

## **DOLPHIN INTEGRATION REPORTS ON THE FINANCIAL SITUATION OF THE COMPANY AND THE AVAILABILITY OF DOCUMENTS FOR THE FEBRUARY GENERAL ASSEMBLY**

Grenoble, January 11, 2018.

The present communication makes explicit the perspectives of operating continuity in view of the fast pace of initiatives and the diversity of information published.

### **Special report of the statutory auditors**

Our statutory auditors, in their special alert report published on the company's web site ([www.dolphin-integration.com](http://www.dolphin-integration.com)), have continued their alert procedure on 19 December 2017 by concluding on "the complexity and gravity of the situation likely to call into question the continuity of the operation".

### **Date of the general mixed assembly**

We have invited the general meeting of shareholders on February 8 to consider the following items on the agenda:

- appointment of a new CEO in the person of Mr. Christian Dupont;
- alert procedure initiated by our statutory auditors: explanations concerning the continuity of operations;
- presentation of the progress of the business, since the closing of the half-year financial statements dated December 19, 2017
- delegation of authority to the Board to carry out capital increases.

The required documents have been published in due time on the company's website: [www.dolphin-integration.com](http://www.dolphin-integration.com) under "Shareholders Information" and in the "General Assembly" sub-section.

### **Statement of the financial position of the company**

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.

As announced in its previous communications, 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".

### 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 starting in December 2017.

Therefore on the date of closing of accounts on December 19, 2017 which has proceeded in the absence of statutory auditors for reason of sickness, 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 on December 11, 2017.

In this context described in their special alert report published on the company's website ([www.dolphin-integration.com](http://www.dolphin-integration.com)), our statutory auditors have continued their alert procedure on the same day of December 19, 2017 concluding on "the complexity and seriousness of the situation likely to call into question the continuity of the exploitation".

In response to it, the Corporation has convened its general assembly on February 8, 2018 to deliberate on the facts set out herein above and in their report. The calling and the draft resolutions are also published on the company's website.

Indeed the new fact expected since the board meeting on December 19 in the form of an advance payment on some purchase order has re-established the cash situation rendering obsolete the gravity of the alert report.

### Risk of liquidity to date and solutions

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

- the realization in process of the budget for the current 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,
- the continuation of its reinforcement in Marketing and Sales with the arrival of new managers started some months ago,
- the ability to maintain its present sources of funds and to manage its collection (noticeably down-payments and pre-financing of Research Tax Credit for 0.8 M€ on



February 1st) 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.

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.

#### 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.

#### 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 recruited the new CEO, who can join the current management team and be quickly operational for implementing its growth plan, as he will be elected director by the general assembly of February 8, 2018.

### **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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