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EKINOPS AND ONEACCESS ENTER INTO EXCLUSIVE NEGOTIATIONS FOR A COMBINATION

Acquisition would create a leader in solutions for telecom networks with combined revenues of more than €76 M

Ekinops (Euronext Paris - FR0011466069 – EKI), a leading supplier of next-generation optical network equipment, and the major shareholders of **OneAccess**, a leading global supplier of network access solutions, have entered into exclusive discussions for a combination.

The transaction would take the form of an acquisition of OneAccess by Ekinops.

The combination of these two companies would create a major player in transport solutions, Ethernet services and business routing for networks, with combined revenues of more than €76 M (unaudited 2016 data).

As an immediate action, under a reciprocal exclusive commitment, Ekinops and OneAccess will consult with their respective employee representative organizations about the proposed plan. Their goal is to finalize negotiations once the opinions of those organizations have been received.

The contemplated terms for this acquisition plan are described below (see appendix for details):

- OneAccess's enterprise value is estimated at €60 M, approximately 1.0 time its revenue, resulting in OneAccess's equity value of €58 M;
- Ekinops's acquisition of OneAccess would be paid for partly in cash and partly in Ekinops shares, subject to the approval by two general meetings of Ekinops's shareholders, and according to the following terms. Ekinops would proceed with a capital increase with shareholders' preferential subscription rights maintained, in an amount of approximately 50% of OneAccess's equity capital. This transaction would be subject to approval by an initial general meeting of Ekinops's shareholders to be held in May. Then, a second general meeting of Ekinops's shareholders would be held once the capital increase is completed, in order to ratify the 50% contribution in kind to Ekinops of OneAccess's shares and paid in newly issued Ekinops shares. Following this second shareholders' meeting, OneAccess's shareholders would contribute all of their shares and, in return, receive 50% of the value in cash and 50% in Ekinops shares;
- For the contribution in kind, the new Ekinops shares would be issued at a reference price per share equal to the average share price weighted by volume of Ekinops shares as recorded on Euronext between 30 March and 15 April 2017, provided this price could not be less than €7.25 or greater than €8.21. The number of Ekinops shares issued to OneAccess's shareholders as consideration for the contribution in kind will be adjusted to take into account the dilution arising from the capital increase with preferential subscription rights maintained. As a result, the value of the preferential subscription rights would be paid to OneAccess shareholders in Ekinops shares at a price equal to the theoretical share price following the capital increase (please refer to Appendix for the formula);
- An earn-out payment of no more than €6 M would be paid to OneAccess's shareholders for the 2017 and 2018 fiscal years. The actual amount of the payment would be based on the revenues generated by OneAccess products and services in fiscal years 2017 and 2018. The earn-out payments for each fiscal year would be made separately. The earn-out for each fiscal year would be paid half in cash and half in shares (for more details on the calculation and payment guidelines, see the table in the appendix).

OneAccess's shareholders, consisting of investment funds, would commit to a lock-up provision for at least 80% of Ekinops securities received as consideration for their contribution during a six-month period after completion of the transaction.

After completion of the transaction, OneAccess's shareholders would own 20%-25% of the new group.

The transaction is expected to be completed in the course of the summer of 2017, after the two-successive extraordinary general meetings of Ekinops's shareholders, the first to authorize the capital increase with preferential subscription rights maintained and the second to approve the contribution of new Ekinops shares in exchange for 50% of OneAccess's equity.

This transaction will be carried out only following receipt of the opinions of the employee representative bodies of Ekinops and OneAccess, at the completion of the information-consultation process and after at least 95% of OneAccess's shareholders ratify the final agreements, which would comprise customary conditions. Accordingly, a prospectus setting out the terms and conditions of the capital increase with preferential subscription rights maintained, and a "Document E" describing the terms and conditions of the aforementioned contribution, will need to be, respectively, approved and registered by the French Financial Markets Authority (AMF) and made available to Ekinops's shareholders before they vote in an extraordinary general meeting on the combination.

Didier Brédy, Chairman and CEO of Ekinops, says:

"We're especially enthusiastic about this acquisition plan that would allow the Ekinops group to increase its reach with the contribution of the tremendous work OneAccess has done over the past fifteen years. By combining our technologies and our business assets, we could consolidate our positions and attack new, very high growth markets with a truly differentiated offer. With the two companies' shared vision and strong software culture, we should be able to quickly create a great deal of value for our clients, employees, and shareholders."

Didier Delepine, Chairman of the Board of Directors at OneAccess, says:

"Pairing the resources and technologies of OneAccess and Ekinops would not only address the current and future needs of telecommunications companies and carriers, but also define the coming innovation in telecommunications networks. This means their clients would be able to develop their services more efficiently and universally."

Bertrand Meis, Chief Executive Officer of OneAccess, says:

"An Ekinops-OneAccess partnership would bring together two experts in networking equipment, with cutting-edge software skills, to supply telecommunications carriers. By working together, the two companies would be gaining the means to continue innovating in order to provide their clients with solutions that are as effective as they are competitive."

OneAccess, a supplier of multi-service routing and access platforms

OneAccess was founded in 2001 and is a specialist in supplying software and hardware platforms to telecom carriers and IP service providers so that they can deliver their service bundles (Internet, Voice over IP, Security, Cloud, etc.) to their clients, large corporations, and SMEs.

With its integrated router solutions (hardware and software), OneAccess offers its clients a full range of physical and virtual platforms that are totally flexible, open, and scalable, with a wide range of different access technologies (DSL, fibre, WIFI, 4G, etc.).

OneAccess has nearly 130 telecom carriers as clients, 29 of which are in the global Top 100.

With more than 350 employees, OneAccess conducts business in 13 countries worldwide, and has four R&D centres hosting about half its workforce (in Velizy and Sophia Antipolis, France; Louvain, Belgium; and Bangalore, India).

In 2016, OneAccess generated €58 M in revenue for an EBITDA¹ margin of 9.1% (unaudited 2016 data).

¹ EBITDA: earnings before interest, tax, depreciation and amortization (Current operating income restated for (i) allocations to and write-backs of amortization and provisions, and (ii) income and expenses on share-based payments).

1. A unique technological core to take advantage of the tremendous potential offered by network virtualization

The complexity of networks and associated technologies which reside in dedicated equipment drive carriers to work to streamline and simplify their infrastructures, in terms of both the network core and the access to it. This simplification will be achieved by the gradual separation of hardware equipment from software functions, known as Network Functions Virtualization (NFV). In other words, virtualization is a solution that allows network infrastructures to absorb growth in traffic and, at the same time, adapt dynamically, by making networks reconfigurable to contend with upgrades and additions to carrier services, with a focus on flexibility and savings.

Ekinops has developed a highly-programmable architecture that meets carriers' needs for the transport layer (layer 1) of their networks, specifically to deal with their issues in terms of increasing the capacities of their metropolitan, regional, and long-distance networks. OneAccess, meanwhile, has developed a wide range of access products to address the routing and IP service requirements (layers 2 and 3) of carriers and their business clients, thanks to very strong software expertise.

This association would combine the technology and R&D expertise of the two companies, which have a true common culture in terms of software architecture, through a partnership between the two companies' respective R&D teams. This would open up significant prospects for taking advantage of the inevitable convergence of transport equipment, Ethernet services, and routing, and exploit the immense opportunity of virtualization, which is increasingly requested by carriers.

2. Client portfolios that complement each other

Throughout their development, Ekinops and OneAccess have developed solid client portfolios of carriers and service providers.

Having built its growth on small carriers, Ekinops is now appealing to Tier 2 carriers, with many references in the US market, and two Tier 1 carriers since last year. OneAccess, meanwhile, enjoys a solid and established presence with very large carriers, providing solutions that are used by nearly one out of every three Tier 1 carriers around the world.

With the combination of each company's customer base and very few common customers, the new group could maximize its business synergies.

3. A telecom leader with critical mass and a truly international dimension

By joining forces, Ekinops and OneAccess would become a major player in optical transport and telecom network virtualization, present from the network core to the access, with a truly international dimension.

On the strength of a total workforce of more than 400 employees around the world, the new group could bring in more than €76 M in combined revenue (unaudited 2016 data), of which more than half (55%) would be generated outside of France. Publication of Ekinops's 2016 earnings on 5 April 2017 will be the chance to draw a clearer financial outline of both players.

While the two companies already have solid fundamentals, achieving critical mass along with the complementary nature of their industrial and business practices would be great foundations for increasing the penetration of the new group's products and technologies within large carriers.

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About EKINOPS

EKINOPS is a leading supplier of next generation optical transport equipment for telecommunications service providers. The EKINOPS 360 addresses Metro, Regional, and Long-Haul applications with a single, highly-integrated platform. EKINOPS is a market-leading innovator in 100G transport with a coherent line of products that truly optimizes optical networks and comes in 1RU, 2RU or 7RU chassis.

The EKINOPS 360 relies on the highly-programmable EKINOPS T-Chip® (Transport-on-a-Chip) architecture that enables fast, flexible and cost-effective delivery of new services for high-speed, high-capacity transport. Using the EKINOPS 360 carrier-grade system, operators can simply increase capacity of their networks – CWDM, DWDM, Ethernet, ESCON, Fibre Channel, SONET/SDH, and uncompressed video (HD-SDI, SD-SDI, ASI).

EKINOPS is headquartered in Lannion, France, and EKINOPS Corp., a wholly-owned subsidiary, is incorporated in the USA.



Name: Ekinops
ISIN code: FR0011466069
Mnemonic code: EKI
Number of shares: 7,367,397

More information : www.ekinops.net

Appendix – Key terms and conditions of the combination

VALUATION OF 100% OF ONEACCESS'S EQUITY	€58 M
STRUCTURE OF THE TRANSACTION	Acquisition of 50% of OneAccess's shares in cash and 50% with Ekinops shares via a contribution in kind.
FINANCING OF THE TRANSACTION	The payment in cash will be financed by a capital increase with shareholders' preferential subscription rights maintained. No debt will be subscribed to finance the transaction.
REFERENCE PRICE PER EKinOPS SHARE	Average share price weighted by volume of Ekinops shares as recorded on Euronext between 30 March and 15 April 2017, with the understanding that the price may not be less than €7.25 or greater than €8.21. The minimum number of shares that could be issued would be 3.6 million, and the maximum number would be 4.1 million, before the adjustment to take into account the dilution arising from the capital increase.
ADJUSTMENT OF THE NUMBER OF EKinOPS SHARES ISSUED IN PAYMENT OF THE ACQUISITION	Adjustment factor = (Price ex rights + preferential subscription rights) / Price ex rights; where Price ex rights + preferential subscription rights = closing share price on the day before the start of the capital increase
LIQUIDITY	Lock-up period of 6 months after the transaction completion date for 80% of the securities issued as consideration for the contribution in kind The remaining 20% may be sold in an orderly disposal process.
EARN-OUT PAYMENT	An earn-out would be payable to OneAccess shareholders in respect of fiscal years 2017 and 2018. The earn-out will be calculated on the basis of a multiple of 0.75x the amount of revenues in excess of €58 M generated in 2017 by the sale of OneAccess products and services, capped at €3 M; then 0.75x the additional revenues generated by OneAccess products and services in 2018 in relation to the higher of €58 M and the revenues generated by OneAccess products and services in 2017, capped at €6 M minus the amount of the earn-out payment paid in 2018 in respect of fiscal year 2017. The earn-out payment for each fiscal year would be payable half in cash and half by shares issued following the exercise of share subscription warrants attached to the Ekinops shares that would be received as consideration for the contribution. The earn-out would be payable in 2018 for the fiscal year ending in December 2017, and in 2019 for the fiscal year ending in 2018.

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