applying IFRS 9 per June 30, 2018.

<b>Carrying value and fair value</b>							
<b>TEUR (€'000)</b>	<b>Financial instruments measured at FVTPL</b>	<b>Financial assets measured at amortized cost</b>	<b>Other financial liabilities</b>	<b>Cash flow hedges measured at FVOCI</b>	<b>Other receivables and liabilities</b>	<b>Total carrying value</b>	<b>Estimated fair value</b>
Trade receivables	-	8,030				8,030	8,030
Other non-current financial receivables	-	-	-	-	-	-	-
Other current assets and financial receivables	-	-	-	-	312	312	312
Prepaid expenses and accrued income	-	-	-	-	-	-	-
Cash and cash equivalents	-	437	-	-	-	437	437
<b>Total assets</b>	<b>-</b>	<b>8,467</b>	<b>-</b>	<b>-</b>	<b>312</b>	<b>8,779</b>	<b>8,779</b>
Loans and borrowings			660		795	1,455	1,475
Other non-current financial liabilities	-	-	-	-	-	-	-
Other current liabilities	-	-	-	-	678	678	678
Accrued expenses and deferred income	-	-	-	-	386	386	386
Trade payables	-	-	8,067	-	-	8,067	8,067
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>8,727</b>	<b>-</b>	<b>1,859</b>	<b>10,586</b>	<b>10,606</b>

### **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.

## DISTRIBUTION BY LEVEL WHEN MEASURED AT FAIR VALUE

TEUR (€'000)	June 30, 2019				June 30, 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>FINANCIAL ASSETS</b>								
<b>Financial assets measured at fair value through profit or loss:</b>								
Derivative financial instruments – non-hedge accounting	-	-	-	-	-	-	-	-
<b>Derivatives used for hedging purposes:</b>								
Derivative financial instruments – hedge accounting	-	-	-	-	-	-	-	-
<b>Total financial assets</b>	-	-	-	-	-	-	-	-
<b>FINANCIAL LIABILITIES</b>								
<b>Financial liabilities at fair value through profit or loss:</b>								
Derivative financial instruments – non-hedge accounting	-	-	-	-	-	-	-	-
Contingent considerations	-	-	48	48	-	-	20	20
<b>Derivatives used for hedging purposes:</b>								
Derivative financial instruments – hedge accounting	-	-	-	-	-	-	-	-
<b>Total financial liabilities</b>	-	-	48	48	-	-	20	20

### Financial instruments, level 3

The change during the quarter 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		
	H1 2019	H1 2018
<b>Contingent considerations</b>		
Opening balance January 1	20	0
Payments	-20	-
Reversals	-	-
Revaluations	48	20
Translation differences	-	-
<b>Closing balance December 31</b>	<b>48</b>	<b>20</b>

No transfer in or out of level 3 or level 2 has been made during the quarter to June 2019. 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.

## Note 4 - Translation of financial statements of foreign subsidiaries

Subsidiaries with a functional currency other than EUR are translated to EUR, since this is the presentation currency of the Group and the functional currency of Cyber Security 1 AB. Income statement items are translated at the average exchange rate and balance sheet items are translated at the closing day rate. All surplus values recognised in connection with the acquisition of a foreign subsidiary, such as goodwill and other previously unrecognised intangible assets, are regarded as belonging to the respective unit and are therefore translated at the closing day rate. Translation differences are recognised in other comprehensive income. On the divestment of a subsidiary, the accumulated translation differences are reversed to profit or loss.

The exchange rates applied for foreign currency translation are as follows:

Currency		Closing day rate	Average rate	Closing day rate	Average rate
EUR		30-Jun-19		30-Jun-18	
AED	Middle East	4.1746	4.1498	4.2900	4.4130
GBP	Great Britain	0.8948	0.8720	0.8841	0.8816
KES	Kenya	115.1757	113.1626	117.1272	120.4443
ZAR	South Africa	15.9660	15.9652	16.0032	14.9651
USD	USA	1.1366	1.1300	1.1681	1.2019
SEK	Sweden	10.5418	10.5162	10.4333	10.2336
TRY	Turkey	6.5491	6.3450	-	-

The above following table contains the key exchange rates used in the translation into euro of the separate financial statements denominated in foreign currencies.

## Note 5 – Earning per share

Earnings per share	January - June	
TEUR	2018	2019
Profit for the period	-2,562.5	-946.1
Non-controlling interests	-76.0	-246.0
Group share of profit	-2,486.5	-700.1
Number of shares in '000s (weighted average)	259,736	293,861
Earnings per share in €	-9.57	-2.38
Net income from continuing operations – attributable to the parent entity	-2,562.5	-946.1

## Note 6 – Business combination

Business combinations are recognised according to the acquisition method. When a business combination occurs, the company's assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities and excluding future restructuring costs) are identified and measured at fair value.

If the consideration paid by the Group is greater than the fair value of the identified net assets, the difference is recognised as consolidated goodwill.

### Goodwill

An impairment test on goodwill in accordance with IAS 36 (Impairment of Assets) is generally performed annually within the Cyber1 Group, in the fourth quarter once the operational three-year plan has been prepared or if there are indications for impairment. In this impairment test, the carrying amount of a group of cash-generating units (CGUs) to which goodwill is allocated is compared with the recoverable amount of this group of CGUs. On 30 June 2019, the management carried out an impairment review, which indicated that no impairment loss needed to be recognised.



To strengthen our market position, CYBER1 has announced the following acquisitions /SPA:

In June 2018, CYBER1 announced the signing of a share sale and purchase agreement pursuant to the acquisition of Advantio Limited subject to usual closing conditions. The closing of this transaction has been agreed to take place in 2019. The acquisition will place CYBER1 and Advantio together in the top bracket of PCI Qualified Security Assessors and PCI Approved Scanning Vendors worldwide and in the top three in Europe. The acquisition analysis has yet to be prepared.

In August 2018, CYBER1 announced an exclusive deal to acquire Infonet for USD 26m subject to usual closing conditions. A leading cyber security business in Turkey which offers VAD product and Advisory services solutions in the Turkey market. The acquisition analysis has yet to be prepared. The closing of this transaction has been agreed to take place in 2019.

On 5th March 2019 announced exclusive agreement to acquire IntaForensics. IntaForensics will provide CYBER1 with a wide spectrum of digital forensic and cyber security services. IntaForensics is one of only a handful of organisations that possesses the prestigious ISO/IEC 17025 Laboratory Standard.

The tax-deductible goodwill will represent synergy potential to CYBER1.

## **Note 7- Risk and factors of uncertainty**

### *Financial risks*

Cyber Security1 AB is subject to currency risks, interest rate risks, tax risks, and other financial risks. In line with the overall goals with respect to growth, return on capital, and protecting creditors, CYBER1 has adopted a policy to control financial risks to which Cyber Security1AB and the Group is exposed. A financial risk management committee meets regularly to manage and follow up financial risks, in line with the policy.

For further information, see the 2018 annual report.

## **Note 8 - Related parties**

There have been no significant changes in the relationships or transactions with related parties for the Group or Parent Company with the information given in the annual report 2018.

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