

## 2010 annual earnings announcement

### Renewed profitability in the second half-year

### Strong impact of allowance for impairment on annual result

Lyon, 29 March 2011 — **ARKOON NETWORK SECURITY** is a leading player in the end to end security solutions market, focussing on network security, communications, data and end point protection. The company is listed on the Paris NYSE Alternext stock market.

#### Business: ARKOON NETWORK SECURITY returns to growth in the second half-year.

Turnover for the full financial year rose by 2.3%, standing at €9,942K:

- "FAST" Network Security contributes €6,012K to aggregate turnover
- "SECURITY BOX" Data Protection represents €3,264K
- Other products complete the picture with €666K

Recurring turnover from maintenance contracts, software updates and subscriptions to security services represents 51% of total business for the year.

For 2010, turnover for the second half-year, up by 25% compared with the first half-year, represents 56% of aggregate annual revenue.

#### Performance: upswing in profit for second half-year despite a loss for the full period

Regained development dynamics enabled ARKOON NETWORK SECURITY to generate profit in the second half of the year.

Nonetheless, business was slack in the first half-year and a competitive market exerted negative sales price pressure, both taking their toll on 2010 performance. Conversely, action to reduce organisational costs gave positive results in the second half of the year (€1m savings for a full year).

#### *Simplified income statement prior to the impact of SkyRecon restructuring activity and impairment allowance*

In K€	1H 10	2H 10	Total 2010	Total 2009
Turnover	4,413	5,529	9,942	9,718
Ebitda	-452	1,070	618	643
Ebit	-1,463	79	-1,384	-1,263
Net income before impairment allowance	-1,084	519	-565	-1,107

A Research Tax Credit representing €744K is incorporated in its annual result. ARKOON NETWORK SECURITY maintained a strong innovation policy throughout the year with aggregate R&D expenditure standing at €3,185K i.e. 32% of turnover.

#### Impact of SkyRecon restructuring and impairment allowance on accounts as at 31.12.2010

Due to a tense financial situation, SkyRecon Systems was subject to heavy restructuring when acquired in November 2009.

According to the conservatism principle, ARKOON NETWORK SECURITY decided to make allowance for the entire financial impact of this subsidiary in its financial statements for the year ended 31.12.2010.



A total impairment allowance of €4,329K was recognised in financial result for equity interests and ARKOON contributions to the current account of its subsidiary SkyRecon, and a €474K allowance for SkyRecon accounts receivable was booked under extraordinary result.

**Net income taking account of SkyRecon**

In K€	2010	2009
Net income before impairment allowance	-565	-1,107
Financial result	-4,271	37
Extraordinary result	-457	-769
Net income after impairment allowance	-5,368	-1,108

Following drastic measures to bring its operating expenses in line with its business, SkyRecon has now entered the turnaround process.

**ARKOON NETWORK SECURITY has a very healthy balance sheet structure**

Despite annual losses as at 31 December 2010, ARKOON NETWORK SECURITY has a sturdy financial structure with €8,129K shareholders' equity, €2,181K available cash in addition to €850K unused cash credit, and €789K financial debt, i.e. only 9,67% of its equity.

This cash position was bolstered at the beginning of 2011 with €700K in contributions from a historical shareholder.

**A brighter outlook expected for 2011**

Renewed investment in network security, beginning late 2010, seems to be confirmed.

FAST V5 and the launch of new products are set to drive Network Security dynamics this year.

In the field of data protection, the company intends to finalise major technological and commercial agreements with key historical clients.

The media coverage given to recent attacks compromising computer systems may help to raise awareness of infrastructure and data protection issues among private businesses and public organisations.

Against this backdrop, 2011 trends should be more favourable than those recorded for 2010. Performance should also be boosted by the action implemented to lower structural costs.

Furthermore, the company has launched a vast programme to raise the level of Common Criteria certification for its products as a guarantee of performance and quality.

*The above figures were approved by the ARKOON NETWORK SECURITY Executive Board and presented to the Supervisory Board meeting held 24 March 2011. The auditing procedure has been conducted and an auditors report will be issued once the diligences has been finalised, as required for publication of the annual financial report.*

**Next publication: 19 July 2011, for turnover generated in the first half-year of 2011**



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**About Arkoon Network Security** 

As a recognised pioneer in IT infrastructure protection, Arkoon ([www.arkoon.net](http://www.arkoon.net)) has made the commitment to offer the appropriate certified solutions for the protection of sensitive data and infrastructures.

Arkoon solutions are incorporated into the protection system of the client organisation, regardless of its size, thereby providing a cost-effective response to its security objectives.

Arkoon protects information, communications, infrastructures and computers with a range of complementary solutions:

- Security BOX software suite, preserving the confidentiality, integrity and authenticity of any information stored or shared within the organisation, as required, whether between PCs or a PC and a smartphone. Security BOX encryption is certified Common Criteria EAL4+.
- FAST360 appliance range, integrating native Fast Applicative Shield Technology (FAST), patented by Arkoon, to protect infrastructures and communications. FAST360 is certified Common Criteria EAL2+.
- Stormshield software application, designed and marketed by SkyRecon, a subsidiary of Arkoon specialising in behavioural security software solutions, offers comprehensive protection for the system, applications and data on any desktop or laptop computer.

Founded in 2000, its registered office situated in Lyon, Arkoon Network Security is listed on the Paris NYSE Alternext market. Its solutions are marketed all over the world through a network of certified partners and subsidiaries. A large majority of Arkoon's clients are formed of companies listed on Eurostoxx 100, public bodies and thousands of medium-sized enterprises. Arkoon solutions are rolled out in more than 60 countries.

**Arkoon Network Security has OSEO "Innovative Enterprise" certification and has been distinguished as a member of the OSEO Excellence network composed of 2,000 companies.**



**ISIN code:** FR0010481101 – **ALARK - Website:** [www.arkoon.net](http://www.arkoon.net)

