

1 October 2018

Defenx PLC
(“Defenx” or the “Company” or the “Group”)

Unaudited Interim Results for the six months ended 30 June 2018

Set out below are the interim results for Defenx for the six months ended 30 June 2018.

Chairman’s Statement

We are releasing the unaudited interim results for the six months ended 30 June 2018 alongside our annual report and accounts for the year to 31 December 2017 (“2017 Accounts”).

As documented in detail in the 2017 Accounts, the Group has been focused on addressing performance and back-end integration issues in respect of its products in the year to date. The Group has also been enhancing its product portfolio as part of its *Defenx 2020* strategy, and we currently anticipate launching new products in Q1 2019.

This has resulted in there being minimal customer invoicing during H1 2018 and revenue for the period relates predominantly to the release of previously deferred income and this is expected to continue in H2 2018. Given this backdrop, we have sought to minimise operating overheads during the period.

The reduction in trading activity has also been accompanied by a cessation of marketing contributions to distributors. As a result, at an operational level, the loss for the half year is very similar to the corresponding period in 2017. However, 2018 bears additional interest costs in relation to the bonds issued in August 2017, whilst there was a substantially larger tax credit in 2017.

The major changes in the statement of financial position are primarily attributable to the comprehensive impairment provisions made at 31 December 2017 as detailed in the 2017 Accounts. Following the period end, settlement agreements were reached with four of the Group’s B2B2C customers. The agreements waive the parties’ claims against each other, set out payment schedules for the collection over a period of up to 48 months of approximately 20.4% of the €4.41 million in dispute at 31 December 2017 and committed the Group to exchange specified unsold inventory held by the customers for new products, such new products being subject to normal commercial warranties. Accordingly, the Directors considered that no further provision were warranted as at 30 June 2018.

Board

In the year to date, there have been a number of changes to the Board and senior management. As previously announced, this has resulted in me becoming interim Executive Chairman in May and Raffaele Boccardo assuming the role of interim Executive Deputy Chairman in July. At the same time, Clive Eplett was appointed as interim Chief Financial Officer. Board departures in the period have resulted in one-off costs of, in aggregate, €250,000.

Following the period end, we were delighted to welcome Nic Hellyer and Giorgio Beretta, two high calibre individuals, as independent Non-executive Directors and chair of the Remuneration and Audit Committees respectively, filling the vacancies left by Leonard Seelig.

The Board are seeking to identify and recruit the right team to deliver our strategy and drive value for all stakeholders and we look forward to keeping shareholders updated on our progress particularly with regard to the appointment of a CEO and a permanent CFO.

Funding

During the period, the Company raised £1.2 million (gross) (approximately €1.38 million) for general working capital purposes by way of a subscription and open offer, pursuant to which the Company issued 14,962,899

new ordinary shares at a price of 8 pence per share. Following BV Tech SpA's ("BV Tech") participation in the fundraising, BV Tech's interest in the Company increased to 54.7% of the Company's issued share capital.

The Group has today secured further funding of €0.95 million via an unsecured loan from BV Tech. The loan, which accrues interest at a rate of 6% per annum, will be used for general corporate purposes. The Board anticipates that the loan will shortly be replaced by a convertible loan from BV Tech of the same quantum and on the same material terms. Conversion of the convertible loan into ordinary shares is subject to shareholders providing the Directors with authority at the upcoming annual general meeting on 31 October 2018 to allot such shares on a non pre-emptive basis.

Outlook

As a result of the issues raised above and detailed in the 2017 Accounts, the results for 2018 are expected to show minimal revenues and an operating loss. However, as a result of the initiatives put in place as part of Defenx 2020, the Board believes that the business will become cashflow positive during 2019.

Following the publication of the 2017 Accounts and these interims, the Company is pleased to announce that it is expected that trading in the Company's ordinary shares on AIM will be restored at 7:30 a.m. on 2 October 2018.

Anthony Reeves

Executive Chairman

1 October 2018

Enquiries

Defenx PLC

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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 cyber-security software group that offers a range of Security, Backup and Protection solutions for smartphones, PCs and networks.

Website

www.defenx.com/company/investors

Unaudited Interim Condensed Consolidated Statement of Comprehensive Income

		6 months ended 30 June 2018 Unaudited €000	6 months ended 30 June 2017 Unaudited €000	<i>Year ended 31 December 2017 Audited €000</i>
Revenue	5	701	3,134	2,928
Cost of sales	6	(670)	(965)	(2,553)
Gross profit		31	2,169	375
Other operating income	6	101	-	772
Sales & marketing expenses	6	(182)	(2,411)	(1,975)
Research, development & operations' expenses	6	(514)	(451)	(712)
Administrative expenses	6	(947)	(619)	(906)
Impairment of trade receivables		-	-	(3,020)
Impairment of intangible fixed assets		-	-	(6,286)
Operating expenses before transaction costs		(1,643)	(3,481)	(12,899)
Operating loss before transaction costs		(1,511)	(1,312)	(11,752)
Transaction costs	6	-	(101)	(101)
Loss from operations		(1,511)	(1,413)	(11,853)
Finance income		-	-	1
Finance expense		(138)	(68)	(184)
Loss before tax		(1,649)	(1,481)	(12,036)
Income tax credit		5	325	235
Loss for the period		(1,644)	(1,156)	(11,801)
<i>Attributable to:</i>				
Equity holders of the parent		(1,598)	(1,146)	(11,641)
Non-controlling interests		(46)	(10)	(160)
Total comprehensive loss for the period		(1,644)	(1,156)	(11,801)
Loss per share				
Basic	7	(€0.069)	(€0.097)	(€1.030)
Diluted	7	(€0.067)	(€0.095)	(€0.976)

Unaudited Interim Condensed Consolidated Statement of Financial Position

	Note	30 June 2018 Unaudited €000	30 June 2017 Unaudited €000	31 December 2017 Audited €000
Non-current assets				
Property, plant and equipment		136	124	135
Intangible assets	8	4,320	11,593	4,904
Government grant		1,522	-	1,596
		<u>5,978</u>	<u>11,717</u>	<u>6,635</u>
Current assets				
Trade and other receivables	9	1,218	4,387	1,243
Government grant		168	-	179
Cash and short-term deposits		791	218	951
		<u>2,177</u>	<u>4,605</u>	<u>2,373</u>
Total assets		<u>8,155</u>	<u>16,322</u>	<u>9,008</u>
Current liabilities				
Trade and other payables		(1,146)	(588)	(851)
Deferred revenue		(392)	(385)	(621)
Loans and borrowings	10	(379)	(1,417)	(663)
Deferred consideration		-	(381)	-
Income taxes payable		(389)	(398)	(385)
		<u>(2,306)</u>	<u>(3,169)</u>	<u>(2,520)</u>
Non-current liabilities				
Deferred revenue		(744)	(235)	(887)
Loans and borrowings	10	(1,423)	(242)	(1,533)
Deferred tax liabilities		(37)	(47)	(42)
		<u>(2,204)</u>	<u>(524)</u>	<u>(2,462)</u>
Total liabilities		<u>(4,510)</u>	<u>(3,693)</u>	<u>(4,982)</u>
Net assets		<u>3,645</u>	<u>12,629</u>	<u>4,026</u>
Capital and reserves				
Called up share capital	11	601	264	287
Share premium	11	12,329	9,583	11,370
Merger reserve		1,641	1,641	1,641
Shares to be issued reserve		-	-	37
Convertible bond option reserve		164	-	164
Share based payment reserve		237	183	210
Retained earnings		(11,146)	947	(9,548)
Attributable to equity holders of the parent		<u>3,826</u>	<u>12,618</u>	<u>4,161</u>
Non-controlling interests		(181)	11	(135)
Total equity		<u>3,645</u>	<u>12,629</u>	<u>4,026</u>

Unaudited Interim Condensed Consolidated Statement of Changes in Equity

	Share capital €000	Share premium account €000	Merger reserve €000	Shares to be issued reserve €000	Convertible bond option reserve €000	Share based payment reserve €000	Retained earnings €000	Total €000	Non-controlling interests €000	Total €000
<i>As at 1 January 2018</i>	287	11,370	1,641	37	164	210	(9,548)	4,161	(135)	4,026
Share based payments	-	-	-	-	-	27	-	27	-	27
Loss for the period	-	-	-	-	-	-	(1,598)	(1,598)	(46)	(1,644)
Shares issued	314	959	-	(37)	-	-	-	1,236	-	1,236
<i>As at 30 June 2018 (unaudited)</i>	<u>601</u>	<u>12,329</u>	<u>1,614</u>	<u>-</u>	<u>164</u>	<u>237</u>	<u>(11,146)</u>	<u>3,826</u>	<u>(181)</u>	<u>3,645</u>
<i>As at 1 January 2017</i>	197	5,542	1,641	-	-	156	2,093	9,629	21	9,629
Share based payments	-	-	-	-	-	27	-	27	-	27
Loss for the period	-	-	-	-	-	-	(1,146)	(1,146)	(10)	(1,146)
Shares issued	67	4,041	-	-	-	-	-	4,108	-	4,108
<i>As at 30 June 2017 (unaudited)</i>	<u>264</u>	<u>9,583</u>	<u>1,641</u>	<u>-</u>	<u>-</u>	<u>183</u>	<u>947</u>	<u>12,618</u>	<u>11</u>	<u>12,629</u>
<i>As at 1 January 2017</i>	197	5,542	1,641	-	-	156	2,093	9,629	21	9,650
Loss for the year	-	-	-	-	-	-	(11,641)	(11,641)	(160)	(11,801)
Shares issued	90	5,828	-	-	-	-	-	5,918	4	5,922
Shares to be issued	-	-	-	37	-	-	-	37	-	37
Convertible bond issue	-	-	-	-	164	-	-	164	-	164
Share based payments	-	-	-	-	-	54	-	54	-	54
<i>As at 31 December (audited)</i>	<u>287</u>	<u>11,370</u>	<u>1,641</u>	<u>37</u>	<u>164</u>	<u>210</u>	<u>(9,548)</u>	<u>4,161</u>	<u>(135)</u>	<u>4,026</u>

Unaudited Interim Condensed Consolidated Cash Flow Statement

	6 months ended 30 June 2018 Unaudited €000	6 months ended 30 June 2017 Unaudited €000	Year ended 31 December 2017 Audited €000
Cash flows from operating activities			
Loss for the period after taxation	(1,644)	(1,156)	(11,801)
Income tax (credit)/expense	(5)	(325)	(235)
Loss before tax	<u>(1,649)</u>	<u>(1,481)</u>	<u>(12,036)</u>
Net interest expense	138	68	184
Depreciation of property, plant and equipment	-	22	47
Amortisation of intangible assets	590	865	1,292
Impairment of intangible assets	-	-	6,286
Impairment of trade receivables	-	-	3,020
Share based payments expense	27	27	54
Operating cash flows before movements in working capital	<u>(894)</u>	<u>(499)</u>	<u>(1,153)</u>
Decrease in trade receivables	284	1,146	1,011
Increase/(decrease) in trade and other payables	75	(801)	(1,738)
(Decrease)/increase in deferred revenue	(457)	28	(86)
	<u>(98)</u>	<u>373</u>	<u>(813)</u>
Interest paid	(84)	(68)	(146)
Tax paid	(6)	(62)	(215)
Net cash flow from operating activities	<u>(1,082)</u>	<u>(256)</u>	<u>(2,327)</u>
<i>Investing activities</i>			
Purchase of property, plant and equipment	(1)	(4)	(51)
Development costs – internally developed	(6)	(1,805)	(1,828)
Net cash used in investing activities	<u>(7)</u>	<u>(1,809)</u>	<u>(1,879)</u>
<i>Financing activities</i>			
Net proceeds from issue of share capital	1,377	1,397	3,440
Proceeds from borrowings	-	5	1,750
Repayment of borrowings	(426)	(254)	(1,070)
Net cash from financing activities	<u>951</u>	<u>1,148</u>	<u>4,120</u>
Net decrease in cash and cash equivalents	<u>(138)</u>	<u>(917)</u>	<u>(86)</u>
Cash and cash equivalents at beginning of period	929	1,015	1,015
Cash and net cash equivalents at end of period	<u><u>791</u></u>	<u><u>98</u></u>	<u><u>929</u></u>

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 2018 have been prepared in accordance with IAS 34 Interim Financial Reporting and do not constitute statutory financial statements. They 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 2017. 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 on 1 October 2018.

3. Accounting policies

There have been no changes to the accounting policies and methods of computation in these financial statements compared with those of the previous full year.

Note: IFRS 15 *Revenue from contracts with customers*, became effective for annual periods beginning on or after 1 January 2018. Having assessed the commercial arrangements with customers in the context of IFRS15, the Board concluded that the existing accounting policy and methodology continues to be equally appropriate under the new accounting standard. Accordingly, no change in accounting treatment arises or has been applied as a consequence of IFRS 15 and no adjustment made to either sales or deferred revenue.

4. Seasonality

Historically, the Group's revenue generated by and marketing contributions paid to channel partners was subject to seasonal trends.

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

Changes in the trading relationships with those distributors resulted in marketing contributions not being made in 2018, negating most of this seasonal characteristic.

5. Revenue

Revenue for the full year was impacted by the return of €1.03 million in invoiced sales from the first half of 2017, as a consequence of delays in the delivery of product updates to address performance issues in the Group's security products.

6. Loss from operations

	6 months ended 30 June 2018 Unaudited €000	6 months ended 30 June 2017 Unaudited €000	<i>Year ended 31 December 2017 Audited €000</i>
The operating loss is stated after charging:			
Cost of sales			
Amortisation of intangible assets	590	865	1,292
	<u> </u>	<u> </u>	<u> </u>
Other operating income			
Research & development tax credit income	(101)	-	(772)
Sales, marketing and administrative expenses			
Marketing contributions	5	2,232	1,550
Impairment of trade receivables	-	-	3,020
Depreciation of property, plant and equipment	-	22	48
Impairment of intangible assets	-	-	6,286
Staff costs	679	599	1,278
Auditors' remuneration – audit services	22	17	49
Auditors' remuneration – non-audit Services	2	2	9
Share based payment expense	27	27	53
Bad debt expense	-	104	-
Lease payments – land and buildings	49	52	116
Net foreign exchange losses/(gains)	7	16	(61)
AIM-related expenses	100	113	234
	<u> </u>	<u> </u>	<u> </u>
Transaction costs			
Legal & professional fees in respect of the BV-Tech SpA strategic partnership	-	101	101
	<u> </u>	<u> </u>	<u> </u>

7. Loss per share (EPS)

Basic EPS amounts are calculated by dividing the profit for the period attributable to ordinary equity holders of Defenx 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 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:

	6 months ended 30 June 2018 Unaudited €000	6 months ended 30 June 2017 Unaudited €000	<i>Year ended 31 December 2017 Audited €000</i>
(Loss)/profit attributable to ordinary equity holders of Defenx PLC for basic and adjusted EPS	(1,580)	(1,146)	<i>(11,641)</i>
Weighted average number of Ordinary Shares for basic EPS (thousand)	22,905	11,777	<i>11,237</i>
Effect of:			
- dilution from convertible bond	625	-	<i>625</i>
- dilution from share options and warrants	-	72	-
- contingent shares on acquisition of Memopal Srl	-	238	-
Weighted average number of Ordinary Shares for diluted EPS (thousands)	23,530	12,087	<i>11,862</i>

8. Intangible Assets

	Goodwill	Development costs	Customer relationships	Total
	€000	€000	€000	€000
Cost				
At 1 January 2018	1,139	12,635	354	14,128
Additions – internally developed	-	-	-	-
Additions – purchased	-	6	-	6
At 30 June 2018	1,139	12,641	354	14,134
Accumulated amortisation				
At 1 January 2018	1,139	7,731	354	9,224
Amortisation charge	-	590	-	590
At 30 June 2018 (unaudited)	1,139	8,321	354	9,814
Net book value				
At 30 June 2018 (unaudited)	-	4,320	-	4,320
At 30 June 2017 (unaudited)	1,139	10,208	246	11,593
At 31 December 2017 (audited)	-	4,904	-	4,904

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

	6 months ended 30 June 2018 Unaudited €000	6 months ended 30 June 2017 Unaudited €000	<i>Year ended 31 December 2017 Audited €000</i>
Gross trade receivables	4,682	4,491	4,833
Offset deferred revenue	(454)	-	(619)
Provision for impairment	(3,217)	(301)	(3,217)
	<hr/>	<hr/>	<hr/>
Net trade receivables	1,011	4,190	997
Other receivables	207	197	246
	<hr/>	<hr/>	<hr/>
Total receivables	1,218	4,387	1,243
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Provisions for impairment</i>			
Opening balance	(3,217)	(197)	(196)
Utilised during the period	-	-	-
Net increase during the period	-	(104)	(3,021)
	<hr/>	<hr/>	<hr/>
Closing balance	(3,217)	(301)	(3,217)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

10. Loans and borrowing

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

	Ultimate maturity	6 months ended 30 June 2018 Unaudited €000	6 months ended 30 June 2017 Unaudited €000	<i>Year ended 31 December 2017 Audited €000</i>
Current				
Overdrafts	On demand	-	25	22
	On demand	-	95	-
Invoice discounting facility	Up to 120 days	-	94	77
Supply chain facility	Up to 90 days	-	504	-
Bank loans – unsecured	30/06/2019	203	197	200
Bank loans – unsecured	22/11/2021	123	-	122
Vendor loans from business combinations	31/07/2018	53	502	242
		<hr/>	<hr/>	<hr/>
		379	1,417	663
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Non-current

Bank loans – unsecured	30/06/2019	-	203	103
Bank loans – unsecured	22/11/2021	306	-	368
Vendor loans from business combinations	31/07/2018	-	39	
Convertible bonds	31/08/2020	1,117	-	1,062
		<u>1,423</u>	<u>242</u>	<u>1,533</u>
Total loans and borrowing		<u>1,802</u>	<u>1,659</u>	<u>2,196</u>

Overdrafts and other short term 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 2018 was 7.5% (30 June 2017: 10.2%).

At 30 June 2018, the Group had available €270,000 (30 June 2017: €123,331) of undrawn committed borrowing facilities. Of this amount, €250,000 relates to supply chain facility, use of which is dependent on applicable sales invoicing.

11. Share capital

	Number of shares	Share capital €000	Share premium €000
As at 1 January 2018	12,952	287	11,370
Issue of new ordinary shares – BV-Tech SpA	11,777	244	840
Issue of new ordinary shares – Open offer	3,186	66	227
Issue of new ordinary shares – MBooster	243	4	51
Equity issue costs	-	-	(159)
As at 30 June 2018 (unaudited)	28,158	601	12,329
As at 1 January 2017	8,618	196	5,542
Issue of new ordinary shares – BV-Tech SpA	3,144	68	4,041
Issue of new ordinary shares – MBooster	22	-	37
Equity issue costs	-	-	(59)
Exercise of Warrants	15	-	22
As at 30 June 2017 (unaudited)	11,799	264	9,583

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.

12. Events after the reporting date

During October 2018, settlement agreements were reached with four B2B2C customers. These agreements waived the parties' claims against each other, set out payment schedules for the collection over a period of up to 48 months of approximately 20.4% of the €4.41 million in dispute at 31 December 2017 and committed the Group to exchange specified unsold inventory held by the customers for new products, such new products being subject to normal commercial warranties.

On 1 October 2018, the Company entered into a €0.95 million unsecured loan agreement with BV Tech. The loan will incur an interest rate of 6% per annum, payable quarterly in arrears, and is repayable in full on 1 January 2020, or earlier at the Company's election. Under the terms of the Loan, €150,000 can be drawn down immediately, with the remainder being available to be draw down in full, or in part, after 45 days. It is intended that the proceeds of the loan will be used for general corporate purposes. As BV Tech is a substantial shareholder of the Company as defined in the AIM Rules for Companies, the loan is classified as a related party transaction pursuant to AIM Rule 13. The Board expects that the loan will, shortly following publication of the Company's annual report and accounts for the year ended 31 December 2017 and the interims for the six months ended 30 June 2018, be replaced by a convertible loan from BV Tech of the same quantum and on the same material terms.

13. Availability of the interims

The Interim Report will shortly be available on the Company's website at www.investors.defenx.com.