

**27 September 2017**

**Defenx PLC**  
**("Defenx" or the "Company" or the "Group")**

**Unaudited Interim Results for the six months ended 30 June 2017**

Defenx PLC (AIM:DFX), the cyber-security software group, is pleased to announce its unaudited interim results for the six months ended 30 June 2017.

**Financial Highlights**

- Revenue up 35% to €3.13 million (1H16: €2.32 million) driven by channel partner wins and the impact of Memopal. Organic revenue growth, excluding the contribution from Memopal, was 21%. Underlying revenue growth, excluding the impact of both Memopal and sales incentives, was 45%.
- Mobile continues to drive Security segment sales while PC Security Suite sales were reduced by one-off incentives ahead of the launch of our new in-house product.
- Backup and protection segment revenues expected to show growth in the second half and into 2018 driven by emerging awareness of the requirements of the EU General Data Protection Regulation ("GDPR").
- Operating loss (before transaction costs) of €1.31 million (1H16: €296,000) reflecting the front-loading of full year marketing contributions into the first half of the year to drive sales that are seasonally weighted into the second half of the year.

**Operating Highlights**

- Strategic partnership with BV-Tech SpA ("BV-Tech"), to provide access to government, public administration & corporate customers, and acquisition of an encrypted voice & messaging software platform for €2.67 million in new Defenx shares.
- Two new channel partners signed up in 2017, which together with new partners from 2016, contributed €1.3 million in the interim period with more expected in the second half of 2017.

**Post Period End**

- Raised £2.99 million by way of a £1.49 million equity placing, £250,000 subscription by BV-Tech, both at £1.60 per share, and a £1.25 million issue of 10% secured convertible bonds in August 2017. The net proceeds after expenses amounted to €2.94 million with BV-Tech's current interest in the capital of Defenx now 28.1%.
- Master Services Agreement ("MSA") signed with BV-Tech allowing them to tender for software development work and providing Defenx with additional development expertise.

**Commenting on the results, Andrea Stecconi, Chief Executive Officer, said:**

*"I am pleased with the progress that the Company has made during the first half of 2017 and that our financial results were in line with management's expectations.*

*As we have previously indicated, our business is heavily seasonal with costs weighted towards the first half of the year and revenues towards the second half. As we invest in new product developments and move into the corporate market in collaboration with BV-Tech there may be an adverse effect on revenues and profits in the short term as we build for the future.*

*However, we remain confident that this is the right strategy to ensure that we maximise the opportunities available to us and maximise revenues and profits in the medium and long term."*

## Enquiries

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*The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014.*

## About Defenx

Founded in 2009, Defenx is a fast-growing and profitable cyber-security software group that offers a range of Security, Backup and Protection solutions for smartphones, PCs and networks.

A channel sales strategy, focused on flexibility, white-labelling and profit-share arrangements with distributors, telecoms companies and hardware manufacturers, enables Defenx to compete with established industry incumbents. Defenx's global distribution partners currently include 3Italia, Türk Telecom and Western Digital, amongst others including telecoms operators, systems integrators and original equipment manufacturers.

Defenx was admitted to trading on AIM on 3 December 2015, acquired Memopal Srl in August 2016 and announced a strategic partnership with BV-Tech SpA, an Italian IT solutions provider, in April 2017. These have allowed the Company to diversify its product portfolio and grow its customer base by adding proprietary cloud backup and encryption technology as well as new channel partners.

## Website

[www.defenx.com/company/investors](http://www.defenx.com/company/investors)

## Chairman's Statement

In this interim period we have sought to focus on broadening our product portfolio and customer base.

The major step on this journey was the announcement of our long-term strategic partnership with BV-Tech, a leading independent corporate IT and cyber security solutions provider in Italy, announced on 11 April 2017. The stated goal of this partnership, was and continues to be to strengthen both our product portfolio and reach into the corporate market.

Our various teams have since spent considerable time together to understand the available markets, their needs and to plan our strategies to take advantage of the opportunities. This is taking time, particularly that of senior management, with a knock-on effect on our speed of delivery.

We have now welcomed BV-Tech's two nominated directors to the Board. Raffaele Boccardo, the founder and CEO of BV-Tech, was appointed as a Non-Executive Director and Deputy Chairman in August. Franco Francione, the CFO of BV-Tech, with over 30 years' experience in finance and administration, was appointed as a Non-Executive Director in May. These appointments bring the Board up to six members: two executives, two independents and two nominated representatives of BV-Tech.

Also in August, we successfully raised £2.99 million by way an equity placing, subscription and issue of secured convertible bonds. This included follow-on investment by existing institutional shareholders, Hargreave Hale (now part of the Canaccord Genuity Group) and Guinness Asset Management, together with BV-Tech. BV-Tech now holds 28.1% of Defenx's ordinary shares.

With the announcement today of the Master Services Agreement entered into with BV-Tech and approved as a related party transaction under the AIM Rules, we now have all of the foundations in place for our strategic partnership.

### Anthony Reeves

Chairman

26 September 2017

## Chief Executive Officer's review

### Markets

Our market is large and with the continuation of high profile cyber-attacks, most notably ransomware, which is increasingly becoming the weapon of choice for cyber criminals, cyber security is an ever increasing focus for many. While mobile security remains the fastest growing segment of the market, traditional PC devices, particularly significant installed bases in the corporate environment, represent a significant opportunity for Defenx. This re-enforces our strong belief that investing in corporate versions of our products is the right strategy.

Awareness of the GDPR, to be introduced in May 2018, is finally spreading into smaller corporate and SME markets with increasingly regular requests for information, training and solutions from our channel partners.

### Channel partners

As previously announced, we added eight new channel partners during 2016 with a further two during the interim period.

Multi Time Srl ("Multi Time") is a field marketing agency serving many well-known consumer brands such as Bose, Canon and LG. Multi Time will be promoting and selling Defenx Mobile Security Suite, SOS and Parental Control apps to parents, teachers and students using its field force of 28,000 sales people across Italy.

Arnavalle Telecomunicaciones SL ("Arnavalle"), based in Spain, is a distributor of software and network hardware, primarily to the telecoms industry in Europe, Latin and South America and selected territories in Asia, including Thailand, Malaysia, Philippines and Australia. Arnavalle is now distributing Defenx Security and Backup solutions.

Combined, total orders from these new channel partners total €2.2 million including €1.3 million in the interim period. We anticipate further orders this year as Defenx products become established in their sales channels.

Other partners, in particular those requiring white labelling and back-end integration, are taking longer than initially anticipated to bring on stream. However, we remain confident they will generate future sales and so continue to invest in these relationships.

We are also continuing to build our UK-based sales team with a new VP sales with corporate expertise appointed to grow revenues and diversify country risk. We aim to launch a 'Family Protection Bundle' comprising Mobile Security Suite and Memopal Cloud Backup with a UK channel partner in October 2017.

Our sales and technical teams are making good progress with BV-Tech. Together with the Software Distribution Contract announced on 22 June 2017 and MSA, announced this morning, we look forward to working together to develop and sell new products from the final quarter of 2017.

### Products

Our in-house PC Security Suite for Windows clients, for which we raised additional funding last autumn, is now in beta testing. We have chosen to launch the Windows client and network versions together in early 2018 to maximise the sales opportunities. Accordingly, we have incentivised our channel partners to continue buying our existing PC Security Software ahead of the migration to our new products.

Following the fund raising in August, we have started work on new products, particularly those addressing GDPR related issues, including encrypted cloud backup. The signing of the MSA with BV-Tech will allow us, subject to completing the tender processes set out in the MSA, to draw on their expertise in developing such products.

### Outlook

The Board is satisfied with year-to-date trading. As explained in the trading update announced on 22 June 2017, our business continues to be heavily seasonal with the majority of billings falling towards the end of the year, whereas certain costs, notably marketing contributions, are higher in the first half of the year.

In this context, the full year revenue outcome is dependent on when a small number of high value contracts start and the treatment of the resultant billings under our revenue recognition policy. This may have an adverse effect both on our revenue and profits for the full year.

However, the Board remains confident that Defenx's diversification into the corporate market, supported by BV-Tech, will yield significant profitable growth over the medium term.

### Andrea Stecconi

Chief Executive Officer

26 September 2017

## Financial Review

### Key performance indicators

		1H17	1H16	% change
Revenue	€m	3.13	2.32	35.0%
Revenue growth	%	35.0%	72.7%	
Operating loss (before transaction costs)	€m	(1.31)	(0.30)	336.7%
Operating margin (before transaction costs)	%	-41.9%	-12.8%	
Loss per share	€	-0.097	-0.075	29.3%
Operating cash outflow	€m	(0.26)	(0.45)	-42.2%
Free cash outflow (after capitalised development costs)	€m	(2.06)	(1.18)	74.6%

### Revenue

Group revenue grew 35% to €3.13 million in the first half compared with the same period in 2016 (1H16: €2.32 million), driven by channel partner wins and the impact of Memopal. On an organic basis excluding Memopal, the acquisition of which completed after the prior interim period, revenue growth was 21%.

Mobile revenues continued to drive Security segment sales while PC Security Suite sales were reduced by one-off incentives offered ahead of the launch of our new in-house products in 2018. These incentives, which totalled €560,000, have been taken against revenue.

Underlying revenue growth of 45% was better than management expectations driven by both volume and Average Revenue per User ("ARPU") improvements.

Backup segment revenues, predominantly generated by Memopal Cloud Backup, are growing steadily. With GDPR the key demand driver, the full potential will only be realised with the release of our Encrypted Cloud Backup in 2018. Protection segment revenues are now expected in the second half following the official launch of Parental Control.

A detailed assessment of the impact resulting from the application of IFRS 15 is on-going. In light of emerging market practice, the Board is considering whether it would be in the interests of shareholders to adopt early and report the 2017 full-year results under IFRS 15, specifically to avoid uncertainty between actual results and market forecasts. The Board will provide further guidance before the year end.

### Gross profit

The gross profit margin of 69.2% (1H16: 81.5%) reflects the one-off impact of PC Security Suite discounting; additional Cloud Backup storage, connectivity and labour costs of sales; and amortisation, charged on a straight-line basis independent of sales seasonality. Amortisation of €0.87 million (1H16: €0.41 million) reflects a full period's charge for our Cloud Backup IP and the launch of Parental Control. As in previous years, we expect gross profit margins to increase in the second half of the year.

### Expenses

The Group now reports operating expenses by department, being sales & marketing; research, development & operations; and administration, with transaction costs separately itemised. Analysed by their nature (see note 6), marketing, staff and AIM-related costs continue to account for the majority of operating expenses.

While sales seasonality results in a majority of Group revenue falling into the second half, the opposite is true for marketing contributions which are incurred in the first half to front-load the benefit over the whole year. Total marketing expenses were €2.23 million in the period (1H16: €1.48 million), reflecting this seasonality and the launch of two new channel partners in June.

The increase in staff costs to €599,000 (1H16: €327,000) reflects Memopal's staff costs (included in the period for the first time) and 2017 salary rises.

The increase in AIM-related expenses to €113,000 (1H16: €69,000) reflects the appointment of our joint-broker last autumn, increased financial PR activity and the annual increase in retainer fees agreed upon admission to AIM.

### Loss for the period

The operating loss (before transaction costs) of €1.31 million (1H16: €296,000) reflects the impact of the seasonal mismatch between sales (second half weighted) and marketing contributions (first half weighted) [amplified] by the underlying growth in the business (see note 5).

Accordingly, the Board also reviews trailing 12-month results to monitor performance. The operating profit (before transaction costs) for the 12 months ended 30 June 2017 was €825,000 (12 months ended 30 June 2016: €566,000).

The net loss of €1.16 million for the period (1H16: €458,000) equates to an interim loss per share of €0.097 (1H16: €0.075) undiluted and €0.095 (1H16: €0.066) diluted.

### Cash flow

The net cash outflow from operating activities during the period was €256,000 (1H16: €449,000) reflecting the operating loss, partially offset by a €373,000 reduction in working capital, and the payment of interest and tax during the period.

The cash outflow from investing activities reflects continued investment in our software assets, which accelerated following the placing and subscription in October 2016. During the period, capitalised software development costs were €1.81 million (1H16: €730,000). The consideration for the encrypted voice & messaging software platform acquired from BV-Tech was settled in shares and is therefore not shown under investing activities.

Free cash outflow, defined as the net cash flow from operating activities less internally capitalised development costs, was €2.06 million (1H16: €1.18 million).

The net cash inflow from financing activities reflects the €1.15 million subscription by BV-Tech and conversion of deferred shares in April 2017 less the partial repayment of the vendor loans in respect of the acquisition of Memopal.

### Intangible assets

The net book value of capitalised software development costs increased to €10.2 million (FY16: €6.54 million) with the additions reflecting work on Defenx Security Suite for PC (€1.81 million) and the acquisition of the encrypted voice & messaging software platform from BV-Tech (€2.67 million).

Having assessed the sales prospects for our software products, the Board continues to be satisfied that carrying value of these intangible assets is appropriate.

### Working capital

Net trade receivables fell to €4.19 million (FY16: €5.33 million) representing 53% of revenue for the 12 months ended 30 June 2017 (FY16: 75%). The Board recognises that this level of trade receivables is a matter of investor interest and maintains careful oversight of credit control, collections and bad debts, although extended terms are common in Southern Europe, the Middle East and Africa.

### *Financing*

Gross debt, including vendor loans, was €1.66 million (FY16: €1.95 million) at the period end (see note 10). Cash and cash equivalents at the period end were €0.22 million (FY16: €1.18 million) resulting in net debt of €1.44 million (FY16: €774,000), equivalent to a debt-to-equity ratio of 11.4% (FY16: 8.0%) compared to the Board imposed limit of 25%. The weighted average interest rate payable for the period was 10.2% (1H16: nil).

Defenx completed a fundraising after the period end in August 2017, raising gross proceeds of £2.99 million by way of a £1.49 million equity placing, £250,000 subscription by BV-Tech, both at £1.60 per share, and a £1.25 million issue of secured convertible bonds. Interest of 10% per annum is payable quarterly on the bonds. The net proceeds after expenses amounted to €2.94 million.

These funds are already being invested in our product portfolio and will be deployed to broaden the development and operations teams.

**Philipp Prince**

Chief Financial Officer

26 September 2017

**Unaudited Interim Condensed Consolidated Statement of Comprehensive Income**

		<b>6 months ended 30 June 2017 Unaudited</b>	<i>6 months ended 30 June 2016 Unaudited</i>	<i>Year ended 31 December 2016 Audited</i> €
Note	€	€		
<b>Revenue</b>	4	<b>3,133,764</b>	<i>2,320,483</i>	<i>7,088,162</i>
Cost of sales	6	<b>(965,210)</b>	<i>(428,329)</i>	<i>(1,240,462)</i>
<b>Gross profit</b>		<b>2,168,554</b>	<i>1,892,154</i>	<i>5,847,700</i>
Sales & marketing expenses	6	<b>(2,410,218)</b>	<i>(1,674,371)</i>	<i>(2,587,518)</i>
Research, development & operations' expenses	6	<b>(451,287)</b>	<i>(86,228)</i>	<i>(469,545)</i>
Administrative expenses	6	<b>(618,861)</b>	<i>(427,944)</i>	<i>(950,346)</i>
Operating expenses before transaction costs		<b>3,480,366</b>	<i>2,188,543</i>	<i>4,007,409</i>
<b>Operating (loss)/profit before transaction costs</b>		<b>(1,311,812)</b>	<i>(296,389)</i>	<i>1,840,291</i>
Transaction costs	6	<b>(101,321)</b>	<i>(153,792)</i>	<i>(188,590)</i>
(Loss)/profit from operations		<b>(1,413,133)</b>	<i>(450,181)</i>	<i>1,651,701</i>
Finance income		<b>194</b>	-	<i>316</i>
Finance expense		<b>(68,433)</b>	<i>(960)</i>	<i>(62,165)</i>
<b>(Loss)/profit before tax</b>		<b>(1,481,372)</b>	<i>(451,141)</i>	<i>1,589,852</i>
Income tax credit/(expense)		<b>324,929</b>	<i>(7,157)</i>	<i>(368,660)</i>
<b>(Loss)/profit for the period</b>		<b>(1,156,443)</b>	<i>(458,298)</i>	<i>1,221,192</i>
<i>Attributable to:</i>				
Equity holders of the parent		<b>(1,146,429)</b>	<i>(458,298)</i>	<i>1,232,656</i>
Non-controlling interests		<b>(10,014)</b>	-	<i>(11,464)</i>
<b>Total comprehensive (loss)/profit for the period</b>		<b>(1,156,443)</b>	<i>(458,298)</i>	<i>1,221,192</i>
<b>(Loss)/earnings per share</b>				
Basic	7	<b>(€0.097)</b>	<i>(€0.075)</i>	<i>€0.185</i>
Diluted	7	<b>(€0.095)</b>	<i>(€0.066)</i>	<i>€0.169</i>

**Unaudited Interim Condensed Consolidated Statement of Financial Position**

		<b>30 June 2017</b>	<i>30 June 2016</i>	<i>31 December</i>
		<b>Unaudited</b>	<i>Unaudited</i>	<i>2016</i>
	Note	€	€	<i>Audited</i>
				€
<b>Non-current assets</b>				
Property, plant and equipment		<b>124,053</b>	-	132,401
Intangible assets	8	<b>11,593,208</b>	2,929,451	7,979,534
		<b>11,717,261</b>	2,929,451	8,111,935
<b>Current assets</b>				
Trade and other receivables	9	<b>4,386,781</b>	3,628,996	5,503,927
Cash and short-term deposits		<b>217,632</b>	154,855	1,177,644
		<b>4,604,413</b>	3,783,851	6,681,571
<b>Total assets</b>		<b>16,321,674</b>	6,713,302	14,793,506
<b>Current liabilities</b>				
Trade and other payables		<b>(587,462)</b>	(542,465)	(1,393,382)
Deferred revenue		<b>(385,255)</b>	(299,508)	(461,447)
Loans and borrowings	10	<b>(1,416,888)</b>	-	(1,437,334)
Deferred consideration		<b>(380,856)</b>	-	-
Income taxes payable		<b>(398,437)</b>	(449,209)	(772,851)
		<b>(3,168,898)</b>	(1,291,182)	(4,065,014)
<b>Non-current liabilities</b>				
Deferred revenue		<b>(234,441)</b>	(969)	(128,812)
Loans and borrowings	10	<b>(241,742)</b>	-	(514,793)
Deferred consideration		-	-	(380,856)
Deferred tax liabilities		<b>(47,391)</b>	(20,975)	(53,091)
		<b>(523,574)</b>	(21,944)	(1,077,552)
<b>Total liabilities</b>		<b>(3,692,472)</b>	(1,313,126)	(5,142,566)
<b>Net assets</b>		<b>12,629,202</b>	5,400,176	9,650,940
<b>Capital and reserves</b>				
Called up share capital	11	<b>263,769</b>	145,004	196,549
Share premium	11	<b>9,582,975</b>	4,051,322	5,542,365
Merger reserve		<b>1,641,622</b>	695,212	1,641,622
Share based payment reserve		<b>183,278</b>	106,375	156,403
Retained earnings		<b>946,788</b>	402,263	2,093,217
<b>Attributable to equity holders of the parent</b>		<b>12,618,432</b>	5,400,176	9,630,156
Non-controlling interests		<b>10,770</b>	-	20,784
<b>Total equity</b>		<b>12,629,202</b>	5,400,176	9,650,940

**Unaudited Interim Condensed Consolidated Statement of Changes in Equity**

	Share capital €	Share premium account €	Merger reserve €	Share based payment reserve €	Retained earnings €	Total €	Non- controlling interests €	Total €
<b>As at 1 January 2017</b>	<b>196,549</b>	<b>5,542,365</b>	<b>1,641,622</b>	<b>156,403</b>	<b>2,093,217</b>	<b>9,630,156</b>	<b>20,784</b>	<b>9,650,940</b>
Share based payments	-	-	-	26,875	-	26,875	-	26,875
Loss for the period	-	-	-	-	(1,146,429)	(1,146,429)	(10,014)	(1,156,443)
Shares issued	67,220	4,040,610	-	-	-	4,107,830	-	4,107,830
<b>As at 30 June 2017 (unaudited)</b>	<b>263,769</b>	<b>9,582,975</b>	<b>1,641,622</b>	<b>183,278</b>	<b>946,788</b>	<b>12,618,432</b>	<b>10,770</b>	<b>12,629,202</b>
<i>As at 1 January 2016</i>	<i>145,004</i>	<i>4,051,322</i>	<i>695,212</i>	<i>60,343</i>	<i>860,561</i>	<i>5,812,442</i>	<i>-</i>	<i>5,812,442</i>
Share based payments	-	-	-	46,032	-	46,032	-	46,032
Loss for the period	-	-	-	-	(458,298)	(458,298)	-	(458,298)
<i>As at 30 June 2016 (unaudited)</i>	<i>145,004</i>	<i>4,051,322</i>	<i>695,212</i>	<i>106,375</i>	<i>402,263</i>	<i>5,400,176</i>	<i>-</i>	<i>5,400,176</i>
<i>As at 1 January 2016</i>	<i>145,004</i>	<i>4,051,322</i>	<i>695,212</i>	<i>60,343</i>	<i>860,561</i>	<i>5,812,442</i>	<i>-</i>	<i>5,812,442</i>
Profit for the year	-	-	-	-	1,232,656	1,232,656	(11,464)	1,221,192
Acquisition of Memopal Srl	13,322	-	946,410	-	-	959,732	32,248	991,980
Shares issued	38,223	1,491,043	-	-	-	1,529,266	-	1,529,266
Share based payments	-	-	-	96,060	-	96,060	-	96,060
<i>As at 31 December 2016 (audited)</i>	<i>196,549</i>	<i>5,542,365</i>	<i>1,641,622</i>	<i>156,403</i>	<i>2,093,217</i>	<i>9,630,156</i>	<i>20,784</i>	<i>9,650,940</i>



## Unaudited Interim Condensed Consolidated Cash Flow Statement

	<b>6 months ended 30 June 2017 Unaudited €</b>	<i>6 months ended 30 June 2016 Unaudited €</i>	<i>Year ended 31 December 2016 Audited €</i>
<b>Cash flows from operating activities</b>			
Loss for the period after taxation	<b>(1,156,443)</b>	<i>(458,298)</i>	<i>1,221,192</i>
Income tax (credit)/expense	<b>(324,929)</b>	<i>7,157</i>	<i>368,660</i>
Loss before tax	<b>(1,481,372)</b>	<i>(451,141)</i>	<i>1,589,852</i>
<i>Adjustments to reconcile profit before tax to net cash flows:</i>			
Net interest expense	<b>68,238</b>	<i>960</i>	<i>61,849</i>
Depreciation of property, plant and equipment	<b>22,491</b>	<i>-</i>	<i>22,482</i>
Amortisation of intangible assets	<b>865,267</b>	<i>407,949</i>	<i>1,009,849</i>
Share based payments expense	<b>26,875</b>	<i>46,032</i>	<i>96,060</i>
<b>Operating cash flows before movements in working capital</b>	<b>(498,501)</b>	<i>3,800</i>	<i>2,780,092</i>
(Increase)/decrease in trade receivables	<b>1,142,198</b>	<i>378,158</i>	<i>(2,297,367)</i>
(Increase)/decrease in other receivables	<b>4,142</b>	<i>(701,550)</i>	<i>857,061</i>
Increase/(decrease) in trade and other payables	<b>(801,243)</b>	<i>(113,343)</i>	<i>847,193</i>
Increase/(decrease) in deferred revenue	<b>28,279</b>	<i>(14,156)</i>	<i>191,081</i>
	<b>373,376</b>	<i>(450,891)</i>	<i>(402,032)</i>
Interest received	<b>194</b>	<i>-</i>	<i>316</i>
Interest paid	<b>(68,433)</b>	<i>(960)</i>	<i>(55,175)</i>
Tax paid	<b>(62,565)</b>	<i>(963)</i>	<i>(924)</i>
<b>Net cash flow from operating activities</b>	<b>(255,929)</b>	<i>(449,014)</i>	<i>2,322,277</i>
<i>Investing activities</i>			
Purchase of property, plant and equipment	<b>(4,354)</b>	<i>-</i>	<i>(22,482)</i>
Development costs - internally developed	<b>(1,805,225)</b>	<i>(730,000)</i>	<i>(3,988,821)</i>
Acquisition of intangible software assets	<b>-</b>	<i>-</i>	<i>(900,000)</i>
Acquisition of a subsidiary, net of cash acquired	<b>-</b>	<i>-</i>	<i>353,788</i>
<b>Net cash used in investing activities</b>	<b>(1,809,579)</b>	<i>(730,000)</i>	<i>(4,557,515)</i>
<i>Financing activities</i>			
Net proceeds from issue of share capital	<b>1,396,614</b>	<i>-</i>	<i>1,529,265</i>
Proceeds from borrowings	<b>5,408</b>	<i>-</i>	<i>647,533</i>
Repayment of borrowings	<b>(253,902)</b>	<i>-</i>	<i>(260,525)</i>
<b>Net cash from financing activities</b>	<b>1,148,120</b>	<i>-</i>	<i>1,916,273</i>
<b>Net increase in cash and cash equivalents</b>	<b>(917,388)</b>	<i>(1,179,014)</i>	<i>(318,965)</i>
Cash and cash equivalents at beginning of period	<b>1,014,904</b>	<i>1,333,869</i>	<i>1,333,869</i>
<b>Cash and net cash equivalents at end of period</b>	<b>97,516</b>	<i>154,855</i>	<i>1,014,904</i>

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements

### 1. General information

Defenx PLC is a public limited company incorporated in England and Wales, registration number 08993398, which is quoted on AIM. Its principal activity is the design and sale of software solutions for the mobile, PC and network that provide privacy and security for an online world. Management and control is exercised from the UK and its main countries of operation are Italy and Switzerland.

### 2. Basis of preparation

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with IAS 34 Interim Financial Reporting and do not constitute statutory financial statements. The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required for a complete set of IFRS financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last financial statements.

These unaudited interim financial statements were authorised for issue by Defenx's board of directors on 26 September 2016.

### 3. Accounting policies

There have been no changes to the accounting policies and methods of computation in the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2017 as compared with the Group's most recent annual financial statements as at 31 December 2016.

IFRS 15 *Revenue from contracts with customers*, is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. It establishes a comprehensive framework for determining whether, how much and when revenue should be recognised and it replaces existing revenue recognition guidance, including IAS 18 *Revenue*. Depending on the contractual arrangements in place, application of the new standard may change the amount of revenue recognised on a contract and/or its timing, and the timing of the recognition of contract costs compared with current accounting policies.

An overview of the key considerations in determining the impact of IFRS 15 was presented in the Group's consolidated 2016 results. IFRS 15 has not yet been formally adopted by the European Union. The directors are currently performing a detailed assessment of the impact resulting from the application of IFRS 15 and are not yet able to provide specific guidance. The directors are also considering whether it would be in the interests of shareholders to adopt early and report the 2017 full-year results under IFRS 15, specifically to avoid uncertainty between actual results and market forecasts.

### 4. Segmental analysis

The Group operates as a single division selling three main categories of product:

- Security - anti-malware software protection for mobile, PC and network devices
- Protection - client, server and web based applications to monitor, manage and secure the online activities of individuals, families and corporate employees
- Backup - Cloud based backup and synchronisation solutions to protect data and securely share it

Accordingly, the Group has a single reportable segment. This is consistent with the internal reporting provided to the chief operating decision-maker, identified as the management team including the Chief Executive Officer and the Chief Financial Officer.

Revenue by product platform for the Group is as follows:

	<b>6 months ended 30 June 2017 Unaudited</b>	<i>6 months ended 30 June 2016 Unaudited</i>	<i>Year ended 31 December 2016 Audited</i>
	€	€	€
<i>Revenue by product category</i>			
Security	<b>2,793,915</b>	2,268,912	6,835,265
Backup	<b>324,832</b>	-	198,394
Other	<b>15,017</b>	51,571	54,503
	<b>3,133,764</b>	2,320,483	7,088,162
	=====	=====	=====

#### **Geographical segments**

The Group is managed centrally and accordingly the Group does not analyse costs or assets by geographical region. Revenue by customer location is as follows:

	<b>6 months ended 30 June 2017 Unaudited</b>	<i>6 months ended 30 June 2016 Unaudited</i>	<i>Year ended 31 December 2016 Audited</i>
	€	€	€
<i>Revenue by geographic market (customer location)</i>			
Europe (EU including the UK)	<b>2,520,729</b>	1,890,044	4,697,889
Europe (Non-EU)	<b>613,035</b>	413,113	2,342,006
Other	-	17,326	48,267
	<b>3,133,764</b>	2,320,483	7,088,162
	=====	=====	=====

Non-current assets (capitalised development costs) by product segment for the Group are as follows:

<b>6 months ended</b>	<i>6 months ended</i>	<i>Year ended</i>
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	<b>30 June 2017 Unaudited</b>	<i>30 June 2016 Unaudited</i>	<i>31 December 2016 Audited</i>
	€	€	€
<i>Non-current assets by product category</i>			
Security	<b>5,815,636</b>	2,546,949	4,102,542
Backup	<b>2,381,200</b>	-	2,655,226
Protection	<b>3,267,092</b>	-	1,130,000
Other	<b>253,333</b>	382,500	224,167
	<b>11,717,261</b>	2,929,449	8,111,935
	=====	=====	=====

## 5. Seasonality

The Group's revenue generated by and marketing contributions paid to channel partners are subject to seasonal trends.

The larger proportion of the annual marketing contributions arise in the first half of the year to support channel partners who in turn generate higher sales in the second half of the year driven by the back-to-school market, annual hardware release cycles and Christmas trading. This will typically lower revenues and profits for the first half of the year. The Group seeks to mitigate the seasonal impact by incentivising sales in the first half of the year.

For the 12 months ended 30 June 2017, Group revenue was €7.90m (12 months ended 30 June 2016: €5.47m) and marketing contributions were €2.97m (12 months ended 30 June 2016: €2.13m).

## 6. Loss/profit from operations

	<b>6 months ended 30 June 2017 Unaudited</b>	<i>6 months ended 30 June 2016 Unaudited</i>	<i>Year ended 31 December 2016 Audited</i>
	€	€	€
The operating loss is stated after charging:			
<b>Cost of sales</b>			
Amortisation of intangible assets	<b>865,267</b>	407,949	1,009,849
	=====	=====	=====
<b>Sales, marketing and administrative expenses</b>			
Marketing contributions	<b>2,232,043</b>	1,483,423	2,223,550
Staff costs	<b>598,993</b>	327,424	942,895
Auditors' remuneration - audit services	<b>16,567</b>	20,100	43,179
Auditors' remuneration - non-audit Services	<b>1,877</b>	1,915	13,456
Share based payment expense	<b>26,875</b>	46,032	96,060
Bad debt expense	<b>104,289</b>	753	(74,112)
Lease payments - land and buildings	<b>52,397</b>	17,451	62,053
Net foreign exchange losses/(gains)	<b>15,995</b>	23,313	(21,061)
AIM-related expenses	<b>113,254</b>	69,194	168,392
	=====	=====	=====
<b>Transaction costs</b>			
Costs in respect of the acquisition of Memopal Srl	-	153,792	188,590
Legal & professional fees in respect of the BV-Tech SpA strategic partnership	<b>101,321</b>	-	-
	=====	=====	=====

## 7. Loss/earnings per share (EPS)

Basic EPS amounts are calculated by dividing the profit for the period attributable to ordinary equity holders of Defenx PLC by the weighted average number of Ordinary Shares outstanding during the period.

Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of Defenx PLC by the weighted average number of Ordinary Shares outstanding during the period plus the weighted average number of Ordinary Shares that would be issued on conversion of all the dilutive deferred shares, the exercise of options and crystallisation of the contingent share consideration.

The following reflects the income and share data used in the basic and diluted EPS computations:

	<b>6 months ended 30 June 2017 Unaudited</b>	<i>6 months ended 30 June 2016 Unaudited</i>	<i>Year ended 31 December 2016 Audited</i>
	€	€	€
(Loss)/profit attributable to ordinary equity holders of Defenx PLC for basic and adjusted EPS	<b>(1,146,429)</b>	(458,298)	1,232,656
	=====	=====	=====
Weighted average number of Ordinary Shares for basic EPS	<b>11,776,694</b>	6,098,912	6,674,406
Effect of:			

- dilution from deferred shares warrants	<b>72,081</b>	<i>300,000</i> <i>326,614</i>	<i>300,000</i> <i>62,245</i>
- contingent shares on acquisition of Memopal Srl	<b>238,035</b>	-	<i>238,035</i>
Weighted average number of Ordinary Shares for basic earnings per share adjusted for the effect of dilution	<b>12,086,810</b>	<i>6,925,526</i>	<i>7,274,686</i>

## 8. Intangible Assets

	<b>Goodwill</b>	<b>Development costs</b>	<b>Customer relationships</b>	<b>Total</b>
	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
<b>Cost</b>				
At 1 January 2017	1,139,229	8,133,151	353,933	9,626,313
Additions - internally developed	-	1,805,225	-	1,805,225
Additions - purchased	-	2,673,716	-	2,673,716
<b>At 30 June 2017</b>	<b>1,139,229</b>	<b>12,612,092</b>	<b>353,933</b>	<b>14,105,254</b>
<b>Accumulated amortisation</b>				
At 1 January 2017	-	1,597,622	49,157	1,646,779
Amortisation charge	-	806,278	58,989	865,267
<b>At 30 June 2017 (unaudited)</b>	<b>-</b>	<b>2,403,900</b>	<b>108,146</b>	<b>2,512,046</b>
<b>Net book value At 30 June 2017 (unaudited)</b>	<b>1,139,229</b>	<b>10,208,192</b>	<b>245,787</b>	<b>11,593,208</b>
<b>Cost</b>				
At 1 January 2016	-	3,244,330	-	3,244,330
Additions - internally developed	-	730,000	-	730,000
At 30 June 2016	-	3,974,330	-	3,974,330
<b>Accumulated amortisation</b>				
At 1 January 2016	-	636,930	-	636,930
Amortisation charge	-	407,949	-	407,949
At 30 June 2016 (unaudited)	-	1,044,879	-	1,044,879
<b>Net book value At 30 June 2016 (unaudited)</b>	<b>-</b>	<b>2,929,451</b>	<b>-</b>	<b>2,929,451</b>
<b>Cost</b>				
At 1 January 2016	-	3,244,330	-	3,244,330
Additions - internally developed	-	3,988,821	-	3,988,821
Additions - purchased	-	900,000	-	900,000
Arising on business combinations	1,139,229	-	353,933	1,493,162
At 31 December 2016	1,139,229	8,133,151	353,933	9,626,313
<b>Accumulated amortisation</b>				
At 1 January 2016	-	636,930	-	636,930
Amortisation charge	-	960,692	49,157	1,009,849
At 31 December 2016 (audited)	-	1,597,622	49,157	1,646,779
<b>Net book value At 31 December 2016 (audited)</b>	<b>1,139,229</b>	<b>6,535,529</b>	<b>304,776</b>	<b>7,979,534</b>

The intangible assets booked represent qualifying expenditure on the development of software for resale less accumulated

amortisation and impairment costs. The carrying value of these intangible assets is tested for impairment on a half yearly basis, or when there are indications that the value of the assets might be impaired.

The directors have assessed development projects' individual net present value against forecasts of future sales of the related products, unit sales prices and costs over a five-year period. No sales beyond five years have been included in the calculations. The impairment tests are sensitive to changes in these forecasts and changes could result in impairment; however, the varying bases indicate a net present value in excess of the carrying value of the intangible assets at the balance sheet date.

## 9. Trade and other receivables

	<b>6 months ended 30 June 2017 Unaudited</b>	<i>6 months ended 30 June 2016 Unaudited</i>	<i>Year ended 31 December 2016 Audited</i>
	€	€	€
Gross trade receivables	<b>4,490,752</b>	2,722,292	5,528,661
Provision for impairment	<b>(300,537)</b>	(271,113)	(196,248)
	<hr/>	<hr/>	<hr/>
Net trade receivables	<b>4,190,215</b>	2,451,179	5,332,413
Other receivables	<b>196,566</b>	49,741	171,514
Payments on account	-	1,128,076	-
	<hr/>	<hr/>	<hr/>
Total receivables	<b>4,386,781</b>	3,628,996	5,503,927
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Provisions for impairment</i>			
Opening balance	<b>(196,248)</b>	(270,360)	(270,360)
Utilised during the period	-	-	25,372
Net (increase)/decrease during the period	<b>(104,289)</b>	(753)	48,740
	<hr/>	<hr/>	<hr/>
Closing balance	<b>(300,537)</b>	(271,113)	(196,248)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## 10. Loans and borrowing

The book and fair value of interest bearing loans and borrowings was:

	Ultimate maturity	<b>6 months ended 30 June 2017 Unaudited</b>	<i>6 months ended 30 June 2016 Unaudited</i>	<i>Year ended 31 December 2016 Audited</i>
		€	€	€
<b>Current</b>				
Overdrafts	On demand	<b>24,888</b>	-	20,035
	On demand	<b>95,228</b>	-	142,705
Invoice discounting facility	Up to 120 days	<b>94,300</b>	-	149,288
Supply chain facility	Up to 90 days	<b>503,653</b>	-	498,245
Bank loans - unsecured	30/6/2019	<b>197,011</b>	-	97,770
Vendor loans from business combinations	31/7/2018	<b>501,808</b>	-	529,291
		<hr/>	<hr/>	<hr/>
		<b>1,416,888</b>	-	1,437,334
<b>Non-current</b>				
Bank loans - unsecured	30/6/2019	<b>202,989</b>	-	302,230
Vendor loans from business combinations	31/7/2018	<b>38,753</b>	-	212,563
		<hr/>	<hr/>	<hr/>
		<b>241,742</b>	-	514,793
		<hr/>	<hr/>	<hr/>
<b>Total loans and borrowing</b>		<b>1,658,630</b>	-	1,952,127
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Overdrafts and other short facilities, excluding the supply chain facility, attract variable interest at between 3% and 6% per annum. The supply chain facility, denominated in Sterling, attracts a fixed rate of interest of 1.65% per month. The bank and vendor loans, both denominated in Euros, attract interest at 3% over 3-month EURIBOR and at 8% fixed per annum respectively.

The average effective interest rate for the period ended 30 June 2017 was 10.2% (30 June 2016: nil).

At 30 June 2017, the Group had available €123,331 (30 June 2016: nil) of undrawn committed borrowing facilities.

## 11. Share capital

	<i>Number of shares</i>	<i>Share capital</i>	<i>Share premium</i>
		€	€
As at 1 January 2017	8,617,806	196,242	5,542,365
Issue of new ordinary shares - BV-Tech SpA	3,143,888	66,752	4,041,210
Issue of new ordinary shares - MBooster	22,348	457	37,043
Equity issue costs	-	-	(59,379)

Exercise of Warrants	<i>15,000</i>	318	21,736
<b>As at 30 June 2017 (unaudited)</b>	<b><i>11,776,694</i></b>	<b>263,769</b>	<b>9,582,975</b>
As at 1 January and 30 June 2016 (unaudited)	<i>6,098,912</i>	144,697	4,051,322
As at 1 January 2016	<i>6,098,912</i>	144,697	4,051,322
Issue of new ordinary shares - Memopal Srl	<i>621,394</i>	13,322	-
Issue of new ordinary shares - placing	<i>1,647,500</i>	33,176	1,441,284
Equity issue costs	-	-	(169,489)
Directors' subscription for new ordinary shares	<i>250,000</i>	5,047	219,248
As at 31 December 2016 (audited)	<i>8,617,806</i>	196,242	5,542,365

The ordinary shares of £0.018 carry the right to one vote per share at general meetings of the Company and the rights to share in any distribution of profits or returns of capital and to share in any residual assets available for distribution in the event of a winding up. The shares are denominated in Sterling.

On 11 April 2017, a cash subscription by BV-Tech for 861,666 new ordinary shares at £1.14 per share each raised €1.15 million (£0.98 million) before expenses. Also on 11 April 2017, all 2,400,000 deferred shares of £0.0001 were converted on an 8 for 1 basis into 300,000 new ordinary shares at £0.7992 pence each for an aggregate consideration of €281,334 (£239,760).

On 3 May 2017, in accordance with the terms of a software purchase agreement for a bespoke version of BV-Tech's encrypted voice and messaging software, the consideration of €2.67 million (£2.26 million) was settled through the issue of 1,982,222 new ordinary shares at £1.14 per share.

On 23 June 2017, 15,000 new ordinary shares were issued at £1.25 each upon the exercise of warrants for an aggregate consideration of €22,054 (£18,750).

On 30 June 2017, 22,348 new ordinary share were issued to MBooster Srl at £1.476 each, being the average mid-market price for the prior five business days, to settle a semi-annual fee of €37,500.

## 12. Events after the reporting date

On 26 July 2017, 63,750 new ordinary shares were issued at £0.80 each upon the exercise of warrants for an aggregate consideration of €57,089 (£51,000).

On 7 August 2017, 933,312 new ordinary shares were placed at £1.60 each raising gross proceeds of €1.65 million (£1.49 million).

On 31 August 2017, a further 156,250 new ordinary shares were issued at £1.60 pursuant to a subscription by BV Tech raising €0.27 million (£0.25 million).

On 31 August 2017, €1.36 million (£1.25 million) secured convertible bonds were issued to eligible investors following an auction by UK Bond Network. The bonds are denominated in Sterling, secured by an all assets debenture and guarantee and are convertible into new ordinary shares at £2 each, being a 25% premium to their issue price. Interest of 10% per annum is payable quarterly in arrears.

The aggregate net proceeds of the placing, subscription and secured convertible bond issue were €2.94 million.

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