

22 August 2018

**ASX Announcement**  
**ETHERSTACK PLC [ASX:ESK]**  
("Etherstack" or the "Company")

**Trading Update – H1 2018 Positive EBITDA & Operating Cashflow**

Etherstack is pleased to advise that the first half (H1) of FY2018 has seen improved financial results with both positive EBITDA and positive operating cashflow. The 30 June 2018 financial statements are currently in the process of review and the following comments are based upon unaudited/unreviewed information.

Highlights of the first half, ending 30<sup>th</sup> June 2018 include:

- **Revenue Increase:** H1 revenues of US\$1.9m, an increase of almost 13% over the corresponding period H1 2017
- **Positive EBITDA:** the Group had a positive EBITDA in H1 2018 of US\$131k, versus H1 2017 negative EBITDA of (US\$351k)
- **Strong Positive Cashflow:** operating cashflow was US\$865k during H1 2018, versus a negative in H1 2017 of (US\$888k), a turnaround of US\$1.75m. Strong operating cashflow has continued into H2 2018, with almost US\$1.4m in cash receipts in July 2018.
- **Debt Reduction:** operating cashflow have been applied to reducing borrowings with US\$277k of repayments in the first six months of 2018
- **Increased Recurring Revenues:** continued strong growth of 32% in recurring revenues during H1 2018 associated with long term support contracts on deployed networks that typically run for 10 years or more
- **New Government Contracts:** the Group was pleased to announce two new defence sector contracts totalling US\$2.1m in June 2018 which will be substantially recognised during H2 2018

Notwithstanding the positive EBITDA figures and strong positive cashflows, the result after tax is impacted by an \$877k non-cash charge for the amortisation of the intangible asset portfolio and this non-cash item will contribute to a net loss after tax for H1.

Management wishes to highlight that the amortisation charge in the H2 2018 will be smaller than the corresponding period in 2017, with the consequent positive impact on NPAT in H2 2018.

Historically, the second half (H2) consistently outperforms the first half each year, predominantly due to government spending cycles, and management expects a significantly improved H2 in 2018 in comparison to H2 in 2017 based on contracts in hand from established government and electric utility clients that are currently in the process of being delivered.

Etherstack CEO, David Deacon said, "Repeat government orders for our mission critical solutions combined with new sales of our cutting edge tactical communications products are having a lasting positive effect on our financials. We are building and delivering the right products."

## Enquiries

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## About Etherstack plc (ASX:ESK):

Etherstack is a wireless technology company specialising in developing, manufacturing and licensing mission critical radio technologies for wireless equipment manufacturers and network operators around the globe. With a particular focus in the public safety, defence, utilities, transportation and resource sectors, Etherstack's technology and solutions can be found in radio communications equipment used in the most demanding situations. The company has R&D facilities in London, Sydney, New York and Yokohama.