

25 March 2014

Corero Network Security plc
("Corero", the "Company" or the "Group")

Full year results

Corero Network Security plc (AIM: CNS), the AIM listed network security company and leading provider of First Line of Defense® security protection, is pleased to announce its audited results for the year ended 31 December 2013.

Financial highlights

- Revenue from continuing operations \$10.3 million (2012: \$11.4 million)
- EBITDA loss* including discontinued operations \$4.5 million (2012: loss \$3.1 million) of which the EBITDA loss* from continuing operations was \$6.2 million (2012: loss \$5.8 million)
- Earnings per share 11.3 cents (2012: loss 9.7 cents)
- Net cash \$9.5 million at 31 December 2013 (2012: net debt \$1.3 million)
- Completed sale of Corero Business Systems Limited ("CBS") on 1 August 2013
 - Net consideration** to the Company \$16.5 million
 - Profit on sale \$15.2 million

* earnings before taxation, depreciation, amortisation, financing and profit on sale of CBS

** net of debt repayment

Operating highlights

- Order intake of \$5.1 million in the six months ended 31 December 2013 up 23% over the comparative period in 2012
- Significant customer wins
 - Second half 2013 order intake included 15 customers with orders exceeding \$100,000 (compared to 7 in second half of 2012 and 9 in the first half of 2013)
- Developed a reporting platform utilising operational intelligence tools to enhance Corero's SecureWatch™ managed security services and reporting
- Awarded "Best IT Products & Services for Finance, Banking & Insurance" by Network Product's Guide

Post year end

- Successful launch of SmartWall™ TDS (Threat Defense System) product in February 2014, targeted at securing the Internet in the Internet service provider and Cloud markets
- Corero recognised for two 2014 Info Security Global Excellence Awards: silver in the "Security Products and Solutions for Medium Enterprises" category and bronze in "Security Products for Finance and Banking"
- Trading for the first two months of 2014 has been in line with expectations

Ashley Stephenson, CEO of Corero, commented:

"In the last year, we have made significant progress across many areas of the business, including developing the sales organisation and advancing the development of our next generation product, SmartWall TDS, which we believe will expand our addressable market to include Service Providers and complement our current Enterprise focused First Line of Defense product line."

The launch of SmartWall TDS in February 2014 was an important milestone in our strategic plan, first articulated in 2012, to build a market leading network security business focused on delivering First Line of Defense protection against DDoS attacks and cyber threats. Initial customer interest for SmartWall TDS is very encouraging and gives us confidence that we will be well positioned in the coming years to exploit the market opportunity for Corero."

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About Corero Network Security

Corero Network Security, an organization's First Line of Defense® against DDoS (Distributed Denial of Service) attacks and cyber threats, is a pioneer in global network security. Corero products and services provide online enterprises, service providers, hosting providers, and Managed Security Service Providers with an additional layer of security capable of inspecting Internet traffic and enforcing real-time access and monitoring policies designed to match the needs of the protected business. Corero technology enhances any defense-in-depth security architecture with a scalable, flexible and responsive defence against DDoS attacks and cyber threats before they reach the targeted IT infrastructure allowing online services to perform as intended. For more information, visit www.corero.com.

Results highlights

In the year ended 31 December 2013, Corero reported revenues from continuing operations of \$10.3 million (2012: \$11.4 million). The Group reported an EBITDA loss before depreciation, amortisation, and financing of \$4.5 million (2012: \$3.1 million) of which the EBITDA loss from continuing operations was \$6.2 million (2012: loss \$5.8 million) and EBITDA profit from discontinued operations was \$1.7 million (2012: \$2.7 million) comprising CBS which was disposed on 1 August 2013.

The profit for the year after taxation amounted to \$8.2 million (2012: loss \$5.9 million) and comprised the following:

- Loss for the year after taxation from continuing operations of \$8.5 million (2012: loss \$8.2 million);
- Profit after taxation from discontinued operations, CBS, of \$1.4 million (2012: \$2.3 million); and
- Profit from the sale of discontinued operations of \$15.2 million.

The loss from continuing operations includes:

- Unrealised exchange loss of \$0.2 million (2012: loss \$0.3 million) arising on an intercompany loan;
- Central costs of \$1.1 million (2012: \$1.2 million) which relate to the Company's finance function as well as the costs associated with the Company's listing on AIM; and
- Finance costs of \$0.4 million (2012: \$0.5 million) comprising interest on the loan notes issued by Top Layer Networks, Inc. ("Top Layer" subsequently renamed Corero Network Security, Inc.) as part of the purchase consideration for Top Layer.

The sale of CBS provided an attractive opportunity to realise the Company's investment in the business at a compelling cash valuation:

- A multiple in excess of 8.0 times the CBS earnings before development costs capitalised, depreciation, amortisation and financing for the year ended 31 December 2012; and
- In excess of 2.2 times the CBS revenues for the year ended 31 December 2012.

The profit per share, including the profit from discontinued operations and profit on the sale of discontinued operations, was 11.3 cents (2012: loss 9.7 cents).

The Group's net assets at 31 December 2013 were \$34.0 million (2012: \$19.3 million).

Review of business

Corero defines its go-to-market by positioning its products as a First Line of Defense solution to help organisations stop DDoS attacks and cyber threats. This has enabled Corero to target a fast expanding market which a leading analyst IDC has forecast will be one of the highest growth areas in the IT security market.

During the last year, Corero made significant progress across many facets of the business including developing the sales organisation and advancing the development of its next generation product SmartWall TDS. Although revenues in 2013 did not grow over the prior year as Corero transitioned its business entirely to its First Line of Defense solutions, the 23% growth in the second half of 2013 order intake was encouraging.

The focus for 2014 is to continue building on this growth. Revenues from Corero's existing First Line of Defense products targeting commercial enterprise and public sector organisations will be augmented by additional revenue streams from SmartWall TDS sales targeted at securing Internet cloud environments for: Service Providers, Hosting Providers and Managed Security Services Providers. Corero expects to generate incremental revenues from sales to this new market opportunity for Corero in the second half of 2014.

Corero's 2014 launch of SmartWall TDS was an important milestone achievement from a strategic plan established in 2012, to build a market leading network security business focused on delivering scalable network security protection to counter multiple forms of cyber threats such as DDoS attacks at any performance level. The SmartWall TDS product launch is the result of an 18 month development project with directly attributable costs of \$5.1 million (of which \$3.8 million have been capitalised, \$3.2 million capitalised in the year ended 31 December 2013). The SmartWall TDS development will continue in 2014 and 2015 with further software releases planned to add new software functionality and features.

The SmartWall TDS product has been designed to be a highly scalable cyber threat defence solution

to enable Internet and Cloud service providers the ability to offer comprehensive DDoS and cyber attack protection to their customers at industry leading performance levels. Strong interest has been generated from a number of important customers.

The sale of CBS enabled the Group to repay its outstanding debt early, strengthened the Group's balance sheet and provided the capital for funding the next generation SmartWall TDS product development and to make the appropriate sales and marketing investments.

Highlights of 2013 include:

- Appointment of David Ahee, who has extensive experience in establishing enterprise and channel sales strategies internationally, as Senior Vice President Global Sales
- Developed a reporting platform utilising operational intelligence tools to enhance Corero's SecureWatch managed security services
- Awarded "Best IT Products & Services for Finance, Banking & Insurance" by Network Product's Guide
- Customer orders of \$5.1 million in the six months ended 31 December 2013 increased 23% over the comparative period in 2012
- Significant customer wins
 - Second half 2013 order intake included 15 customers with orders exceeding \$100,000 (compared to 7 in second half of 2012 and 9 in the first half of 2013)

New customer wins included significant orders from a UK infrastructure provider, two US energy utilities, two South American service providers, two US regional banks, a French insurance group, an Asian provider of on-line games, a web hosting company, a provider of real estate and mortgage portfolio management information services, a large US city corporation, a Brazilian state ministerial department and a government public relations ministry.

Material orders (upgrades and support contract renewals) from existing customers included a leading industrial group, a leading price comparison web site, Camelot (the UK Lottery operator), two US university colleges, a Middle East investment services firm, a global electronics manufacturing services group, two multi-national banking groups, one of the leading on-line gaming companies, a leading medical equipment manufacturer, a leading international energy group, City Index, a European telecommunications service provider, a national air traffic control provider, and one of the largest newspaper publishers in the US.

Cash and treasury

The closing cash balance was \$9.8 million (2012: \$4.9 million). The Group had debt at 31 December 2013 of \$0.3 million comprising the balance on a receivables-backed working capital facility (2012: \$6.2 million which comprised loan notes of \$5.8 million and a term loan of \$0.4 million which was repaid in 2013). In October 2013, Corero elected to repay its existing loan notes with a face value of \$5.0 million (the "Loan Notes") in full, together with accrued interest of approximately \$1.2 million, and in advance of their maturity date in March 2014. The Loan Notes were issued in March 2011 as part of the consideration paid for the acquisition of Top Layer. The Loan Notes accrued interest at a rate of 8% per annum and were secured on the assets of Top Layer.

The net reduction in cash from operating activities in the year ended 31 December 2013 was \$7.5 million (2012: \$5.1 million).

In 2013, the Company raised \$6.2 million (before expenses) of which the directors contributed \$4.2 million.

Strategy

The Company's strategy is to remain focused on the network security market and to build a strong market position leveraging its advanced technology to create a sustainable business in a market which offers strong growth prospects.

Corero is dedicated to improving the security of the Internet through the deployment of its innovative First Line of Defense solutions. Corero products and services provide customers with protection against a continuously evolving spectrum of DDoS attacks and cyber threats that have the potential to impact any Internet connected business. Corero provides the opportunity to enhance defence-in-depth security architectures with an important additional layer of security capable of inspecting traffic arriving from the Internet in real time and applying access policies designed to match the needs of the business. The goal of the Corero First Line of Defense security layer is to protect the customer's network infrastructure, online services and confidential data from suspicious or malicious Internet traffic.

The Company's 2014 plans are focused on the launch and customer deployment of the new SmartWall TDS product as well as broadening the customer base for Corero's existing enterprise focused DDoS solutions in order to drive revenue growth whilst continuing to invest in engineering development. As with all new product introductions, successful commercialisation relies on sales, marketing and technical support being directed for maximum effect and achieving strong reference wins to establish repeatable revenue streams. A solid foundation has been created with strong indications of user satisfaction supporting the strategy.

Market dynamics

The network security market continues to show strong growth fundamentals driven by the continual and in some cases exponential increase in cyber threats and the growing importance of the Internet for most commercial and public sector organisations.

IDC, one of the leading IT industry analysts, has forecast that the DDoS protection market will be one of the highest growth areas in the IT security market more than doubling in size in period 2012 to 2017 (to reach \$870 million in 2017). In addition, in light of the requirement to protect against the changing threat landscape, IDC has defined a new security segment, Specialized Threat Analysis and Protection, a market which Corero's First Line of Defense solution addresses. This market is forecast to have a compound annual growth rate of over 40% from 2012 to 2017 with revenues reaching \$1.2 billion in 2017.

Despite the increase in threats and the number of attacks, research from Corero reveals that many businesses are failing to take adequate measures to protect themselves against the threat of a DDoS attack. A survey of 100 companies revealed that despite media reports of the cost of downtime and the potential for DDoS attacks to mask greater threats, businesses are failing to put in place effective defences or plans to mitigate the impact of a DDoS attack. This is partly a result of a lack of understanding of the threats, that traditional security solutions do not provide the required protection, and challenges in organisations' prioritising IT security spend. There are efforts by governments and industry regulators in a number of geographies to increase this awareness. For example in the UK, the Department for Business, Innovation and Skills (BIS) wrote to the chairmen of the top 350 UK listed companies in the summer of 2013 to undertake a cyber health check survey. This type of awareness raising and increasing Corero brand awareness are having a positive impact on Corero's success.

Corero's view is that it is critical for organisations to understand what cyber threats are traversing their network so they have visibility to their level of exposure and can take appropriate action to stop unwanted and malicious traffic including DDoS attacks. Corero's First Line of Defense solution provides this visibility and allows organisations to proactively manage cyber threats.

Corero believes that organisations need to transform their information security environment to ensure they can get ahead of cyber threats or at least try and keep pace. Otherwise, the gap between an organisations' security posture and the cyber threats it faces will continue to grow, potentially threatening the organisation's survival.

Outlook

The SmartWall Threat Defense System product, the first phase of which was launched to the market in February 2014, provides Corero with a strong growth opportunity, opening up additional markets through enabling service providers and hosting providers to protect their IT infrastructure and, importantly, providing them with a platform from which they can deliver security services to their customers to protect against DDoS attacks and cyber threats.

The positive momentum in the second half of 2013, combined with the strong financial position and cash to execute the Company's growth plans, gives Corero confidence that it will be able to successfully exploit the considerable opportunities available in this dynamic market.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2013

| | Total 2013 \$'000 | Total 2012 *Restated \$'000 |
|---|----------------------------------|--|
| Revenue | 10,268 | 11,378 |
| Cost of sales | <u>(3,588)</u> | <u>(3,407)</u> |
| Gross profit | 6,680 | 7,971 |
| Operating expenses before highlighted items | (12,911) | (13,743) |
| Depreciation and amortisation of intangible assets | <u>(2,309)</u> | <u>(2,399)</u> |
| | (15,220) | (16,142) |
| Operating expenses | <u>(15,220)</u> | <u>(16,142)</u> |
| Operating loss | (8,540) | (8,171) |
| Finance income | 44 | 116 |
| Finance costs | <u>(388)</u> | <u>(507)</u> |
| Loss before taxation | (8,884) | (8,562) |
| Taxation | <u>371</u> | <u>371</u> |
| Loss for the year from continuing operations | (8,513) | (8,191) |
| Profit from discontinued operations | 1,436 | 2,302 |
| Profit from sale of discontinued operations | <u>15,244</u> | <u>-</u> |
| Profit/(loss) for the year | 8,167 | (5,889) |
| Other comprehensive income | | |
| Difference on translation of UK functional currency entities | 1,016 | 537 |
| Transfer of translation differences on disposal of foreign subsidiary to disposal account | <u>(1)</u> | <u>-</u> |
| Total comprehensive income/(expense) for the year | <u>9,182</u> | <u>(5,352)</u> |
| Total profit/(loss) for the year attributable to: | | |
| Equity holders of the parent | 8,054 | (6,055) |
| Non-controlling interest | <u>113</u> | <u>166</u> |
| | <u>8,167</u> | <u>(5,889)</u> |
| Total comprehensive income/(expense) for the year attributable to: | | |
| Equity holders of the parent | 9,036 | (5,495) |
| Non-controlling interest | <u>146</u> | <u>143</u> |
| Total | <u>9,182</u> | <u>(5,352)</u> |
| Total comprehensive income/(expense) for the year attributable equity holders of the parent arises from: | | |
| Continuing operations | (7,499) | (7,570) |

| | | |
|-------------------------|---------------------|-----------------------|
| Discontinued operations | <u>16,535</u> | <u>2,075</u> |
| Total | <u>9,036</u> | <u>(5,495)</u> |

* restated for disposal of Corero Business Systems Limited

Basic and diluted earnings/(loss) per share

| | <u>2013</u> | <u>2012</u> |
|---|--------------------|--------------------|
| | Cents | Cents |
| Basic and diluted earnings/(loss) per share | <u>11.3</u> | <u>(9.7)</u> |

Consolidated Statement of Financial Position

as at 31 December 2013

| | 2013 | 2012 |
|--|-----------------|-----------------|
| | \$'000 | \$'000 |
| Assets | | |
| Non-current assets | | |
| Goodwill | 17,983 | 18,811 |
| Acquired intangible assets | 2,635 | 3,739 |
| Capitalised development expenditure | 6,121 | 4,528 |
| Property, plant and equipment | <u>1,343</u> | <u>1,241</u> |
| | 28,082 | 28,319 |
| Current assets | | |
| Inventories | 329 | 622 |
| Trade and other receivables – due in less than one year | 3,483 | 4,442 |
| Trade and other receivables – due in more than one year | 237 | 1,123 |
| Cash and cash equivalents | <u>9,775</u> | <u>4,861</u> |
| | 13,824 | 11,048 |
| Liabilities | | |
| Current Liabilities | | |
| Trade and other payables | (2,171) | (3,972) |
| Borrowings | (256) | (182) |
| Deferred income | <u>(3,195)</u> | <u>(7,592)</u> |
| | <u>(5,622)</u> | <u>(11,746)</u> |
| Net current assets/(liabilities) | 8,202 | (698) |
| Non-current liabilities | | |
| Borrowings | - | (5,984) |
| Deferred income | (1,423) | (1,146) |
| Deferred taxation | <u>(825)</u> | <u>(1,196)</u> |
| | <u>(2,248)</u> | <u>(8,326)</u> |
| Net assets | <u>34,036</u> | <u>19,295</u> |
| Total equity attributable to owners of the parent | | |
| Ordinary share capital | 1,333 | 925 |
| Deferred share capital | 7,051 | 7,051 |
| Share premium | 43,507 | 38,046 |
| Share options reserve | 293 | 268 |
| Translation reserve | 1,193 | 211 |
| Retained earnings | <u>(19,341)</u> | <u>(27,395)</u> |
| | 34,036 | 19,106 |
| Non-controlling interest | <u>-</u> | <u>189</u> |
| Total equity | <u>34,036</u> | <u>19,295</u> |

Consolidated Statement of Cash Flow

for the year ended 31 December 2013

Cash flows from operating activities

| | 2013 | 2012 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| Profit/(loss) for the year | 8,167 | (5,889) |
| Adjustments for: | | |
| Amortisation of acquired intangible assets | 1,202 | 1,157 |
| Amortisation of capitalised development expenditure | 511 | 1,044 |
| Depreciation | 822 | 566 |
| Finance income | (48) | (119) |
| Finance expense | 408 | 507 |
| Taxation | (371) | (371) |
| Share based payment charge | 25 | 9 |
| Profit on disposal of subsidiary | (15,244) | - |
| Decrease/(increase) in inventories | 293 | (233) |
| Increase in trade and other receivables | (2,863) | - |
| Decrease in payables | (406) | (1,802) |
| Net cash from operating activities | (7,504) | (5,131) |

Cash flows from investing activities

| | | |
|--|---------------|----------------|
| Purchase of intangible assets | (107) | (237) |
| Capitalised development expenditure | (4,202) | (3,174) |
| Purchase of property, plant and equipment | (1,148) | (802) |
| Sale proceeds from disposal of subsidiary less costs | 17,225 | - |
| Net cash used in investing activities | 11,768 | (4,213) |

Cash flows from financing activities

| | | |
|---|--------------|--------------|
| Net proceeds from issue of ordinary share capital | 5,869 | 6,989 |
| Term loan received | 1,897 | 250 |
| Finance income | 48 | 119 |
| Finance expense | (39) | (64) |
| Repayment of term loans | (8,432) | (121) |
| Capital element of finance lease repayments | (23) | (27) |
| Receipt/(repayment) of credit facility | 256 | (189) |
| Net cash from financing activities | (424) | 6,957 |

| | | |
|--|-------|-----|
| Effects of exchange rates on cash and cash equivalents | 1,074 | 568 |
|--|-------|-----|

| | | |
|---|--------------|----------------|
| Net increase/(decrease) in cash and cash equivalents | 4,914 | (1,819) |
|---|--------------|----------------|

| | | |
|--|-------|-------|
| Cash and cash equivalents at 1 January | 4,861 | 6,680 |
|--|-------|-------|

| | | |
|---|--------------|--------------|
| Cash and cash equivalents at 31 December | 9,775 | 4,861 |
|---|--------------|--------------|



Consolidated Statement of Changes in Equity
for the year ended 31 December 2013

| | Share capital \$'000 | Shares to be issued \$'000 | Share premium account \$'000 | Share options reserve \$'000 | Translation reserve \$'000 | Retained earnings \$'000 | Total attributable to equity holders of the parent \$'000 | Non-controlling interest \$'000 | Total equity \$'000 |
|---|-------------------------|-------------------------------|---------------------------------|---------------------------------|-------------------------------|-----------------------------|--|------------------------------------|------------------------|
| 1 January 2012 | 7,803 | 124 | 31,228 | 259 | (349) | (21,340) | 17,725 | 36 | 17,761 |
| Loss for the year | - | - | - | - | - | (6,055) | (6,055) | 166 | (5,889) |
| Other comprehensive income | - | - | - | - | 560 | - | 560 | (23) | 537 |
| Total comprehensive expense for the year | - | - | - | - | 560 | (6,055) | (5,495) | 143 | (5,352) |
| Contributions by and distributions to owners | | | | | | | | | |
| Share based payments | - | - | - | 9 | - | - | 9 | - | 9 |
| Issue of share capital | 173 | - | 6,818 | - | - | - | 6,991 | - | 6,991 |
| Shares to be issued | - | (124) | - | - | - | - | (124) | - | (124) |
| Dilution of ownership of subsidiary | - | - | - | - | - | - | - | 10 | 10 |
| Total contributions by and distributions to owners | 173 | (124) | 6,818 | 9 | - | - | 6,876 | 10 | 6,886 |
| 31 December 2012 | 7,976 | - | 38,046 | 268 | 211 | (27,395) | 19,106 | 189 | 19,295 |
| Profit for the year | - | - | - | - | - | 8,054 | 8,054 | 113 | 8,167 |
| Other comprehensive income | - | - | - | - | 1,015 | - | 1,015 | - | 1,015 |
| Disposal of non-controlling interest share of translation reserve | - | - | - | - | (33) | - | (33) | 33 | - |
| Total comprehensive income for the year | - | - | - | - | 982 | 8,054 | 9,036 | 146 | 9,182 |
| Contributions by and distributions to owners | | | | | | | | | |
| Share based payments | - | - | - | 25 | - | - | 25 | - | 25 |
| Issue of share capital | 408 | - | 5,461 | - | - | - | 5,869 | - | 5,869 |
| Disposal of non-controlling interest in non-wholly owned subsidiary | - | - | - | - | - | - | - | (335) | (335) |
| Total contributions by and distributions to owners | 408 | - | 5,461 | 25 | - | - | 5,894 | (335) | 5,559 |
| 31 December 2013 | 8,384 | - | 43,507 | 293 | 1,193 | (19,341) | 34,036 | - | 34,036 |

1. General information

These consolidated financial statements are presented in US Dollars (“\$”) which represents the presentation currency of the Group. The average \$-GBP sterling (“GBP”) exchange rate, used for the conversion of the statement of comprehensive income, for the 12 months ended 31 December 2013 was 1.57 (2012: 1.59). The closing \$-GBP exchange rate, used for the conversion of the Group’s assets and liabilities, at 31 December 2013 was 1.66 (2012: 1.63).

2. Discontinued operations

The Company’s interest in CBS was sold on 1 August 2013. The net cash consideration was \$16.5 million, after the repayment of the CBS debt of \$1.8 million. The Company had a legal and beneficial holding of 92% of the issued share capital of CBS, with the remainder held by management employees of CBS.

Results from discontinued operations up to the date of disposal

| | Total 2013 \$'000 | Total 2012 \$'000 |
|---|----------------------------------|----------------------------------|
| Revenue | 5,630 | 9,187 |
| Cost of sales | <u>(1,060)</u> | <u>(1,945)</u> |
| Gross profit | 4,570 | 7,242 |
| Operating expenses before highlighted items | (2,891) | (4,575) |
| -Depreciation and amortisation of intangible assets | (227) | (368) |
| Operating expenses | <u>(3,118)</u> | <u>(4,943)</u> |
| Operating profit | 1,452 | 2,299 |
| Finance income | 4 | 3 |
| Finance interest | <u>(20)</u> | <u>-</u> |
| Profit before taxation | 1,436 | 2,302 |
| Taxation | <u>-</u> | <u>-</u> |
| Profit for the year | <u>1,436</u> | <u>2,302</u> |

The profit on the disposal of discontinued operations was determined as follows:

| | \$'000 | \$'000 |
|-------------------------------------|---------------|---------------|
| Disposal proceeds | | 16,471 |
| Redemption of term loan | | 1,779 |
| Net assets disposed of | | |
| Goodwill | (771) | |
| Capitalised development expenditure | (1,980) | |
| Property, plant and equipment | (217) | |
| Trade and other receivables | (4,342) | |
| Cash and cash equivalents | (860) | |
| Trade and other payables | 1,817 | |
| Deferred income | 3,592 | |

| | | |
|--------------------------------|--------------|---------------|
| Cumulative translation reserve | (1) | |
| Non-controlling interest | <u>335</u> | (2,427) |
| Legal and professional fees | (184) | |
| Bonuses and benefits | (186) | |
| Indemnity provision | <u>(209)</u> | (579) |
| Profit on sale | | <u>15,244</u> |

The statement of cash flows includes the following amounts relating to discontinued operations:

| | 2013 | 2012 |
|---------------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Operating activities | (1,420) | 1,135 |
| Investing activities | (538) | (883) |
| Financing activities | <u>1,762</u> | <u>3</u> |
| Net cash from discontinued operations | <u>(196)</u> | <u>255</u> |

3. Sundry information

The financial information set out above does not constitute the Company's Annual Report and Accounts for the years ended 31 December 2013. The Annual Report and Accounts for 2012 have been delivered to the Registrar of Companies and those for 2013 will be delivered shortly. The auditor's report for the Company's 2013 Annual Report and Accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498(2) or (3) of the Companies Act 2006. Whilst the financial information included in this preliminary announcement has been computed in accordance with International Financial Reporting Standards (IFRSs) this announcement does not itself contain sufficient information to comply with IFRSs.

Copies of the Annual Report and Accounts for the year to 31 December 2013 will be posted on the Company's website and to shareholders shortly and will be obtainable from the Company's registered offices or website www.corero.com.

The information in this preliminary announcement was approved by the board on 24 March 2014.