DOLPHIN INTEGRATION ANNOUNCE THEIR SEMESTER RESULTS ON SEPTEMBER 30, 2017

Grenoble, December 22, 2017.
On this calendar year-end 2017, the company presents its fiscal mid-year financial statements on September 30, 2017, and their perspectives.

Semester results on September 30, 2017

In k€ - project of consolidated accounts (*)	**Semester ended on 30/09/17** *6 months (*)*	**Semester ended on 30/09/16** *6 months (*)*	**Fiscal year ended on 31/03/17** *12 months (audited)*
Consolidated Sales Turnover	8,692	6,706	15,098
Operating Earnings................................	(580)	(2,491)	(2,104)
Financial Earnings..................................	(443)	(125)	(219)
Current Earnings of integrated subsidiaries	(1,022)	(2,616)	(2,322)
Exceptional Earnings	(86)	(56)	(683)
Taxes on Profits	(35)	(190)	(426)
Research Tax Credit...............................	981	981	2,143
Net Earnings (part of the Group)..........	(161)	(1,881)	(1,289)
Net Margin	(2%)	(28%)	(8.5%)
Net base Earnings per share (in €)........	(0.12)	(1.40)	(0.96)
Total Capital……………………...	13,888	13,336	13,965
Net Gearing...	34.1%	38.9%	33.1%
Cash position	241	(61)	142
Gross Cash Flow (1)…………………...	312	(1,004)	(245)

(*) non audited accounts
(1) Gross Cash Flow is computed from the net result, retreated for immobilized production, provisions and amortizations.

Complete data on the financial statements shall be available on the company's web-site www.dolphin.fr and on the Euronext web-site www.euronext.com as of January 8, 2018.

It should be noted that the company's business model is based on the one hand on the sales turnover for ASIC integration services, plus their revenue for real component supply, and on the other on the sales turnover for software and virtual components, so-called "Silicon IP", plus their usage royalty fees.

Significant facts over the period

The semester sales turnover has been increased by +2 M€ to 8.7 M€, i.e. +29% with respect to the same period of last year (and +3% with respect to the second semester of 2017), with:

- an increase of +100% of deliveries for activities of ASIC/SoC design (integrated circuits) to 5.1 M€

- a decrease of 24% of deliveries for activities of product design called «silicon IPs» to 2.9 M€ due to the transfers of resources

- an increase of 124% of projects funded in the frame of collaborative programs to 0.7 M€, noticeably thanks to a new program of the Israeli subsidiary.

The company is experiencing an acceleration of the development of the integration activity for custom circuits, for industrial needs as well as for customers in the mil-aero domains. The fall-out as sales of real components is expected to occur progressively over the next 3 years.

The net result is increased by +1.7 M€ to -0.2 M€ over this first semester, with respect to the same period of last year (-0.8 M€ with respect to the second semester 2017) and the operating result has reached -0.6 M€, versus respectively -2.5 M€ et +0.4 M€ during the first and second semesters of last year.

Gross Cash Flow continues its recovery at +0.3 M€, versus respectively -1 M€ and +0,8 M€ during the first and second semesters of last year. The excessive quarterly fluctuations of the sales turnover only betray that the enterprise has not reached yet its "critical size".

Key Facts after closing and Continuity of Operations

Activity

The improvement of the situation is effective, but the cash position has not followed because of the lag-time of some order taking. Later than the closing of September 30, the cash position has declined which has not allowed to continue the resorption of previous debts which has led the company to solicit the Commission of Financial Service Managers (CCSF) for a moratorium on social and fiscal debts to the amount of 1.8 M€. This moratorium has been granted on December 11, 2017, for a spread period of 18 months staring in December 2017.

Therefore on the date of closing of accounts, the lagging payments for suppliers' debts and social and fiscal debts respectively amount to 0.8 M€ and 2.6 M€ (versus 1.5 M€ and 1.8 M€ respectively, on the date of closing of 2017 accounts). As for fiscal and social debts, 2.2 M€ concern moratoriums, granted and in effect, in particular the one granted by the CCSF.

The company's capability to cancel its lag-time in payment schedules and to continue its activity relies on:

- the realization of the budget for the FY-18 fiscal year with a recovery of its profitability and in the very short term securing the orders of some of the Group's long-standing customers, allowing the quick collection of down payments and payments on invoices,
- its ability to maintain its present sources of funds and to manage its collection (noticeably down-payments) and disbursements for facing the monthly cash vagaries until the return to a lasting situation of excess cash surplus,
- implementing mid-term solutions for mid-term reinforcement of its operating capital for funding its growth, in the context of support for sovereign activities.

Forecasts

Concerning the forecasts for the current fiscal year F-18 (to be closed on March 31, 2018), the Purchase Order Portfolio already taken on the date of closing of the financial accounts represents 79 % of the budgeted sales turnover (75% last year over the same period), and in particular 100% of the budgeted sales turnover on our activities of integration and supply of ASICs, where the sales cycle is the longest.

In order to reach its budget, the corporate priority remains the realization of a plan for profitability improvement, in conformity with the business plan for growth.

For preparing a first stage of fundraising, the corporation has convened a General Assembly on October 19, 2017 which has authorized the issue of convertible bonds to support the recovery of the company by providing the means necessary for its growth. The corporation plans to complete this first stage by submitting, on an extraordinary basis, at the next General Assembly, the resolutions to delegate to the Board of Directors the option of increasing the corporate capital. In this context, and in response to the pursuit of the alert procedure of our statutory auditors, the General Assembly shall deliberate on the facts exposed herein above.

Governance

To drive this transition to success, the company recalls that it had in the Spring deeply renewed its Board of Directors, with the entry of representatives of industry from its ecosystem (Gorgy Timing, Soitec and MBDA). The company has also contracted for the recruiting process of a new CEO, who might join the present management team during the first 2018 semester and be rapidly operational for implementing its Growth Plan.

For the board of directors, the chairman

About Dolphin Integration

Founded in 1985, the company is a technological leader acknowledged in the industry of design in microelectronics for products with low power consumption.
It has experienced 30 years of R&D, protected by a score of patents and by proprietary EDA solutions, so as to offer within a short deadline new standard or custom products, for both consumer applications and markets of industry and aeronautics.
Its headquarters are in Meylan in the region of Grenoble, in Laval, Québec and in Netanya, Israel. It today counts 196 employees including 160 engineers and scientists.

The corporation confirms its respect of the eligibility criteria of Saving Plans for SBEs, as specified by the application decree of March 4, 2014 (# 2014-283).

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