



H1 2020 EARNINGS: PURSUING ITS ROADMAP, KALRAY SETS CLEAR COURSE AS EUROPE'S SOLE SOVEREIGN INTELLIGENT PROCESSOR OFFERING

- **Data centers:** certification of Coolidge™-based NVMe-oF¹ solution for storage servers expected in october and integration in progress with Wistron, a major Taiwanese player, for production by the end of 2020;
- **Automotive:** integration of Kalray's "Compute Acceleration" offering into NXP Semiconductors' BlueBox for the automotive market is underway, following NXP's investment in Kalray in the first half of 2020;
- **Other opportunities:** on-going discussions with leading players seeing Kalray's "Compute Acceleration" solution as an alternative for some "Edge Computing" markets such as the 5G market (Open Radio Access Network) and Industry 4.0 (Machine Vision);
- **Half-yearly accounts:** budget under control, in line with the financial projections announced in the context of the health crisis;
- **Available cash:** € 19.0 million at the end of June 2020, reinforced by the equity investment of NXP and the State Guaranteed Loan (PGE);
- **Outlook:** confirmation of financial objectives.

Grenoble, September 21, 2020 - Kalray (Euronext Growth Paris: ALKAL), a pioneer in processors dedicated to new intelligent systems, has published its first half 2020 earnings (from January 1 to June 30, 2020) and on this occasion, the company confirms its objectives.

Eric Baissus, President of Kalray's Executive Board, commented as follows:

"Thanks to the progress made in the first half of the year, whether from a product standpoint, with the completion of the development of our solutions based on Coolidge™, and on the partnerships front, with NXP Semiconductors in particular, we are aiming to close the second half of the year having met key ambitions. The prospect of integrating our intelligent processor into the next generation of storage servers for data centers will be a major new step in a market which has clearly been accelerated by the current health crisis. The solutions that we have developed, in the context of intelligent automobile, are also relevant for some "Edge Computing" markets and discussions are underway, with leading players, which aimed at using such current solutions, in markets such as 5G

¹ NVMe-oF is a global standard defining the use of NVMe over Ethernet, allowing remote access to very high-performance storage appliances.





or Industry 4.0. These opportunities are extremely interesting to us, in particular for considerations of much shorter sales cycles than the automobile.

Finally, while consolidation in the sector is pushing many players to move to the American flag, Kalray also has the unique opportunity to position itself as a sovereign European alternative on the strategic market of processors for intelligent systems."

SCHEDULED LAUNCH OF NVMe-oF SOLUTION FOR THE STORAGE MARKET

After the first deliveries of the Kalray development environment to its customers last quarter, enabling them to build their next generation of products integrating Coolidge™, Kalray has initiated the certification process of its NVMe-oF solution for the **data center** market. NVMe-oF certification, provided by an independent laboratory, is expected in October.

At the same time, Kalray was able to deliver its NVMe-oF solution to its partner **Wistron** in order to start the integration of its solution into the storage servers of the Taiwanese group. Wistron is one of the world's largest manufacturers of data center servers. Kalray is therefore actively preparing its commercial deployment in the data center acceleration card market by positioning itself as a leader in NVMe-oF technology.

Kalray is receiving clear evidence that market is taking off now. As stated by Dennis Hahn, Senior Analyst, Cloud & Data Center at OMDIA in his report, Data Center Storage Equipment Market Tracker: "JBOF is just starting to experience an uptake in on-premises enterprise DC segments for its ultra-high performance and is ramping aggressively for use by hyper converged infrastructure and in data intensive applications".

STRUCTURING AGREEMENT WITH NXP SEMICONDUCTORS IN THE AUTOMOTIVE MARKET

At the same time, in the **automotive** market, Kalray continues to develop its cooperation with **NXP Semiconductors**, the world leader in semiconductors for Automotive market. The agreement with NXP spearheads Kalray's strategy in this field. Thanks to this structuring agreement, Kalray has strengthened its legitimacy in this sector while acquiring new technological means (by pooling skills), commercial (by leveraging NXP position on the field) and financial (thanks to the investment of € 8 million from NXP in Kalray).

The partners are continuing their joint work with a view to launching the next generation of NXP's BlueBox, a hardware and software platform that will integrate the Kalray solution and target a broad spectrum of intelligent and autonomous vehicles, ranging from level L2 (partial autonomy), already in service, to L4 level (complete autonomy in certain areas) or even ultimately L5 (car without steering wheel).

NEW BUSINESS OPPORTUNITIES IN EDGE COMPUTING SUCH AS 5G AND INDUSTRY 4.0

Kalray's solutions for the data center and automotive markets are also suitable to a broader industry need: the processing of a massive flow of data, close to where the data is generated, to extract relevant information which is a key need of "Edge Computing" markets.

In this context, Kalray has initiated discussions with major players and potential customers in the fields of machine vision (analysis and identification of faults, for example) for Industry 4.0 and 5G networks in particular.

EFFECTIVE COST CONTROL AND CASH IN LINE WITH FORECASTS

In the first half of 2020, Kalray generated 489 K€ in revenue (compared to 456 K€ in the first half of 2019), mainly consisting of sales of development stations and Coolidge™ licenses despite a decline in activity in the car market due to the health crisis.





Half-year EBITDA² was stable compared to the first half of 2019, at -2,612 K€, reflecting the perfect control of costs during the health crisis, in line with the announcements made by the company. During this period, the company did not have recourse to partial unemployment and continued to invest in both human and technological terms: 11 staff were added in the first half of 2020, mainly for engineering and customers support positions in order to better prepare the commercial launch of Coolidge™. The 18% increase in staff costs was offset by a 17% decrease in other external costs, notably linked to the internalization of certain skills (impact on subcontracting) and the limitation of travel.

Given the increase in depreciation, amortization and provisions (+ 42% to 3,984 K€), linked in particular to the start of the amortization of Coolidge™ development costs and masks, and after taking into account the research tax credit (+ 16% to 1,336 K€), the adjusted operating income³ comes to -5,260K € compared to -4,305K € a year earlier. The half-year net result is -5,301 K € in 2020 against -4,357 K € in 2019.

STRENGTHENED AVAILABLE CASH FLOW AS OF JUNE 30, 2020

As of June 30, 2020, Kalray's available cash amounted to 18,990 K€ compared to 15,725 K€ as of December 31, 2019. Financial debt was 9,568 K€ (including 6,476 K€ of conditional advances) and equity was 29,347 K €.

The financial structure was strengthened by the investment of NXP Semiconductors for € 8,000,000 and by the receipt of the first half of a State Guaranteed Loan of € 5,000,000 granted by banking partners (Bpifrance, BNP Paribas and CIC). The second half of the loan was cashed at the very beginning of July 2020. This additional financing covers the anticipated increase in cash consumption over the first half of the year. Free cash flow⁴ thus came to -8,247 K € compared to -6,613 K € in the first half of 2019, due in particular to an increase in investments.

CONFIRMATION OF FINANCIAL OBJECTIVES

As announced, Kalray expects 2020 sales to be comparable to that of 2019. A significant increase in sales is expected from 2021 with the volume of products based on Coolidge™ by Kalray customers. Operating expenses should increase by around 20% for the year 2020 compared to 2019, due to recruitment (8 new hires planned for the 2nd semester in addition to the 11 for the 1st semester) and the amount allocated to the deployment of projects in the framework of the partnership with NXP Semiconductors. Free cash flow should therefore, in line with forecasts, be lower in 2020 than in 2019 (-14,187 K €).

On the basis of a commercial calendar providing for the presentation of offers in the second half of 2020 and a production ramp up in 2021, Kalray confirms its ambition to reach **a break-even monthly EBITDA in mid-2021 and annual revenue of € 100 million between mid-2022 and mid-2023.**

PUBLICATION OF FIRST HALF FINANCIAL REPORT 2020

The consolidated financial statements were approved by the Executive Board and reviewed by the Supervisory Board on September 17, 2020. The first half financial report, including the first half financial statements and notes, can be viewed under "Financial documents" on the company's website: www.kalray-bourse.com

ABOUT KALRAY

Kalray (Euronext Growth Paris - FR0010722819 - ALKAL) is the pioneer in processors for new intelligent systems. A genuine technological breakthrough, "intelligent" processors are able to intelligently analyze a vast quantity of data on the fly and to make decisions and interact in real time with the outside world. These intelligent processors will be largely deployed in fast-growing sectors such as new-generation networks

² Ebitda: operating result without Depreciation and Amortization

³ Adjusted operating income: operating result + Research tax credit

⁴ Free cash-flow: operating cash flows + investment cash flows





(intelligent data centers) and autonomous vehicles, as well as in healthcare equipment, drones and robots. Kalray's offering spans both processors and global solutions (electronic boards and software). Created in 2008 as a spin-off of CEA ("Commissariat à l'Énergie Atomique", the French Alternative Energies and Atomic Energy Commission), Kalray addresses a broad spectrum of customers including server manufacturers, intelligent system integrators and consumer product manufacturers such as car makers. Read more at: www.kalrayinc.com

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ANNEXES :

PROFIT & LOSS

K€ - audited data	30 June 2020	30 June 2019
Net Sales	489	456
Subsidies	980	1 056
R&D capitalization	3 548	3 279
Other revenue	38	55
TOTAL REVENUE	5 055	4 846
Cost of sales	(144)	(66)
Operating expenses	(7 523)	(7 432)
including Salaries & contributions	(4 570)	(3 872)
including other expenses	(2 954)	(3 560)
EBITDA	(2 612)	(2 652)
Amortization & Depreciation	(3 984)	(2 800)
OPERATING RESULT	(6 595)	(5 452)
Research Tax Credit	1 335	1 147
NET OPERATING RESULT	(5 260)	(4 305)
FINANCIAL RESULT	(41)	(23)
EXCEPTIONNAL RESULT		(29)
NET RESULT	(5 301)	(4 357)





BALANCE SHEET

K€ ASSETS - audited data	30 June 2020	31 December 2019
Intangible assets	18 460	16 935
Tangible assets	4 510	4 673
Financial assets	546	609
NON CURRENT ASSETS	23 516	22 217
Inventories	220	240
Accounts Receivable	454	764
Other receivable (CIR, CICE, Subsidies)	2 147	1 779
CASH	18 990	15 725
CURRENT ASSETS	21 811	18 508
Accrued expenses	561	414
TOTAL ASSETS	45 889	41 140

K€ EQUITY & LIABILITIES - audited data	30 juin 2020	31 décembre 2019
EQUITY	29 347	26 665
Provisions	107	89
R&D refundable advances	6 476	5 904
Bank loans	3 092	775
Accounts Payable	2 180	3 128
Taxes & contributions payable	1 441	1 549
Other debts	536	354
DEBTS & LIABILITIES	13 832	11 799
Deferred revenue (Subsidies)	2 709	2 676
TOTAL LIABILITIES & EQUITY	45 889	41 140

CASH FLOW STATEMENT

K€ - audited data	30 juin 2020	31 décembre 2019
Operating CF before Capex & WC variation	(2 333)	(5 204)
Change in working capital (incl. R&D tax credit)	(1 505)	1 138
OPERATING CASH FLOW	(3 838)	(4 066)
Capex	(1 734)	(5 335)
R&D capitalization	(3 548)	(6 217)
Investment subsidies	873	1 431
INVESTMENT CASH FLOW	(4 409)	(10 121)
FREE CASH-FLOW	(8 247)	(14 187)
Net Cash from investors	7 998	96
Bank Debt (net)	2 317	318
R&D conditionnal advances and prepaid subsidies (net)	1 197	716
FINANCING CASH FLOW	11 512	1 130
Annual Cash in (Cash out)	3 265	(13 057)
<i>Cash beginning of period</i>	<i>15 725</i>	<i>28 782</i>
CASH END OF PERIOD	18 990	15 725

