

WANdisco plc

(LSE: WAND)

Preliminary Results for the year ended 31 December 2012

- Strong progress in first year on AIM -
- Major IPO milestones met and solid foundations laid for future growth -

Financial Highlights

| | 12 months to 31 Dec 2012 \$ 000's | 12 months to 31 Dec 2011 \$ 000's | Year-on-Year Change % |
|------------------------------|---|---|-----------------------------|
| Cash bookings | 7,916 | 4,618 | +71 |
| Deferred Revenue | 6,368 | 4,466 | +42 |
| Revenue | 6,031 | 3,878 | +56 |
| Adjusted EBITDA ⁱ | (3,002) | 150 | |
| Net cash | 14,545 | 74 | |

i. Adjusted EBITDA is loss/profit before interest, tax, depreciation, amortisation, exceptional items and share based payments

Operational Highlights

- **Successful Admission to AIM:**
 - IPO successfully completed raising \$26m in significantly oversubscribed placing
- **Major IPO milestones met:**
 - Awarded US Patent for core Active-Active Data Replication technology
 - Footprint extended into China, with office established and first customers secured
 - Expansion of enterprise sales team, with key hires from IBM, HP and other global technology firms
 - Acquired AltoStor, accelerating product development for the fast-growing Hadoop Big Data market
 - Opened new development centre in Belfast, Northern Ireland to accelerate product delivery and development
- **New customers secured in multiple markets across multiple product sets:**
 - New customers include Apple; Cap Gemini; Cisco; Delta Systems; E-Signal; FINRA; Fujitsu; General Dynamics; Georgia Tech; Honeywell; Huawei; Huntington Bank; McAfee; Nokia; Penn State University; Pioneer Investments; Pitney Bowes; and Ricoh
- **Continued strong up-sell to existing customers:**
 - Additional subscription licenses purchased by Emerson; EMC; Fiserv; Hewlett Packard; John Deere; Prudential; Sherwin Williams; Syniverse; Wal-Mart; and Wells Fargo
 - Subscription renewal rate of 114 per cent including customers such as Cisco Systems; Disney; Juniper Networks; McGraw Hill; and Vanguard

Post period end Highlights

- **Strong financial momentum maintained:**
 - Q1 2013 cash bookings of \$3.035m, representing an increase of 96% year-on-year (Q1 2012: \$1.545m) and annualised subscription renewal rate of 134 per cent
- **Successful entry into Big Data market with new products, solutions and partnerships:**
 - Launched four Big Data products including WANdisco Distro, our first Big Data product and the foundation for WANdisco's range of enterprise Big Data solutions, and 'Non-Stop NameNode', our flagship solution
 - Filed three new additional US patents related to distributed computing with applications in Big Data
 - Established the Non-Stop Alliance Partner Program, with founding partners Hyve Solutions and SUSE
- **Maiden Big Data customer win:**
 - Tier 1 UK telecoms operator with operations in Britain and around the world purchases WANdisco Hadoop Console and Non-Stop NameNode

Commenting on the results, David Richards, Chairman and Chief Executive Officer said:

"We are incredibly pleased with the progress achieved since our IPO in June 2012. Our revenues have almost doubled during this period in a fast growing market and our results today are ahead of expectation. Our major investments in talented people and complementary IP during 2012 have enabled us to launch new products for the high growth Big Data market, which we believe ideally position WANDisco for long term sustained growth.

"We have delivered a tremendous start to 2013, securing another record quarter in Q1 where we saw 96% growth in bookings. We have seen significant interest in our new Big Data products where we see a very large market opportunity. We also continue to experience growth in the Software Development tools market where we are planning a number of new product initiatives. Based on this great momentum, we look forward to the future with confidence."

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All Group announcements and news can be found on <http://www.wandisco.com>

Chairman and CEO's Statement

Introduction

Following the IPO of the Company on 1 June 2012, the Group has consistently delivered on its commitments as a publicly traded company on the London Alternative Investment Market ("AIM"). Our initial aspirations, which were laid out as part of our admission to AIM, have been more than realised and we are excited about the prospects for sustained long term growth, which we believe are now greater than initially anticipated 11 months ago.

Delivering on our IPO commitments

At the time of the IPO the Group set out a number of short and medium term objectives, including two key targets, related to sales team expansion and extending the product range. Not only have these all been delivered, they have also occurred faster than originally planned.

Sales & Marketing Expansion

Prior to becoming a listed company WANdisco had operated with a small sales team, limiting resources to actively pursue the opportunities arising from the rapid success of WANdisco products within the Application Lifecycle Management ("ALM") market. The sales team has now been greatly enhanced with some key hires from companies that operate in adjacent markets and through the opening of a sales and support office in Chengdu, China.

We now boast a global sales team in excess of twenty staff, the majority of whom are in North America aligned to our largest market but with an increasingly international footprint. The result of this expansion is only partly reflected in the results here, but the 71 per cent growth in year-on-year bookings in 2012 serves to highlight the potential for further sales growth.

Product Development

During the second half of the year the Group broadened its product range through both investment in new software, such as the purchase of smartSVN, and through the recruitment of specialist talent by way of our acquisition of AltoStor on 16 November 2012.

Having identified a major growth opportunity through the application of WANdisco's patented 'active-active replication' technology within the Big Data market, the Group set about investing in complementary IP and expertise to develop new products for this fast growing market.

The acquisition of AltoStor and its founders, Dr. Konstantin Shvachko and Jagane Sundar, provided WANdisco with unrivalled expertise in Apache Hadoop – the proven open source Big Data technology which is the backbone of many of the world's largest and most important databases.

This investment in Hadoop expertise, in addition to our own in-house development capacity and the opening of the new cost effective development office in Belfast, gave us the ability to deliver our new portfolio of products for the Big Data market substantially ahead of schedule.

Employees

In line with our growth ambitions we have considerably expanded our employee base across both our main operating locations in Sheffield, United Kingdom and in San Ramon, United States. Our newly opened offices in Belfast, Northern Ireland and Chengdu, China have further added to the Group's wealth of expertise in software engineering and sales. We now have more than 100 employees across the globe and a strong culture which we believe will help us continue to attract employees of the highest calibre.

Focus and Opportunity

Since the year end, the growth potential of the Group has been highlighted further with the rapid launch of new products for use within the Big Data industry.

Independent analyst firm Wikibon has stated that the overall Big Data market reached \$11.4 billion in 2012, ahead of Wikibon's previous forecast. The Big Data market is projected to reach \$18.1 billion in 2013: an annual growth of 61 per cent. This puts it on target to exceed \$50 billion by 2017. That translates to a 33 per cent compound annual growth rate over the five-year period. Apache Hadoop is described by independent analyst firm IDC as the "de facto big data platform" and is used by companies such as Yahoo!, Facebook, Twitter, LinkedIn and many others.

This growth is fuelled by an increased awareness among enterprises that Big Data can yield huge benefits in many diverse markets, notably financial services, pharmaceuticals and retail. These mainstream markets require enterprise features such as high availability and disaster recovery.

By utilizing our core, patented DConE replication technology, which forms the basis of our products for the ALM market, and combining it with the unparalleled expertise that we now have within the Apache Hadoop community, we have been able to deliver a series of enterprise-ready Apache Hadoop products for Big Data.

The WANdisco Distro forms the foundation for the Group's enterprise-level Big Data products, and when combined with our Non-Stop NameNode product it guarantees availability for Apache Hadoop users.

In order to expand the possible routes to market for our new product suite, we have established the Non-Stop Alliance Partner Program to provide partners with the technology, resources, expertise and support for global Apache Hadoop deployments. Founding partners participating in the Non-Stop Alliance Partner Program include Hyve Solutions and SUSE.

As referenced in a separate announcement today, we are delighted to have secured our first customer win for our Big Data product. This customer – a Tier 1 UK telecom operator – has selected two WANdisco Big Data products, validating our decision to target this market.

First Quarter 2013 Trading Update (unaudited)

Underpinning our confidence for 2013 is the strong momentum we have witnessed in the business during the first quarter.

While delivery of new products to support Apache Hadoop has been progressing ahead of expectations, the growth of our Subversion Multisite products has also been better than expected. In the first quarter of 2013, bookings have risen by 96 per cent to \$3.035m when compared to the \$1.545m achieved in the same quarter last year.

Notable new customers signed in the first quarter included General Atomics, FutureWei (a division of Huawei), Société Générale and Maxim. In addition, the Group saw significant growth in existing customer accounts including Home Depot, Nokia, John Deere and McAfee, all of whom expanded their use of WANdisco products within their organisations.

The annualised renewal rate by booking value was 134 per cent. Renewals included Sony, McGraw Hill, Raytheon, Vanguard, Bord Gais and Blue Shield. When one particularly large increased renewal is excluded the underlying rate of renewal is 117 per cent.

Outlook

The rapid sales growth of our existing products, combined with the increased potential of our Big Data products, which launched ahead of schedule, means the Board expects to deliver higher customer bookings than initially anticipated in 2013. Our continued investment in our sales and development teams should help to accelerate growth further in the medium term. The reception that our Big Data products have received within this fast growing sector provides confidence of rapid adoption for highly critical applications. Consequently, the Board believes that sales in this area will be significant and will be delivered in the relatively short term.

Our rapid growth within the ALM market continues as a result of the widespread adoption of our DConE replication technology via our Subversion Multisite products. The Board looks to the future with confidence.

David Richards
Chairman and Chief Executive Officer

Financial Review

- Bookings increased by 71% to \$7.916m (2011: \$4.618m)
- Revenue increased by 56% to \$6.031m (2011: \$3.878m)
- Deferred revenue increased to \$6.368m (2011: \$4.466m)
- Net cash balances at year end of \$14.5m (2011: \$0.074m)

As our full year results highlight, the Group has experienced rapid growth in 2012. This growth is expected to continue as the products achieve wider adoption throughout both the software development community and the Big Data industry.

The admission of the company's shares to the Alternative Investment Market in London on 1 June 2012 was a transformational event, affording the Group an opportunity to raise significant amounts of financial resources which in turn gave the Group the capacity to expand its sales team and product base. New funds raised at the time of the IPO were \$23.2 million through the issue of 8,333,334 new ordinary shares at a placing price of 180 pence per share. In consequence, the Group is now broadly owned as to 50 per cent by the professional investing community and 50 per cent by employees and former employees of the company.

Immediately following the IPO, the cash available for investment was \$23.5 million. The table below demonstrates how these funds were utilised over the subsequent seven months to 31 December 2012.

Cash flows since IPO on 1 June 2012

| | \$'000 |
|---------------------------|---------------|
| Pre IPO cash | 253 |
| Cash raised from IPO | 23,197 |
| Syntevo software purchase | (1,000) |
| Altostor Acquisition | (1,500) |
| Cash receipts | 3,609 |
| UK Payroll costs | (2,374) |
| US Payroll costs | (3,572) |
| Operating working capital | (1,412) |
| IPO costs | (2,656) |
| Cash at year end | <u>14,545</u> |

Since the IPO there have been two significant corporate transactions. The investment of \$1.0 million in the smartSVN software products has proven to be advantageous in terms of broadening the Group's product offering for the ALM market. Furthermore, the \$4.9 million paid to the vendors of AltoStor Inc (of which \$1.5m was paid in cash immediately on completion) has been invaluable in terms of improving the Group's knowledge base of the Apache Hadoop technology, as well as rapidly accelerating our ability to launch products designed to overcome some of the major issues in the Big Data market place.

The AltoStor acquisition was partly funded through the issue of 525,910 new ordinary shares and \$1.5 million by way of cash. The cash consideration has been treated as initial purchase consideration, as well as \$0.8 million of the share consideration, of which \$0.3 million was made available to the vendors immediately on completion, and \$0.5 million was deferred. The balance of the amount paid to the vendors (\$2.6 million) is to be treated under IFRS 2 as a share based payment in the post acquisition period, due to the conditionality that attaches to the release of the shares to the vendors.

Four Year Record

| 31 December | 2009 \$'000 | 2010 \$'000 | 2011 \$'000 | 2012 \$'000 |
|--|----------------|----------------|----------------|----------------|
| Customer Bookings | 2,310 | 3,080 | 4,618 | 7,916 |
| Bookings Growth | N/a | 33% | 50% | 71% |
| Revenue | 2,476 | 2,984 | 3,878 | 6,031 |
| Revenue Growth | N/a | 21% | 30% | 56% |
| Deferred Revenue | 3,437 | 3,726 | 4,466 | 6,368 |
| Growth in Deferred Revenue | N/a | 8% | 20% | 43% |
| Net Cash | (163) | (554) | 74 | 14,545 |
| Operating Loss | (2,172) | (1,860) | (1,154) | (8,541) |
| Development costs and software amortised | 308 | 597 | 980 | 2,018 |
| Depreciation | 18 | 49 | 46 | 52 |
| Exceptional items | 6 | 204 | 205 | 2,656 |
| EBITDA before exceptional costs | (1,840) | (1,010) | 77 | (3,815) |
| Add back share based payment charges | 325 | 182 | 73 | 813 |
| Adjusted EBITDA before exceptional items | (1,515) | (828) | 150 | (3,002) |
| Capitalised development costs | 602 | 1,103 | 1,207 | 2,912 |

Note: Customer bookings in 2009 excludes one unusually large booking of \$3.25 million.

The subscription model for selling the Group's products has once again proved its worth in that each renewal gives us the opportunity to extend our engagement with our customers. This model also provides us with a high degree of confidence in terms of forecasting future revenues. As a result of cash bookings increasing year on year by 71 per cent, the balance on the deferred revenue account has also increased from \$4.466 million to \$6.368 million, a rise of 43%.

Revenue for the year was \$6.031 million, representing a 56 per cent increase over the prior year revenue of \$3.878 million.

During the year, as in previous years, the Group has invested substantially in new product development. This investment has contributed strongly to the growth in revenues and it is anticipated that such investment will continue. In the year ended 31 December 2012, the total capitalised development expenditure was \$2.912 million resulting in an intangible asset in the Statement of the Financial Position of \$2.454 million. This asset is being amortised over two years.

Clearly, as a result of, *inter alia*, the IPO and its associated costs, the Group has incurred a number of exceptional costs during the year amounting to \$2.656 million. These have been excluded from the calculation of the underlying results, as has the exceptional gain of \$0.776 million arising from the translational foreign exchange

difference due to the Sterling cash deposits that the Group held at the year end. In consequence, the net exceptional costs charged in the year amounted to \$1.880 million.

The substantial investment in the sales team and software engineers since the IPO has resulted in an accounting loss in terms of underlying EBITDA. While the Group was EBITDA positive on this basis in the year to 31 December 2011, when it had limited funds to invest in growth, the recent level of investment has resulted in an adjusted loss before interest, tax, depreciation and amortization of \$3.002 million.

The adoption of the Group's products by our target customers continues apace which is a testament to the quality of the software and individuals that develop and support it. As a result, it is clear that wider adoption will transform the financial position of the Group going forward and help to build upon the successful IPO.

Nick Parker
Chief Financial Officer

**Consolidated Statement of Comprehensive Income
For the year ended 31 December 2012**

| | Note | Year ended 31 December 2012 | | | Year ended 31 December 2011 | | |
|--|------|---|-------------------------------|----------------|---|-------------------------------|----------------|
| | | Before exceptional items \$000 | Exceptional items \$000 | Total \$000 | Before exceptional items \$000 | Exceptional items \$000 | Total \$000 |
| Revenue | | 6,031 | - | 6,031 | 3,878 | - | 3,878 |
| Cost of sales | | (497) | - | (497) | (303) | (95) | (398) |
| Gross Profit | | 5,534 | - | 5,534 | 3,575 | (95) | 3,480 |
| Operating expenses | 3,4 | (11,419) | (2,656) | (14,075) | (4,524) | (110) | (4,634) |
| Loss from operations | | (5,885) | (2,656) | (8,541) | (949) | (205) | (1,154) |
| Finance expense | 4,5 | (216) | 776 | 560 | (75) | - | (75) |
| Loss before tax | | (6,101) | (1,880) | (7,981) | (1,024) | (205) | (1,229) |
| Taxation | | - | - | - | 25 | - | 25 |
| Loss for the year | | (6,101) | (1,880) | (7,981) | (999) | (205) | (1,204) |
| Other comprehensive income | | | | | | | |
| Foreign currency translation differences –foreign operations | | 16 | - | 16 | (7) | - | (7) |
| Other comprehensive income for the period net of tax | | - | - | - | - | - | - |
| Total comprehensive income for the period | | (6,085) | (1,880) | (7,965) | (1,006) | (205) | (1,211) |
| Loss per share | | | | | | | |
| Basic and diluted | 6 | | | \$0.49 | | | \$0.26 |

**Consolidated Statement of Financial Position
As at 31 December 2012**

| | 2012 | 2011 |
|---------------------------------|-----------------|----------------|
| | \$000 | \$000 |
| Assets | | |
| Intangible asset | 5,541 | 1,343 |
| Property, plant and equipment | 129 | 43 |
| Total non-current assets | 5,670 | 1,386 |
| Trade and other receivables | 2,486 | 1,188 |
| Cash and cash equivalents | 14,545 | 74 |
| Total current assets | 17,031 | 1,262 |
| Total assets | 22,701 | 2,648 |
| Liabilities | | |
| Loans and borrowings | - | (705) |
| Trade and other payables | (3,665) | (2,566) |
| Deferred income | (6,368) | (4,466) |
| Deferred government grant | (36) | - |
| Provisions | (393) | (414) |
| Current liabilities | (10,462) | (8,151) |
| Loans and borrowings | - | (65) |
| Deferred tax | (5) | (5) |
| Non-current liabilities | (5) | (70) |
| Total liabilities | (10,467) | (8,221) |
| Net assets/(liabilities) | 12,234 | (5,573) |
| Equity | | |
| Share capital | 3,388 | 448 |
| Share premium | 23,332 | - |
| Translation reserve | 6 | (10) |
| Merger reserve | 1,247 | - |
| Retained earnings | (15,739) | (6,011) |
| Total equity/(deficit) | 12,234 | (5,573) |

Consolidated Statement of Cash Flows
For the year ended 31 December 2012

| | <i>Note</i> | Year to 31 December 2012 \$000 | Year to 31 December 2011 \$000 |
|--|-------------|---|---|
| Cash flows from operating activities | | | |
| Loss before tax for the period | | (7,981) | (1,229) |
| Adjustments for: | | | |
| Depreciation | | 52 | 46 |
| Amortisation of intangible assets | | 2,017 | 980 |
| Finance costs | | 216 | 75 |
| Foreign exchange | | (776) | (6) |
| Change in trade and other receivables | | (1,394) | (959) |
| Change in trade and other payables | | 1,093 | 1,007 |
| Change in deferred income | | 1,902 | 740 |
| Grant income received | | 139 | - |
| Grant income released | | (105) | - |
| Change in provisions | | (21) | 246 |
| Share based payments charge | | 813 | 73 |
| Interest paid | | (101) | (75) |
| Net cash generated from operating activities | | (4,146) | 898 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | (138) | (7) |
| Purchase of intangible assets | | (1,000) | - |
| Acquisition of subsidiary | 8 | (1,500) | - |
| Development expenditure in respect of intangible assets | | (2,912) | (1,207) |
| Net cash used in investing activities | | (5,550) | (1,214) |
| Cash flows from financing activities | | | |
| Proceeds from the issue of ordinary share capital net of transaction costs | | 24,161 | - |
| Proceeds from loans | | - | 362 |
| Repayment of borrowings | | (770) | (51) |
| Net cash from financing activities | | 23,391 | 311 |
| Net increase/(decrease) in cash and cash equivalents | | 13,695 | (5) |
| Effect of exchange rate fluctuations on cash and cash equivalents | | 776 | - |
| Cash and cash equivalents at start of period | | 74 | 79 |
| Cash and cash equivalents at end of period | | 14,545 | 74 |

**Consolidated Statement of Changes in Equity
For the year ended 31 December 2012**

| | Share capital \$000 | Share Premium \$000 | Translation reserve \$000 | Merger reserve \$000 | Retained earnings \$000 | Total equity \$000 |
|---|---------------------------|---------------------------|---------------------------------|----------------------------|-------------------------------|--------------------------|
| Balance at 1 January 2011 | 448 | - | (3) | - | (5,054) | (4,609) |
| Total comprehensive income for the period | | | | | | |
| Loss for the period | - | - | - | - | (1,204) | (1,204) |
| Foreign currency translation differences | - | - | (7) | - | - | (7) |
| Total comprehensive income for the period | - | - | (7) | - | (1,204) | (1,211) |
| Transactions with owners recorded directly in equity | | | | | | |
| Issue of shares | - | - | - | - | - | - |
| Waiver of loan from shareholders | - | - | - | - | 174 | 174 |
| Shares issued in exchange for WANdisco, Inc. shares | - | - | - | - | - | - |
| Share issue costs | - | - | - | - | - | - |
| Share based payments charge | - | - | - | - | 73 | 73 |
| Total contributions by and distributions to owners in the period | - | - | - | - | 247 | 247 |
| Balance at 31 December 2011 | 448 | - | (10) | - | (6,011) | (5,573) |
| Balance at 1 January 2012 | 448 | - | (10) | - | (6,011) | (5,573) |
| Total comprehensive income for the period | | | | | | |
| Loss for the period | - | - | - | - | (7,981) | (7,981) |
| Other comprehensive income | - | - | 16 | - | - | 16 |
| Total comprehensive income for the period | - | - | 16 | - | (7,981) | (7,965) |
| Transactions with owners recorded directly in equity | | | | | | |
| Issue of shares by WANdisco Inc | 2,761 | - | - | - | - | 2,761 |
| Shares issued by WANdisco plc in exchange for WANdisco inc shares | (1,247) | - | - | 1,247 | - | - |
| Shares issued by WANdisco plc | 1,289 | 21,908 | - | - | - | 23,197 |
| Share issue costs | - | (1,946) | - | - | - | (1,946) |
| Shares allotted under share option scheme | 54 | 95 | - | - | - | 149 |
| Shares issued as part of Altostor acquisition | 83 | 3,275 | - | - | (2,560) | 798 |
| Share based payments charge | - | - | - | - | 813 | 813 |
| Total contributions by and distributions to owners | 2,940 | 23,332 | - | 1,247 | (1,747) | 25,772 |
| Balance at 31 December 2012 | 3,388 | 23,332 | 6 | 1,247 | (15,739) | 12,234 |

Notes to the Consolidated Financial Statements

1. Basis of preparation

a) Statement of compliance

Whilst the Financial Information included in this Preliminary Announcement has been prepared on the basis of the requirements of International Financial Reporting Standards (IFRSs) in issue, as adopted by the European Union and effective at 31 December 2012, this announcement does not itself contain sufficient information to comply with IFRS.

The Group expects to publish full Consolidated Financial Statements in May 2013. The Financial Information set out in this Preliminary Announcement does not constitute the Group's Consolidated Financial Statements for the years ended 31 December 2012 or 2011, but is derived from those Financial Statements. Statutory Financial Statements for 2012 will be delivered to the registrar of companies with the Jersey Financial Services Commission (JFSC), following the Company's Annual General Meeting. The auditor, KPMG LLP, has reported on the 2012 Financial Statements. Their report was unqualified, but drew attention to a matter of emphasis in relation to the prior period information being unaudited. It did not contain statements under Section 113B (3) or (6) of the Companies (Jersey) Law 1991.

The Consolidated Financial Statements have been prepared in accordance with IFRSs as adopted for use in the EU. The Group has applied all accounting standards and interpretations issued by the IASB and International Financial Reporting Committee relevant to its operations and which are effective in respect of these Financial Statements.

WANdisco plc was incorporated on 16 April 2012. On 16 May 2012 WANdisco plc acquired WANdisco, Inc. The acquisition of WANdisco, Inc. by WANdisco plc has been accounted for as a reverse acquisition and the consolidated IFRS financial information is therefore a continuation of the financial information of the WANdisco business, which was previously wholly owned by the WANdisco, Inc. group. On 18 May 2012 WANdisco plc acquired the whole of the issued share capital of WANdisco International Limited from WANdisco, Inc.

The accounting policies have been applied consistently to all periods presented in the Group financial statements.

Unaudited comparative financial information

The 2011 comparative information represents the consolidated results of the former WANdisco Inc. Group consisting of WANdisco Inc. and WANdisco International Limited, prior to the acquisition of WANdisco Inc. by WANdisco plc. KPMG LLP has not issued a statutory audit opinion on this comparative information as there was previously no requirement for an audit.

b) Going concern

As at 31 December 2012 the Group had net assets of \$12,234,000 (31 December 2011: net liabilities of \$5,573,000) as set out in the Consolidated Statement of Financial Position. Following the admission of the ordinary shares to trading on AIM, WANdisco plc has considerable financial resources. The Directors have prepared detailed forecasts of the Group's performance over the coming years. As a consequence, the Directors believe that WANdisco plc and the Group are well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries the Directors have a reasonable expectation that WANdisco plc and the Group have sufficient working capital available for its present requirements, that is for the next 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the Group Financial Statements.

c) Functional and presentational currency

The consolidated financial statements are presented in US dollars, which is the presentational currency of the Group. Billings to the Group's customers during the year were all in US dollars by WANdisco, Inc. with certain costs being incurred by WANdisco International Limited in Sterling. All financial information has been rounded to the nearest thousand US dollars unless otherwise stated.

d) Use of estimates and judgments

The preparation of financial information in conformity with Adopted IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The accounting policy descriptions set out the areas where judgment needs exercising, the most significant of which are revenue recognition, research and development and intangible assets. These accounting policies are set out in the Group's annual report.

Information about significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial information is included in the Group's annual report.

2. Segmental analysis

Operating segments

The Directors consider there to be one operating segment, being that of development and sale of licences for software and related maintenance.

Geographical segments

The group recognises revenue in three geographical regions based on the location of customers, as set out in the following table:

| | 2012 | 2011 |
|-------------------|--------------|--------------|
| | \$000 | \$000 |
| North America | 5,257 | 3,028 |
| Europe | 589 | 662 |
| Rest of the world | 185 | 188 |
| | <hr/> | <hr/> |
| Total | 6,031 | 3,878 |
| | <hr/> <hr/> | <hr/> <hr/> |

Management makes no allocation of costs, assets or liabilities between these segments since all trading activities are operated as a single business unit.

The Group has two customers representing individually over 10% each and in aggregate over 28% of revenue at \$1,741,243.

3. Operating expenses

Loss for the year has been arrived at after charging / (crediting):

| | 2012 | 2011 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Staff costs | 5,911 | 2,317 |
| Research and development - amortisation charge | 1,801 | 980 |
| Amortisation of intangibles | 216 | - |
| Depreciation of fixed assets | 52 | 46 |

| | | |
|-----------------------|--------------|---|
| Auditors remuneration | 1,178 | - |
|-----------------------|--------------|---|

4. Exceptional Costs

| | 2012 | 2011 |
|--|---------------------|------------|
| | \$'000 | \$'000 |
| Exceptional items comprise the following: | | |
| Expenses related to admission to AIM | 2,656 | - |
| Penalties levied by US state and federal tax authorities | - | 151 |
| Provision for claims by former employees | - | 95 |
| Redundancy costs | - | 24 |
| Currency exchange gain | (776) | - |
| Amounts waived by supplier | - | (65) |
| | <u>1,880</u> | <u>205</u> |

The Group incurred one-off legal and professional fees in the year ended 31 December 2012 in relation to the placing of ordinary shares and admission to AIM.

Penalties levied by US state and federal tax authorities relate to charges for late payment of payroll taxes.

Redundancy costs relate to certain specific organisational change activities in both the UK and the US.

The exchange gain is a result of the fact the majority of the Group cash balance is held in GBP denominated accounts.

Following a dispute with a supplier it was agreed that all monies due to them would be waived.

5. Net finance costs (pre-exceptional)

| | 2012 | 2011 |
|--|---------------|-----------|
| | \$'000 | \$'000 |
| Interest receivable – bank | (79) | - |
| Interest receivable - promissory notes | (1) | - |
| Exchange losses | 215 | - |
| Interest payable on bank borrowings | 44 | 44 |
| Charges on debt factoring | 37 | 31 |
| | <u>216</u> | <u>75</u> |

6. Loss per share

Basic loss per share:

Basic loss per share is calculated based on the loss attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding:

| | 2012 | 2011 |
|---|------------------------|-----------------|
| | \$'000 | \$'000 |
| Loss for the year attributable to ordinary shareholders | <u>7,981</u> | <u>1,204</u> |
| | 2012 | 2011 |
| | 000's of shares | 000's of shares |
| Weighted average number of ordinary shares at start of year | 4,549 | 4,541 |
| Effect of shares issued in the year | <u>11,831</u> | <u>8</u> |
| Weighted average number of ordinary shares during the year | <u>16,380</u> | <u>4,549</u> |
| | \$ | \$ |
| Basic loss per share | <u>0.49</u> | <u>0.26</u> |

Adjusted loss per share:

Adjusted loss per share is based on the result attributable to ordinary shareholders before exceptional items and the cost of share based payments and a weighted average number of ordinary shares outstanding:

| | 2012 | 2011 |
|---|---------------------|-------------|
| | \$000 | \$000 |
| Loss for the period attributable to ordinary shareholders | 7,981 | 1,204 |
| Add back: | | |
| Exceptional items | (1,880) | (205) |
| Share based payments | (813) | (73) |
| Adjusted basic loss | <u>5,288</u> | <u>926</u> |
| | \$ | \$ |
| Adjusted loss per share | <u>0.33</u> | <u>0.20</u> |

Diluted earnings per share:

Due to the Group having losses in each of the periods, the fully diluted loss per share for disclosure purposes, as shown in the consolidated statement of comprehensive income, is the same as for basic loss per share.

7. Adjusted earnings before interest, taxation, depreciation and amortisation (EBITDA)

| | 2012 | 2011 |
|--|----------------|--------------|
| | \$000 | \$000 |
| Operating loss | (8,541) | (1,154) |
| Adjust for: | | |
| Amortisation and depreciation | 2,070 | 1,026 |
| Exceptional items within operating items | 2,656 | 205 |
| EBITDA before exceptional items | (3,815) | 77 |
| Adjust for share based payments | 813 | 73 |
| Adjusted EBITDA before exceptional items | (3,002) | 150 |

8. Acquisition of subsidiary undertaking

On 16 November 2012 the Group acquired 100% of the issued share capital of Altostor Inc for a total consideration of \$2,298,444, of which \$1,500,000 was paid in cash, \$256,001 was issued in shares at the date of acquisition, and \$542,443 is deferred share consideration.

The fair value of the assets and liabilities of Altostor Inc at the date of acquisition were:

| | | \$'000 |
|--|------------------|---------------|
| Property plant and equipment | | - |
| Intangible assets | | 2,298 |
| Current assets | | - |
| Current liabilities | | - |
| Net assets acquired | | <u>2,298</u> |
| Consideration | | <u>2,298</u> |
| | No. of shares | Fair value |
| Satisfied by: | 000's | \$'000 |
| Cash and cash equivalents | - | 1,500 |
| Shares issued at date of acquisition | 38 | 256 |
| Deferred consideration | 113 | 542 |
| | | <u>2,298</u> |
| Net cash outflow on acquisition of subsidiary | | |
| Consideration paid in cash | | 1,500 |
| Less: cash and cash equivalents acquired | | - |
| Net cash outflow | | <u>1,500</u> |

Altostor is a small software development company that has deep expertise in the big data market and in particular Apache Hadoop development. The acquisition of Altostor will enable the Group to launch products into the big data market quickly and efficiently.

The following table shows the shares that were issued as part of the transaction and the fair value of those shares at the acquisition date:

| <u>Share type</u> | <u>Number</u> | <u>Fair value</u> |
|--------------------------|----------------------|--------------------------|
| Issued immediately | 37,564 | \$256,001 |
| Pledged shares | 112,695 | \$542,443 |
| Restricted shares | 375,651 | \$2,560,008 |

The pledged shares have been treated as deferred consideration and will be released to the AltoStor founders four years and three months after the acquisition date but contain no contingency clauses related to the post acquisition performance criteria.

The restricted shares have been treated as share based payments, and have been accounted for under IFRS 2 Share Based Payments.

The Share Based Payments charge will be recognised over the three year vesting period of the shares.

Altostor Inc. did not generate any revenues nor profits of losses during the period from acquisition to 31 December 2012. Prior to acquisition, Altostor Inc generated revenue of \$60,000 and profits of \$70,000.

9. Annual General Meeting

It is intended that the Annual General Meeting ("AGM") will take place at the offices of DLA Piper UK LLP in Sheffield at 12.00 noon on 12 June 2013. Notice of the AGM will be sent to the shareholders with the financial statements.

Responsibility Statement

The Statement of Directors' Responsibilities is made in respect of the full Annual Report Financial Statements not the extracts from the Financial Statements required to be set out in this Announcement.

The Directors confirm that to the best of our knowledge:

- The Group Financial Statements, contained in the 2012 Annual Report and Financial Statements prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and loss of the Group; and
- The Financial Review contained in the 2012 Annual Report and Financial Statements includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

The Board

The Directors serving during the year ended 31 December 2012 were as follows:

- David Richards – Chairman and Chief Executive Officer
- James Campigli – Chief Operating Officer
- Nick Parker – Chief Financial Officer and Company Secretary
- Ian Duncan – Non-executive Director
- Paul Walker – Non-executive Director

Cautionary Statement

This Report contains certain forward looking statements with respect to the financial condition, results, operations and business of WANdisco plc. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements and forecasts. Nothing in this Report should be construed as a profit forecast.