SL Bidco B.V.

Interim consolidated financial statements for the quarter ended 30 September 2019

Sliedrecht, November 29, 2019

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- Interim condensed consolidated statement of cash flows for the quarter ended 30 September 2019
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All amounts in this report are presented in thousands of euro unless stated otherwise.

Interim consolidated statement of profit or loss and other comprehensive income for the quarter ended 30 September 2019

Interim consolidated statement of profit or loss and other comprehensive income

	Quarter		Year to date	
	Q3 2019	**Q3 2018**	**YTD 2019**	**YTD 2018**
	EUR '000	**EUR '000**	**EUR '000**	**EUR '000**
Revenue	71 319	51 572	193 983	170 195
Raw materials and consumables used	(44 725)	(28 786)	(113 879)	(94 630)
Employee benefits	(19 119)	(14 908)	(56 036)	(47 277)
Office and facilities	(569)	(896)	(986)	(2 691)
Travel	(404)	(346)	(1 282)	(1 233)
Vehicles	(1 492)	(1 002)	(2 139)	(3 033)
Telecommunication and IT	(777)	(802)	(2 496)	(2 402)
Legal and accounting	(1 186)	(883)	(3 140)	(3 012)
Marketing	(360)	(201)	(1 975)	(2 033)
Other income/(expense)	(645)	(174)	(865)	(870)
Amortization, depreciation and impairment	(2 634)	(2 994)	(10 224)	(8 694)
Finance cost (net)	(1 786)	(5 401)	(8 628)	(15 512)
Profit / (loss) before tax	**(2 378)**	**(4 821)**	**(7 667)**	**(11 192)**
Income tax	(907)	87	(1 670)	(1 123)
PROFIT / (LOSS) FOR THE PERIOD	**(3 285)**	**(4 734)**	**(9 337)**	**(12 315)**
Attributable to:				
Owners of the Company	(3 285)	(4 734)	(9 169)	(12 315)
Non-controlling interest	-	-	(168)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(803)	3 346	(2 168)	(2 462)
OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD, NET OF INCOME TAX	**(803)**	**3 346**	**(2 168)**	**(2 462)**
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	**(4 088)**	**(1 388)**	**(11 505)**	**(14 777)**
Attributable to:				
Owners of the Company	(4 088)	(1 388)	(11 337)	(14 777)
Non-controlling interest	-	-	(168)	-

Unaudited

Interim consolidated statement of financial position for the quarter ended 30 September 2019

Interim consolidated statement of financial position

	30/09/2019	31/12/2018
	EUR '000	**EUR '000**
ASSETS		
Non-current Assets		
Goodwill	255 642	258 400
Other intangible assets	44 082	49 554
Property, plant and equipment	4 055	3 735
Right of use assets	11 205	14 834
Deferred tax assets	1 760	1 985
Prepayments	15 197	14 943
Other financial assets	2 081	1 050
Other assets	41	916
	334 063	**345 417**
Current Assets		
Inventories	1 640	2 199
Other financial assets	2 191	1 001
Trade and other receivables	50 455	59 464
Finance lease receivables	1 730	947
Current tax assets	1 435	1 445
Prepayments	36 108	37 172
Contract cost	1 107	1 075
Other assets	6 001	2 885
Cash and bank balances	3 127	20 403
	103 794	**126 591**
TOTAL ASSETS	**437 857**	**472 008**

Unaudited

Interim consolidated statement of financial position (ctd.)

	30/09/2019	31/12/2018
	EUR '000	EUR '000
EQUITY AND LIABILITIES		
Capital and reserves		
Issued capital and share premium	213 360	142 146
Other reserves	(6 395)	(4 227)
Accumulated losses	(72 324)	(63 155)
	134 641	**74 764**
Non-controlling interests	**-**	**168**
TOTAL EQUITY	**134 641**	**74 932**
Non-current liabilities		
Borrowings	153 216	225 793
Retirement benefit obligation	26	26
Deferred tax liabilities	10 742	11 804
Provisions	-	-
Contract liabilities	22 178	18 302
	186 162	**255 925**
Current liabilities		
Trade and other payables	53 666	81 669
Current tax liabilities	2 525	1 114
Borrowings	6 477	9 988
Contract liabilities	54 243	48 339
Other financial liabilities	143	41
	117 054	**141 151**
TOTAL LIABILITIES	**303 216**	**397 076**
TOTAL EQUITY AND LIABILITIES	**437 857**	**472 008**

Unaudited

Interim consolidated statement of changes in equity for the quarter ended 30 September 2019

Interim consolidated statement of changes in equity

	Share Capital	Share Premium	Equity-settled employee benefits reserve	Foreign currency translation reserve	Retained Earnings	Attributable to owners of the parent	Non-controlling interests	TOTAL
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Balance at 31 December 2018	**2**	**142 144**	**5**	**(4 232)**	**(63 155)**	**74 764**	**168**	**74 932**
Accumulated losses	-	-	-	-	(9 169)	(9 169)	(168)	(9 337)
Other comprehensive income for the year, net of income tax	-	-	-	(2 168)	-	(2 168)	-	(2 168)
Issue of share capital or share premium	-	71 214	-	-	-	71 214	-	71 214
Balance at 30 September 2019	**2**	**213 358**	**5**	**(6 400)**	**(72 324)**	**134 641**	**-**	**134 641**

Unaudited

Interim condensed consolidated statement of cash flows for the quarter ended 30 September 2019

Interim condensed consolidated statement of cash flows

	YTD 2019	YTD 2018
	EUR '000	EUR '000
Profit / (loss) for the period	**(9 337)**	**(12 315)**
Adjustment for:		
Income tax recognized in profit or loss	1 670	1 123
Finance cost recognized in profit or loss	8 628	15 512
Depreciation, amortization and impairment of assets	10 224	8 694
	11 185	**13 014**
Movements in working capital:		
(Increase)/decrease in trade debtors	8 680	20 981
(Increase)/decrease in inventories	557	(116)
(Increase)/decrease in other operating assets	(4 043)	1 613
Increase/(decrease) in trade creditors	(27 020)	(29 872)
Increase/(decrease) in other operating liabilities	9 795	(4 846)
Increase/(decrease) in provisions and retirement benefit obligation	(25)	(61)
Cash generated from operations	**(871)**	**713**
Income taxes paid	**(1 088)**	**(1 331)**
Net cash generated by operating activities	**(1 959)**	**(618)**
Cash flow from investing activities:		
Payment for acquisition of subsidiary, net of cash acquired	(746)	(171)
Payment for intangible assets other than goodwill, customer relations and tradenames	(833)	(485)
Payments for property, plant & equipment	(1 511)	(660)
Interest received	105	72
Net cash (used in)/generated by investing activities	**(2 985)**	**(1 244)**
Cash flow from financing activities:		
Interest paid	(6 719)	(5 418)
Proceeds/(repayments) of borrowings	(1 500)	(5 342)
Repayments of lease liabilities	(3 610)	(1 467)
Other financial cost paid	(207)	(4 840)
Net cash (used in)/generated by financing activities	**(12 155)**	**(17 067)**
Net increase/(decrease) in cash and cash equivalents	**(17 099)**	**(18 929)**
Cash and cash equivalents at the beginning of the period	20 403	23 856
Effects of exchange rate changes on the balance of cash held in foreign currencies	(177)	(205)
Cash and cash equivalents at the end of the period	**3 127**	**4 722**

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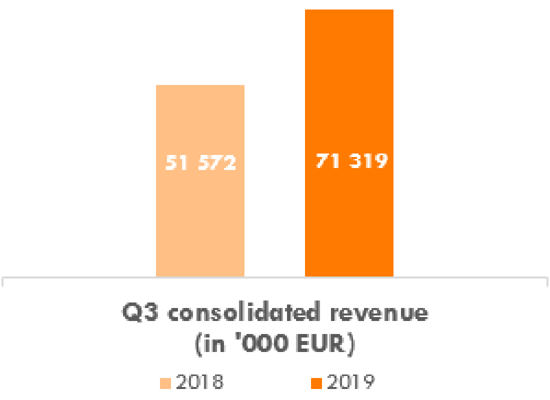
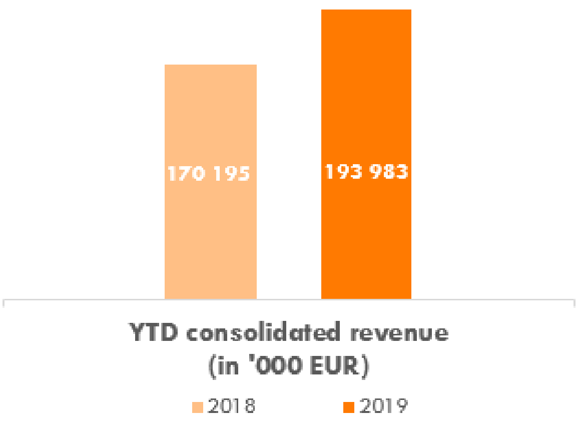
1 Explanatory notes

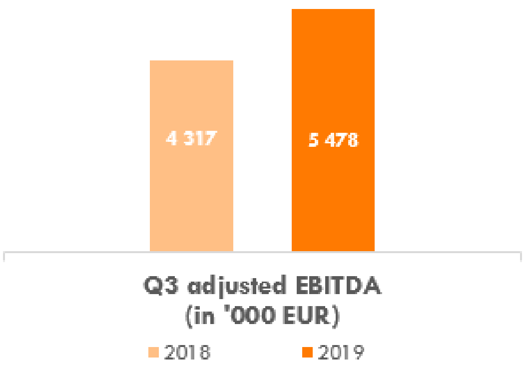
1.1 Financial highlights

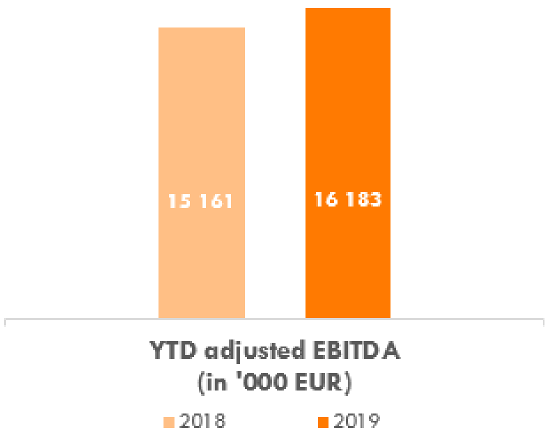
1.1.1 Comparison of 2018 and 2019 consolidated revenues in the quarter and year to date





1.1.2 Comparison of 2018 and 2019 adjusted EBITDA in the quarter and year to date





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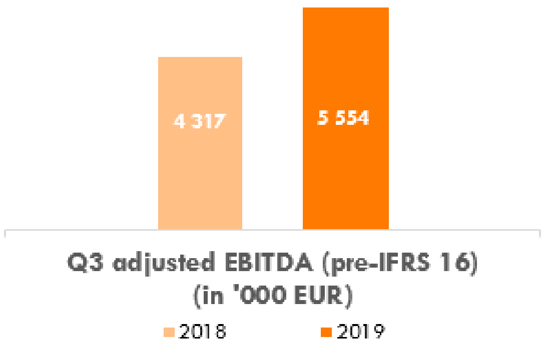
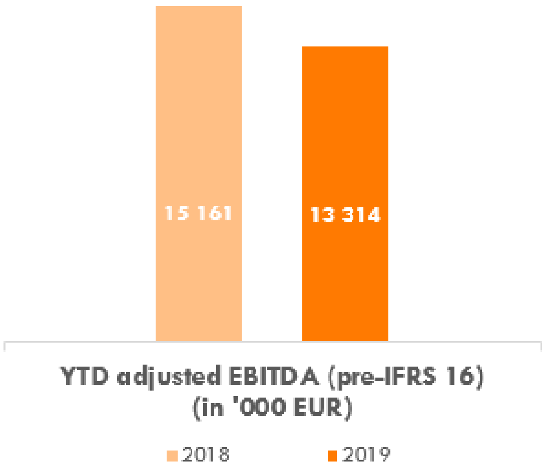
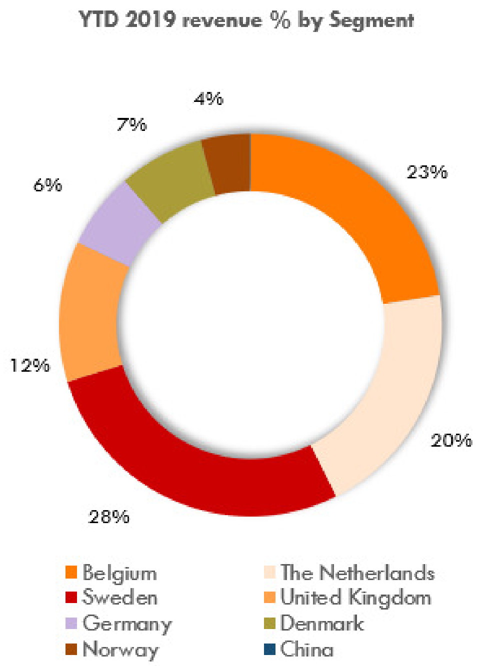
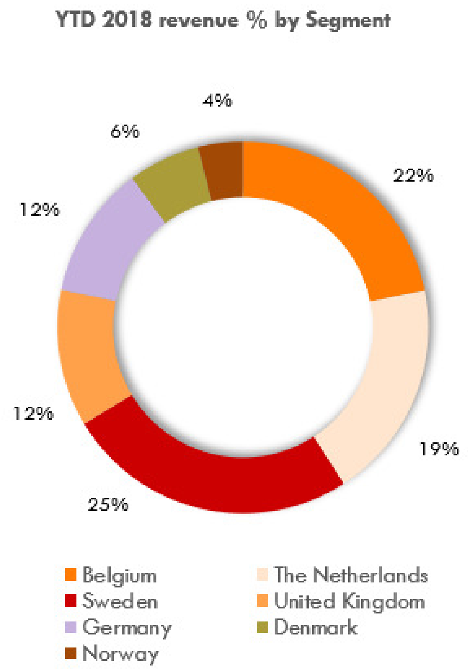




1.1.3 Comparison of 2018 and 2019 revenue percentage by segment year to date





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1.2 Comments on financial highlights

1.2.1 Financial results

Highlights for the quarter

Revenue of the third quarter of 2019 exceeds revenues of the third quarter of 2018 by 38,3%. Whilst maintenance and MSS service revenue keeps showing high single digit growth, product revenue in the third quarter surged as expected after a softer second quarter.

Revenue for the quarter consists of product sales of €38 457 thousand, maintenance support services and managed security services for €25 682 thousand, professional consulting services for €7 075 thousand and other revenue for €105 thousand.

The adjusted EBITDA pre-IFRS 16 (see note 1.3.2 adjusted EBITDA reconciliation) for the third quarter of 2019 amounts to €5 554 thousand compared to €4 317 thousand for the third quarter of 2018, an increase of 28,7% following the significant increase in revenue whilst the Group continues in making investments in human resources.

Year-to-date highlights

Total year-to-date revenue of 2019 amounts to €193 983 thousand, an increase of 14,0% compared to prior year. Excluding the negative effect of denominating SEK and GBP Revenue in EUR, revenue growth amounted to 14,6%. Product revenue increased by 22,9% compared to the same period in 2018. Maintenance and managed security services revenue as well as consultancy services revenue continue to show healthy growth of 8,8% and 3,6% respectively.

The year-to-date adjusted EBITDA (see note 1.3.2 adjusted EBITDA reconciliation) amounts to €16 183 thousand compared to €15 161 thousand for the same period in 2018. When excluding the impact of IFRS 16 on adjusted EBITDA, the year-to-date adjusted EBITDA (pre-IFRS 16) amounts to €13 314 thousand compared to €15 161 thousand for the same period in 2018. Although the adjusted EBITDA (pre-IFRS 16) for the third quarter of 2019 has increased significantly compared to the third quarter of 2018, the year-to-date decrease in adjusted EBITDA (pre-IFRS 16) relates primarily to the continuing investments in human capital to drive sustainable future growth.

The Company reported a year-to-date loss for the period of €9 337 thousand, mainly as a result of the amortization of tangible and intangible asset of €10 224 thousand and accrued/capitalized interest on shareholder loans, both non-cash transactions.

Comment on the statement of cash flows

Cash conversion rates for the first three quarters of the year are traditionally lower than full year conversion rates as certain recurring selling, general and administrative expenses are paid upfront for the full year and employee bonus plans are paid out during the first quarter of the year. Year-to-date 2019, cash generated from operations amounted to minus €871 thousand compared to €713 thousand during the same period of 2018. The adjusted EBITDA did not convert into operational cashflow of the same amount due to negative net working capital changes. Year-to-date 2019, the net change in trade debtors and creditors had a negative effect on net working capital of €18 340 thousand. There are no structural changes in average number of days outstanding of both accounts receivable and payable invoices and the net change in trade debtors and creditors is considered as a temporary difference.

1.2.2 Capital risk management and Liquidity

The Group believes that the monitoring of capital is relevant to the understanding of the Group's financial performance. The Group monitors capital using a ratio of adjusted equity to total equity and liabilities (as shown in the statement of financial position). Adjusted equity comprises all components of equity and includes loans form related parties.

The Group seeks to maintain a healthy balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security offered by a sound capital position.

The Group's total equity and liabilities to adjusted equity ratio is presented as follows:

Capital risk management

	30/09/2019	31/12/2018
	EUR '000	**EUR '000**
Solvability ratio		
Equity	134 641	74 932
Add: loans from related parties	-	72 251
Total adjusted equity	**134 641**	**147 183**
Total equity and liabilities	**437 857**	**472 008**
SOLVABILITY RATIO	**31%**	**31%**

The solvability ratio as per 30 September 2019 compared to year end 2018 is mainly impacted by the decrease in balance sheet total and the total comprehensive loss for the period, impacting total adjusted equity. During the second quarter of 2019, shareholder loans amounting to €71 214 thousand were contributed to equity which caused the movement between equity and loans from related parties presented within total adjusted equity.

Management measures liquidity risk by measuring how well the company can repay current liabilities with the existing current assets. The total of current liabilities and current assets considered in the calculation of the liquidity ratio excludes short term contract liabilities (deferred revenue) and short-term prepayments (deferred cost of goods sold) as these balance sheet positions are no financial instruments and will never have a cash flow effect in the future. Changes in these balance sheet positions only result in profit or loss effects without any actual effect on cash flows. Management also deducts inventory to calculate the liquidity ratio as it considers inventory as an illiquid asset.

The liquidity ratio is calculated as follows:

Liquidity risk management

	30/09/2019	31/12/2018
	EUR '000	EUR '000
Liquidity ratio		
Total current assets	**103 794**	**126 591**
Corrections for non-monetary items and illiquid items:		
Short term prepayments (Deferred cost of goods sold)	(36 108)	(37 172)
Inventories	(1 640)	(2 199)
Total adjusted current assets	**66 046**	**87 220**
Total current liabilities	**117 054**	**141 151**
Corrections for non-monetary items:		
Short term contract liabilities (Deferred revenue)	54 243	48 339
Total adjusted current liabilities	**62 811**	**92 812**
LIQUIDITY RATIO	**105%**	**94%**

The liquidity ratio increased from 94% at year end 2018 to 105% at the end of the September 2019.

1.2.3 Personnel

The company's main assets are its people. The company continues to invest in the growth of its expert salesforce and its consulting teams. These investments require careful timing as the investment in the expert workforce usually takes between 6 and 12 months to start paying back. On 31 December 2018, the Company employed 679 FTE. On 30 September 2019, the number of employees had increased to 722 FTE, an annualized increase percentage of 8,4%, of which almost all new employees relate to sales and operational functions in order to sustain future business growth.

1.3 Segment reporting and explanatory notes

1.3.1 Revenue segment reporting

The Group's activities are principally related to cybersecurity. As such, the Group has only one business segment as its primary reporting segment. The Group operates in various countries. Information reported to the chief operating decision makers (CODM) for the purpose of resource allocation and assessment of segment performance focuses on the country-by-country financial information, which is provided to the chief operating decision makers on a monthly basis. The geographical segment is the Group's secondary reporting format. Geographical segment information is reported based on the country in which the revenue is generated and excludes any inter-segment revenues.

Geographical segment Revenue Reconciliation

	Quarterly revenue			Year to date revenue		
	Q3 2019	Q3 2018	Change	YTD 2019	YTD 2018	Change
	EUR '000	EUR '000	%	EUR '000	EUR '000	%
Belgium	15 093	11 676	29,3%	43 631	37 078	17,7%
The Netherlands	13 510	11 066	22,1%	39 051	32 414	20,5%
Sweden	20 541	11 971	71,6%	53 542	43 346	23,5%
United Kingdom	9 055	6 374	42,1%	23 094	20 273	13,9%
Germany	4 352	4 147	4,9%	12 553	19 661	(36,2)%
Denmark	6 105	3 839	59,0%	14 003	10 674	31,2%
Norway	2 613	2 491	4,9%	7 995	6 620	20,8%
China	50	9	475,9%	114	129	(11,6)%
Total	**71 319**	**51 572**	**38,3%**	**193 983**	**170 195**	**14,0%**

The revenue comprises the following categories:

Revenue by product category

	Quarterly revenue			Year to date revenue		
	Q3 2019	Q3 2018	Change	YTD 2019	YTD 2018	Change
	EUR '000	EUR '000	%	EUR '000	EUR '000	%
Products	38 457	20 077	91,5%	91 432	74 375	22,9%
Maintenance and MSS services	25 682	24 030	6,9%	76 759	70 529	8,8%
Consultancy services	7 075	7 182	(1,5)%	24 735	23 872	3,6%
Other revenue	105	283	(62,9)%	1 057	1 419	(25,5)%
Total revenue	**71 319**	**51 572**	**38,3%**	**193 983**	**170 195**	**14,0%**

The timing of revenue recognition for the different categories can be summarized as follows:

Timing of revenue recognition

	Quarterly revenue			Year to date revenue		
	Q3 2019	**Q3 2018**	**Change**	**YTD 2019**	**YTD 2018**	**Change**
	EUR '000	**EUR '000**	%	**EUR '000**	**EUR '000**	%
Products	38 457	20 077	91,5%	91 432	74 375	22,9%
Other revenue	105	283	(62,9)%	1 057	1 419	(25,5)%
Total revenue recognized at a point in time	**38 562**	**20 360**	**89,4%**	**92 489**	**75 794**	**22,0%**
Maintenance and MSS services	25 682	24 030	6,9%	76 759	70 529	8,8%
Consultancy services	7 075	7 182	(1,5)%	24 735	23 872	3,6%
Total revenue recognized over time	**32 757**	**31 212**	**5,0%**	**101 494**	**94 401**	**7,5%**
Total revenue	**71 319**	**51 572**	**38,3%**	**193 983**	**170 195**	**14,0%**

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1.3.2 Adjusted EBITDA reconciliation

The company measures its financial performance for management purposes on adjusted EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization, non-recurring SG&A expenses and impairment). Adjusted EBITDA is not a defined performance measure in IFRS. The Group's definition of adjusted EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities.

Below, a reconciliation is presented between the loss for the period and adjusted EBITDA:

Adjusted EBITDA Reconciliation

	Quarterly adjusted EBITDA reconciliation			Year to date adjusted EBITDA reconciliation		
	Q3 2019	**Q3 2018**	**Change**	**YTD 2019**	**YTD 2018**	**Change**
	EUR '000	**EUR '000**	%	**EUR '000**	**EUR '000**	%
Total adjusted EBITDA	**5 478**	**4 317**	**26,9%**	**16 183**	**15 161**	**6,7%**
Reconciling items						
IFRS 16 operating expense correction	76	-		(2 869)	-	
Total adjusted EBITDA (pre-IFRS 16)	**5 554**	**4 317**	**28,7%**	**13 314**	**15 161**	**(12,2)%**
Reconciling items						
Add back: IFRS 16 operating expense correction	(76)	-		2 869	-	
Non-recurring SG&A expenses	(3 436)	(743)		(4 998)	(2 147)	
Amortization, depreciation and Impairment	(2 634)	(2 994)		(10 224)	(8 694)	
Finance cost (net)	(1 786)	(5 401)		(8 628)	(15 512)	
Income tax	(907)	87		(1 670)	(1 123)	
PROFIT / (LOSS) FOR THE PERIOD	**(3 285)**	**(4 734)**		**(9 337)**	**(12 315)**	

1.3.3 Seasonality of the business

The Group is heavily dependent upon successful sales during the final quarter of the year. Sales tend to peak in December. This usually results in higher revenues and adjusted EBITDA in the fourth quarter compared to all previous quarters in the year.

1.3.4 Dividend

No dividends were distributed in the quarter and no dividends were distributed throughout the year.

1.3.5 Loans and borrowings

Total borrowings can be summarized as follows:

Borrowings

	30/09/2019	31/12/2018
	EUR '000	**EUR '000**
Unsecured - at amortized cost		
Loans from related parties	-	72 251
Finance and operating lease liabilities	11 923	16 509
Other loans	80	63
	12 003	**88 823**
Secured - at amortized cost		
Bank loans		
Bond	147 690	146 958
	147 690	**146 958**
Total Borrowings	**159 693**	**235 781**
Current	6 477	9 988
Non-current	153 216	225 793
Total Borrowings	**159 693**	**235 781**

During the second quarter of 2019, shareholder loans amounting to €71 214 thousand were contributed to equity which explains the decrease in loans from related parties.

1.3.6 Subsequent events

On the 7th of May 2019, Orange signed an agreement to acquire all the shares of SL Bidco B.V. On the 8th of July 2019, the transaction was successfully completed by SL Midco BV, selling SL Bidco BV to Orange. An estimate of the financial effect of this transaction can still not be made by management at this point, but certain advisory, legal, rebranding and other cost provisions have been incurred and are still expected to be accounted for in the fourth quarter of 2019 and 2020 to realize the identified synergies of the business combination.

2 Notes to the reader

2.1 Introduction

The interim financial statements present the Company's results for the third quarter of 2019. It provides a quarterly and year to date business and financial review including relevant notes.

2.2 Presentation of information

The financial information contained in these interim consolidated financial statements has been prepared in accordance with EU IFRS. If applicable, the Company has disclosed the application of new and revised IFRSs, prepared additional reconciliations of its equity and total comprehensive income with prior reported financial information according to IFRS and has included a set of changed accounting policies applied.

The financial information included in this document has not been audited or reviewed by the external auditor of the Group.

This report is presented in euros (EUR), which is the Company's presentation currency, rounded to the nearest thousand (unless otherwise stated).

2.3 Disclaimer & cautionary statement

The Company has included in this document, and from time to time may make certain statements in its public statements, that may constitute "forward-looking statements". This includes, without limitation, such statements that include the words "expect", "estimate", "project", "anticipate", "should", "intend", "plan", "probability", "risk", ""target", "goal", "objective", "will", "endeavour", "outlook", "optimistic", "prospects" and similar expressions or variations of such expressions. In particular, the document may include forward-looking statements relating but not limited to the Company's potential exposures to various types of operational, credit and market risk. Such statements are subject to uncertainties.

Forward-looking statements are not historical facts and only represent the Company's current views and assumptions regarding future events, many of which are by nature inherently uncertain and beyond the Company's control. Factors that could cause actual results to deviate materially from those anticipated by forward-looking statements include, but are not limited to, macroeconomic, demographic and political conditions and risks, actions taken and policies applied by governments and their agencies, financial regulators and private organisations (including credit rating agencies), market conditions and turbulence in financial and other markets, and the success of the Company in managing the risks involved in the foregoing.

Any forward-looking statements made by the Company are current views as at the date they are made. Subject to statutory obligations, the Company does not intend to publicly update or revise forward-looking statements to reflect events or circumstances after the date the statements were made, and the Company assumes no obligation to do so.

3 Application of new and revised IFRSs

New IFRS issued but not yet effective

There are no standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

New IFRS effective as from 2019

IFRS 16 Leases

The Group was required to adopt IFRS 16 Leases as from 1 January 2019. The impact of the application of the new lease standard under IFRS has been disclosed in the Interim consolidated financial statements for the quarter ended 31 March 2019. The adjustment does not have an impact on the Adjusted EBITDA (pre-IFRS) as reported in note 1.3.2 of this report.