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## ASX Announcement

31 August 2018

Linus Annual Activities Update: 1 July 2017 – 31 August 2018

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### Linus Establishes Fundamentals for Global Roll Out

#### Investment Highlights

- Linus on track to deliver global solutions in key market sectors
- The Company is well capitalised to fulfil its business objectives
- Commercial deal signed with Newstac
- Successful Proof of Concepts (POCs) across core Education and Media & Entertainment industries
- Channel expansion: New resource investments and advanced partner discussions
- Building scalable processes and capability within sales, marketing and product teams

#### Overview

**Linus Technologies Limited (ASX: LNU)**, (also referred to as “Linus” and “the Company” throughout this report), is pleased to lodge its Annual Activities Report and Appendix 4E financial statements with the ASX. Appendix 4E relates to the Company’s performance during Financial Year ending 30 June 2018 (FY18). This Annual Activities Update relates to FY18, and includes some information subsequent to the close of the fiscal year.

The Company’s patented technology affords it opportunities in multiple high value markets on a global scale and, during FY2018, the company has been able to establish a position from which it can exploit these opportunities.

The Company is very pleased with developments in;

- Continued productisation of the technology to deliver high value solutions
- Roll out of the technology on IBM Cloud, AWS and Microsoft Azure
- Global partnerships with key players in target market sectors
- Strong capitalisation of the company

Across FY18, the Company continued its strategic focus, to:

- Make all of the worlds video accessible as data
- To become the *de facto* standard for the management and broadcast of video
- Deliver Linus’ patented Video Virtualization Engine™ (VVE) to mass markets in 3 ways:
  - Industry specific divisions and solution sets built around VVE
  - Mass distribution through partners, such as IBM
  - Self-service to global markets through a SaaS model

To deliver on its strategy, Linius is working to:

1. Complete direct sales as commercial validation of its VVE technology
2. Create replicable solutions built around the Company's core VVE technology, which can be delivered by channel partners
3. Engage major cloud providers – Amazon AWS, Microsoft Azure, and IBM Cloud – to scale fast

For a large part of FY18, the Company focused on completing the first of these steps – and consequently addressing detailed near-term goals (NTGs) that realize revenue-generating agreements with the completed agreement with global video news service Newstag being a prominent example (details below). Moving forward, Linius is transitioning to the second step (delivering replicable client solutions), as the direct sales pipeline continues to build, in order to further enable the Company's growing channel network.

## Achievement of NTGs

In FY18 the Company moved to a communication methodology of outlining NTGs to the market, which would be indicative of scaling the business opportunity and moving towards revenue generation. An initial set of NTGs was delivered in September, 2017, and a follow-on update to that was issued in April, 2018.

### Initial NTGs:

Early in the FY18 fiscal year (in September, 2017), the Company announced a series of NTGs. Of the original 11 NTGs outlined, eight have been achieved and one replaced with a new NTG to better align with the Company's evolving strategy:

- ✓ Integration VVE into IBM's Cloud (Oct. 2017)
- ✓ Integration VVE with at least one world leading Over The Top (OTT) platform (Oct. 2017)
- ✓ Engage with a global movie studio to develop Proof of Value (POV) in anti-piracy (Oct. 2017)
- ✓ Deliver the integration of VVE into Microsoft Azure (Dec. 2017)
- ✓ Deliver blockchain strategy and solution design (Dec. 2017)
- ✓ Integrate VVE with at least one cognitive Artificial Intelligence (AI) provider (Dec. 2017)
- ✓ Engage global movie studio to develop mass content distribution Proof of Value (Feb. 2018)
- ✓ Deliver POC for Linius' Video Search Solution in a global cloud environment (Dec. 2017)
- Deliver an end-to-end piracy solution with a movie studio
- Convert initial deal flow with IBM
- Deliver the integration of VVE with Major OTT ad servers (replaced with new NTG)

Note - Linius deprioritised the OTT ad-server integration, as previously communicated and focused on the AI driven search capability.

### NTG Highlights:

**Warner Bros. and Linius sign collaboration agreement:** In February 2018, Linius signed a collaboration agreement with Warner Bros. Entertainment Inc. to conduct a technical pilot test in Australia of the Linius VVE in a transactional video on demand ("TVOD") streaming and content platform, which provides content protection through distribution to an end-user. This agreement met the Company's NTG to engage with a global movie studio to develop POV in anti-piracy.

**Linius integrates with Microsoft AI:** In December 2017, Linius successfully integrated with Microsoft's suite of Cognitive AI Services for video with its core VVE offering. In line with Linius' strategy of integrating with Microsoft, AWS and IBM cloud providers, the Company is fast-tracking its integration with global leaders in AI.

**Expanded NTGs:**

To accelerate the commercialization process, Linius augmented the Company's initial set of NTGs in April 2018. This second set of NTGs were designed to further Linius' rapid business-scaling efforts, lay crucial foundations for generating revenue and support the long-term goals of increasing the penetration of virtual video globally. These NTGs were to be completed by the end of the September quarter.

- Launch VVE as a SaaS platform (strong current developer, partner and channel-use SaaS environment)
- Sign an education-sector reseller
- Close two revenue-generating deals in the education sector
- Close two revenue-generating deals in the news or sports sector
- Close two revenue-generating deals in addition to those cited directly above
- Sign a second agreement with a globally significant cloud services platform (beyond IBM)
- Deliver an end-to-end piracy solution with a movie studio
- Deliver POC for Linius' Video Search Solution in a global cloud environment
- Convert initial deal flow with IBM
- Integrate IBM search capability

**NTG achievements:****Linius signs commercial deal with Newstag, deploying Linius Video Search technology:**

Linius and innovative Stockholm-based video news service, Newstag, signed a commercial agreement, which will deliver hyper-personalized news content for both consumers and broadcasters. The signed agreement means Newstag will be a direct user of Linius' software at a price point of US\$1 per video virtualized and US\$40 per thousand videos assembled (discounted to US\$10 per thousand until future commercial deals are signed). This represents one of the two revenue-generating deals in the news or sports sector. Looking forward, the Company anticipates that Newstag will become a reseller of Linius' software into the global news market.

Newstag is currently deploying the Linius Search Solution across the Newstag site, allowing users to search news archives and generate their own personalized news experience. Linius and Newstag are finalizing a joint go-to-market strategy to sell the capability to the thousands of news broadcasters and news content providers around the world, including but not limited to existing Newstag clients. Newstag is an award-winning news platform that aggregates content for more than 20 broadcasters and agencies around the world, including leading news producers such as AP, AFP, CNN and Bloomberg. Newstag is a world leader in the use of data to learn and tailor content experiences for users in more than 150 countries.

Chairperson of Newstag, Ph.D Camilla Dahlin-Andersson, commented: "Newstag is excited about working with Linius to rapidly scale our personalised video news content offering helping users to find relevant content more efficiently. Linius' technology will allow us to gain market share in this rapidly evolving market."

The commercial deal with Newstag was featured on Sky News Business show, Coincast TV, Friday 10 August. Coincast, the world's first Blockchain TV news program on mainstream television, is broadcast to a global audience of over 170 million people.

**NTG progress update:**

**Delivery of a piracy solution with a movie studio:** The Warner Bros. POC is nearing completion of deployment, with the focus on a technical trial to demonstrate the analytics and KPI capabilities of virtual video.

**VVE as a SaaS platform:** The company's technology is available on Amazon AWS, Microsoft Azure, and IBM Cloud. Launched in January 2018 following a trial involving a large-scale virtualization of Instagram, the "self-serve" version of VVE — Linius Video Services — continues to be used by developers, partners, and channels. Developers can build new products and businesses on top of VVE, through a suite of API's built for global scale. For those interested in experimenting with VVE, the self-serve service can be reached at <https://lvs.linius.com/>. The commercial release is expected shortly, in-line with the Company's strategy to scale the availability of Linius' VVE rapidly and drive pervasive usage of video virtualization worldwide. As the solution rolls out, users will be able to log-on and pay to virtualize their videos themselves, without the requirement for Linius resources. The global SaaS market grew from US\$5bn in 2005 to US\$105bn in 2017<sup>1</sup>.

**Converting initial deal flow with IBM:** Linius is now in final proposal stage with IBM technology partners and managed service providers. Linius expects at least one of these agreements to be signed by the end of the September 2018 quarter.

**Oklahoma State University (OK State) and MediaAMP POCs to satisfy multiple NTGs:** As OK State and MediaAMP POCs rapidly approach a successful close, they are expected to imminently achieve multiple NTGs, including: Search in a global cloud environment revenue-generating deals in the education sector, and a reseller agreement in the education sector by the end of the September quarter. Engagement with potential customers is strong.

In addition to the April 2018 NTGs already stated, the Company is confident of signing at least two global and regional distribution agreements with reseller partners and Managed Service Providers, to support rapid commercialization moving into the 2018 December quarter and beyond.

New NTGs will be announced in the December 2018 quarter for the December 2018 to March 19 quarters.

## Appendix 4E financial statements and full year results

Linius released its full year results in Appendix 4E, which it submitted to ASX today in conjunction with this report. The Appendix 4E includes full details of the Company's performance and financial position for FY18 ended 30 June 2018.

The financial results and net cash outflow for Financial Year 2018 reflect the commercialisation activities undertaken by Linius. Over that period, the Company has acted on its strategy and NTGs, expanding its management and operational teams. This significant investment in people and process will further enable the Company to capitalize on growing global market opportunities for Linius' world-first VVE, driven by the billions being invested in video services and AI in the cloud from Amazon, Microsoft and IBM.

Linius' cash balance at end of FY18 was AUD\$10.8m. This will enable the Company to continue aggressively pursuing its commercial goals with confidence.

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<sup>1</sup> <https://www.statista.com/statistics/510333/worldwide-public-cloud-software-as-a-service/>

## Outlook

During FY18, the Company focused on completing key activities to directly support its NTGs, including executing high-profile POCs to support its future direct sales pipeline, investing in channel development, as well as hiring world-class talent across its sales, marketing, product and management functions. The execution of these measures is intended to both drive revenue and increase the penetration of virtual video within the Company's chosen markets.

Moving forward, the Company intends to complete its NTGs as well as other commercial initiatives. To accomplish this, the Company's strategy remains to complete announced POCs, deliver direct sales, and drive those results through channels as solutions. The Company remains confident of commercial success in line with its NTGs.

Whilst proving use cases in the market for Linius' Security and Defence, Personalized Ads and Anti-Piracy solutions remain priorities for the business, the Company has decided that the fastest way to progress with commercialization in order to achieve revenue-generating deals, is to continue aggressively pursuing POCs for its Search solutions in sports, news, education, and corporate communications. In accordance with this focus, the Company is already working with Newstag and MediaAMP to rapidly pursue the news and education markets respectively with Linius' Video Search Solution.

**More successful POCs delivered and underway:** POCs with OK State and MediaAMP have progressed well. Linius expects these strategic POCs to lead to revenue.

**Actively working on first video blockchain:** Linius plans to launch the world's first video blockchain, and is actively working to deliver on that strategy in conjunction with its global partners. The company continues to believe that virtual video remains the only mechanism by which blockchain can be used to fulfil its purpose of protecting ownership rights of video as a digital asset.

**Bolstering channel network and capabilities:** As the Company completes its previously announced strategic POCs and POVs, it anticipates these to be repurposed as replicable, commercial solutions that can be sold either by the Company directly or by resellers in the relevant verticals. The Company is working with multiple channel partners around the world and continues to leverage the investments being made by the leading cloud providers in cloud infrastructure and artificial intelligence.

- Linius Channel expansion: New resource investments and partner discussions initiated
- Linius channel scalability: Linius is building robust processes, resources and framework to systemize the support of channel partners at scale

**Building scalable processes and capability within sales, marketing and product teams:**

- Key hires: Expansion of the Company's sales, marketing and product development teams continues
- Bolstering delivery capabilities: Linius has focused on building its internal delivery resources; which will be crucial for execution as Linius anticipates rapid progress through the Company's commercialization milestones

## About Linius Technologies Limited

Linius Technologies Limited (ASX:LNU) has invented and patented the **Video Virtualization Engine™ (VVE)**, which is available on Amazon Web Services, Microsoft Azure and IBM Cloud.

Amazon, Microsoft and IBM are virtualizing video services (technologies) and Artificial Intelligence in the cloud. It is arguably the biggest battle on the internet, given that video accounts for nearly 80 percent of internet traffic.

Only Linius can expose the data that makes up the video file, making cumbersome video as flexible as all other forms of data. Accessing the data within the video file is the missing link for video cloud service providers, creating unparalleled value across the internet video industry.

Linius has the potential to transform many multi-billion-dollar markets, and is initially focused on:

- **Anti-Piracy:** Applying proven data protection methods to video to solve piracy
- **Search:** Search within videos and compiling new videos on-the-fly
- **Security and Defence:** Intelligent search and immediate distribution of security footage
- **Personalized Advertising:** Hyper-personalized to individuals, time slots and content

For more on Linius Technologies, visit [www.linius.com](http://www.linius.com)

For regular news and updates, follow Linius Technologies on Twitter (@linius\_tech), LinkedIn (Linius Technologies Ltd), Vimeo (Linius Technologies) and Facebook (@linius).

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