UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT
Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported)

November 6, 2018

FORESCOUT TECHNOLOGIES, INC.
(Exact name of registrant as specified in its charter)

Delaware	**001-38253**	**51-0406800**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

190 West Tasman Drive
San Jose, California 95134
(Address of principal executive offices, including zip code)
(408) 213-3191
(Registrant's telephone number, including area code)
Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Explanatory Note

This Amendment No. 1 is being filed by ForeScout Technologies, Inc. (the “Company”) to amend Item 9.01 of its Current Report on Form 8-K originally filed by the Company with the Securities and Exchange Commission on November 8, 2018 in connection with its acquisition (the “Acquisition”) of SecurityMatters B.V. (“SecurityMatters”) pursuant to a Share Purchase Agreement dated as of November 6, 2018. As indicated in the original Form 8-K, the Acquisition has been completed and this Amendment No. 1 is being filed to provide the information required by Item 9.01 of Form 8-K.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired.

The financial statements of SecurityMatters required by this Item 9.01(a) are filed as Exhibit 99.1 and Exhibit 99.2 to this Amendment No. 1 and are incorporated by reference herein.

(b) Pro Forma Financial Information

The pro forma financial information required by this Item 9.01(b) is filed as Exhibit 99.3 to this Amendment No 1. and is incorporated by reference herein.

(d) Exhibits.

Exhibit No.	Description
23.1	Consent of Baker Tilly Virchow Krause, LLP
99.1	Audited Consolidated Financial Statements of SecurityMatters as of and for the year ended December 31, 2017.
99.2	Unaudited Condensed Consolidated Financial Statements of SecurityMatters as of and for the six months ended June 30, 2018
99.3	Unaudited Pro Forma Condensed Combined Financial Information as of and for the year ended December 31, 2017 and as of and for the six months ended June 30, 2018

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

FORESCOUT TECHNOLOGIES, INC.

By: /s/ Darren J. Milliken

Darren J. Milliken
Senior Vice President, General Counsel, Corporate Secretary and Chief Compliance Officer

Date: January 18, 2019

Exhibit 23.1

Consent of Independent Auditors

We hereby consent to the incorporation by reference in the Registration Statements (Nos. 333-221193 and 333-223429) on Form S-8 of ForeScout Technologies, Inc. of our reports dated January 14, 2019 relating to the financial statements of SecurityMatters B.V., which appear in this Current Report on Form 8-K/A of ForeScout Technologies, Inc. dated January 18, 2019. As disclosed in Note 2 to the audited financial statements, our report is qualified due to the omission of comparative financial information.

/s/ Baker Tilly Virchow Krause, LLP

Pittsburgh, Pennsylvania
January 18, 2019

Exhibit 99.1

SecurityMatters B.V.

Financial Statements

December 31, 2017

SecurityMatters B.V.

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December 31, 2017

Independent Auditors' Report

Board of Directors and Shareholders

SecurityMatters B.V.

We have audited the accompanying financial statements of SecurityMatters B.V. (the "Company"), which comprise the statement of financial position as of December 31, 2017, and the related statements of profit and loss, changes in equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

As disclosed in Note 2 to the financial statements, International Financial Reporting Standards as issued by the International Accounting Standards Board requires that financial statements be presented with comparative financial information. The accompanying financial statements have been prepared as of and for the year ended December 31, 2017 solely for the purpose of meeting the requirements of Rule 3-05 of Regulation S-X of the US Securities and Exchange Commission ("Rule 3.05"). Accordingly no comparative financial information is presented.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of SecurityMatters B.V. as of December 31, 2017, and the results of its operations, changes in equity, and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ Baker Tilly Virchow Krause, LLP

Pittsburgh, Pennsylvania
January 14, 2019

SecurityMatters B.V.

Statement of Profit and Loss
Year Ended December 31, 2017
(Expressed in thousands of Euro)

	Notes	
Sales	4	4,672
Cost of Sales		225
Gross profit		4,447
Research and development expenses		471
Sales and marketing expenses		2,687
General and administrative expenses		1,260
Total expenditures		4,418
Profit from operations		29
Finance Income and Expenses	8	(121)
Loss before taxation		(92)
Income Tax	9	0
Net Loss		(92)

See notes to financial statement

SecurityMatters B.V.

Statement of Financial Position

As of December 31, 2017

(Expressed in thousands of Euro)

	Notes	
Assets		
Non-Current Assets		
Intangible assets	11	84
Property, plant and equipment	12	166
Other non-current asset	13	20
Total non-current assets		270
Current Assets		
Accounts receivable	14	3,328
Other current assets	15	256
Cash and cash equivalents	16	2,675
Total current assets		6,259
Total assets		6,529
Liabilities and Equity		
Equity	17	
Share capital		26
Share premium reserve		4,655
Retained earnings		180
Total equity		4,861
Non-Current Liabilities		
Debt and financing	18	—
Total non-current liabilities		—
Current Liabilities		
Debt and financing	18	190
Accounts payable	19	133
Other current liabilities	20	1,345
Total current liabilities		1,668
Total liabilities		1,668
Total equity and liabilities		6,529

See notes to financial statement

SecurityMatters B.V.

Statement of Cash Flows

Year Ended December 31, 2017

(Expressed in thousands of Euro)

Net Loss	(92)
Noncash items in net loss:	
Depreciation and amortization	60
Employee stock options	83
Change in assets and liabilities: Increase in non-current assets	(6)
Increase in accounts receivable	(2,026)
Increase in other current assets	(112)
Increase in accounts payable	47
Increase in other current liabilities	797
Net cash flows used in operating activities	(1,249)
Purchase of intangible assets	(27)
Purchase of property, plant and equipment	(141)
Net cash flows used in investing activities	(168)
Payments of debt and financing	(265)
Net cash flows used in financing activities	(265)
Net decrease in cash and cash equivalents	(1,682)
Cash and Cash Equivalents, at the Beginning of Year	4,357
Net decrease in cash and cash equivalents	(1,682)
Cash and Cash Equivalents, at the End of Year	2,675

See notes to financial statement

SecurityMatters B.V.

Statement of Changes in Equity

Year Ended December 31, 2017

(Expressed in thousands of Euro)

	Share Capital	Share Premium Reserve	Retained Earnings	Total Equity
As at December 31, 2016	26	4,655	189	4,870
Employee stock option plan	0	0	83	83
Net loss	0	0	(92)	(92)
As at December 31, 2017	26	4,655	180	4,861

See notes to financial statement

1. Foundation and Activity of the Company

SecurityMatters B.V. (the "Company") has been incorporated on December 9, 2009 with the Chamber of Commerce registration number 08514012 and has its legal seat in Eindhoven, the Netherlands. The address of its registered office is De Zaale 11, 5612 AJ Eindhoven, the Netherlands.

The Company engages in industrial cyber security. SecurityMatters B.V. develops a solution - SilentDefense - to address domain specific threats and needs. SilentDefense is the most advanced and mature OT network monitoring and intelligence platform.

SecurityMatters B.V. is a subsidiary of SecurityMatters Holding B.V. (“Parent company”), the Netherlands. Approximately 69% of the outstanding shares of the Company are owned by this holding. The remaining shares are held by four Venture Capitalists (approximately 27% of total share capital - which represents 100% of the preference shares) and others (e.g. employees) (4%).

According to the articles of association of the Company, the fiscal year ends as at December 31.

These financial statements of SecurityMatters B.V. are approved by the management board for issue on January 14, 2019.

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statement follows:

Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IFRS-IASB”) except for the exclusion of comparative figures for the prior year required by IAS 1 "presentation of financial statements". The purpose of these financial statements is to meet the reporting requirements of Rule 3-05 of Regulation S-X of the Securities and Exchange Commission and since they do not present comparative financial statements they are not in compliance with IAS 1.

The financial statements have been prepared under the historical cost convention except for certain financial instruments.

All amounts in the financial statements and disclosure notes are expressed in thousands of euros unless otherwise stated.

The preparation of financial statements in conformity with IFRS-IASB requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the companies' accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Going Concern

In the opinion of the management, the Company is able to operate as a going concern, as it is able to fulfil its obligations towards third party creditors on an on-going basis, as well as to support the normal operational activities as necessary.

For 2018, an aggressive expansion of the activities is planned. If the planned growth will substantiate this will result in a significant increase in the required working capital needs. In that case the Company may consider a new financing round (either debt or equity) to fund the working capital needs.

Application of New and Revised IFRS

Standards, Amendments and Interpretations Issued But Not Yet Effective as at December 31, 2017

Standards issued but not yet effective up to December 31, 2017 are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective. As at December 31, 2017, the following financial reporting standards were issued by the International Accounting Standards Board but were not yet effective:

New and Amended Standards	Effective for Accounting Periods Beginning On or After
Standards	
IFRS 9 Financial Instruments (2014)	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019
IFRS 17 Insurance contracts	1 January 2021
Amendments	
Amendments to IFRS 2: Classification and Measurement of Share-based payment transactions	1 January 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle	1 January 2018
Amendments to IAS 40: Transfers of Investment Property	1 January 2018
Amendments to IFRS 9: Prepayment features with Negative Compensation	1 January 2019
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle	1 January 2019

The Board of Directors expects that the adoption of these financial reporting standards, except for the impact of IFRS 15, *Revenue from Contracts with Customers* and IFRS 16, *Leases*, will not have a material effect on the financial statements of the Company in future periods.

The Company adopted IFRS 15 subsequent to December 31, 2017 and the impact was expected to result in a reduction of equity of approximately EUR 2,872 (in thousands) at December 31, 2017.

The Company is evaluating the impact that IFRS 16 will have on the financial statements.

Revenue Recognition

Revenues from perpetual license fees for standard content are recognized as revenues upon delivery to the customer. Revenues from subscription license fees are recognized on a straight-line basis during the subscription period.

Maintenance and post customer support, when stated separately, is recognized on a straight-line basis over the maintenance term.

When contracts separately state the license and maintenance/post customer support fees, each element is recognized based on its contractual amount. Generally, the stated maintenance period starts one year after the recognition of the perpetual license.

Government Grants

The Company received Government grants from the local and European government to support research activities with regards to cyber security and other themes.

Government grants are recognized as a reduction to expenditures in the profit and loss statement only if there is reasonable assurance that the Company will comply with the conditions attached to the grants and that it is probable that the grants will be received.

Government grants are recognized in the profit and loss in the same period as the recognition of the expenses which the grants are intended to compensate (most significant part of the Government grants are linked to the hours spent).

No other forms of government support have been received.

Finance Income and Expense

Finance income and expense comprises interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested and foreign exchange gains and losses.

Interest income is recognized in the income statement as it accrues, taking into account the effective yield on the asset.

Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly to equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary difference or unused tax losses/credits can be utilized. If the Company has a history of recent losses, the Company recognizes a deferred tax asset arising from unused tax losses only to the extent that the Company has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Intangible Assets

Intangible assets acquired separately are initially recognized at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization.

Intangible assets are amortized over their estimated useful economic lives using the straight-line method. The Company does not have any intangible assets with an indefinite life. Patents are amortized over 5 years.

Property, Plant and Equipment

Owned Assets

Office equipment and other assets held for use in the production and for administrative purposes are recorded at historical cost or deemed cost, equal to the fair value as at the date of the acquisition.

After initial recognition, the office equipment and other assets shall be carried at cost less accumulated depreciation and any accumulated impairment losses.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent Expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalized. Other subsequent expenditure is capitalized if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other expenditure is recognized in the income statement as an expense as incurred.

Depreciation

Depreciation is on straight-line basis over the estimated useful lives of the asset items of property, plant and equipment, and major components that are accounted for separately. The estimated useful life of office equipment and other assets is 5 years.

The residual values, estimated useful lives and depreciation methods of each items of property, plant and equipment are reassessed annually.

Financial Assets

Deposits (other receivables) are initially stated at fair value and subsequently measured at amortized cost less impairment losses.

Trade and Other Receivables

Trade and other receivables are initially stated at fair value and subsequently measured at amortized cost less impairment losses.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and savings accounts.

Impairment

The carrying amounts of the Company's property, plant and equipment and intangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.

There were no indications of impairment as of December 31, 2017.

Equity

Ordinary, preferred and non-voting shares are classified as shareholders' equity. External costs that can be attributed directly to the issuance of new shares are deducted from the share premium reserve.

Borrowings

Borrowings are recognized initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

Trade and Other Payables

Trade and other payables are initially stated at fair value and subsequently measured at their amortized cost using the effective interest method where the effect of the passage of time is material.

Research and Development

Research and development expenses consist of the cost for the development of new products and services, salaries and related benefits of product development personnel, prototype products and expenses related to the development of new products.

The most significant part of the research and development cost are related to staff expenditures of the research and development department whereby it is not possible to allocate the specific cost to a specific project as the registration of these costs is on a lump-sum basis. As a result, the measurement of these costs attributable to a specific intangible is not possible and the costs have been expensed in accordance with IFRS.

Employee Benefits

Retirement Benefit Costs

The Company does not offer a pension scheme to its employees.

Employee Stock Options

SecurityMatters B.V., at its discretion, offers a stock option plan to a group of employees.

The fair value of the share options expected to vest is accounted for as expenditures on a straight-line basis over the vesting period, with a corresponding addition to shareholders' equity. The fair value of the options is calculated at the grant date using the Black Scholes model and taking into account the specific conditions of the option plan.

The recognition is based on the best estimate of the number of share option rights expected to vest. If subsequent information indicates that the number of share options rights expected to vest differs from the previous period the estimate shall be revised.

Short-Term and Other Long-Term Employee Benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect to short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognized in respect to other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect to services provided by employees up to the reporting date.

Fair Value Estimation

Estimated fair value disclosures of financial instruments are made in accordance with the requirements of IFRS 7, *Financial Instruments: Disclosure*. Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. As no readily available market exists for a large part of the Company's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Company could realize in a market exchange from the sale of its full holdings of a particular instrument.

The following summarizes the major methods and assumptions used in estimating the fair values of financial instruments.

Interest-Bearing Borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows. The carrying amount of the Company's loans due after one year is also considered as reasonable estimate of their fair values as the nominal interest rates on the loans due after one year are considered to be a reasonable approximation of the fair market rate with reference to loans with similar credit risk level and maturity period at the reporting date.

Trade and Other Receivables / Payables

Receivables / payables typically have a remaining life of less than one year and receivables are adjusted for impairment losses. Therefore, the carrying amounts for these assets and liabilities are deemed to approximate their fair values, as the allowance for estimated irrecoverable amounts is considered a reasonable estimate of the discount required to reflect the impact of credit risk.

Other Non-Current Assets

Other non-current assets are regularly reviewed and adjusted for impairment losses. Therefore, management considers the carrying amount of these assets to approximate fair value.

Leasing

Leases are classified as finance leases when according to the terms of lease the lessee assumes all principal risks and rewards incident to ownership of the leased equipment. Other leases are classified as operating leases.

Assets held under finance lease are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in the profit or loss.

Expenses associated with operating leases are accrued on a straight-line basis and recorded in the income statement over the lease term.

Statement of Cash Flows

The statement of cash flows has been prepared using the indirect method. Under the indirect method, the cash flow is determined by adjusting net loss for the effects of:

- changes during the period in operating receivables and payables;
- non-cash items such as depreciation and provisions;
- all other items for which the cash effects are investing or financing cash flows.

Investing and financing transactions that do not require the use of cash (e.g. finance lease) are excluded from the cash flow statements.

3. Accounting Estimates and Judgements

Due to the nature of the Company's operations, critical accounting estimates and judgements principally relate to the:

- Revenue recognition;
- Intangible assets (estimated useful life);
- Property, plant and equipment (estimated useful life);
- Provision for doubtful debts.

With regards to the revenue recognition, especially deferred income, management of the Company makes assumptions about the element by element split per contract (perpetual subscription license, maintenance and professional services) and the current status of the contract per balance sheet date. Further, management has to estimate the current status of each subsidy projects based on the applicable terms and conditions.

The management of the Company makes assumptions about the estimated useful lives, depreciation methods or residual values of items of patents and office equipment.

The assumptions made are based on past experiences and information currently available.

Furthermore, the Company's management believes that the net carrying amount of trade receivables is recoverable based on their past experience in the market and their assessment of the credit worthiness of debtors at December 31, 2017. Such estimates are inherently imprecise and there may be additional information about one or more debtors that the Company's management are not aware of, which could significantly affect their estimations.

4. Sales

Summary sales per region based on the location of the customer:

	Expressed in Thousands of Euro
United States of America	3,272
European Union	1,397
Asia	3
Total	4,672

5. Government Grants

	Expressed in Thousands of Euro
Project subsidies	164
WBSO*	112
Total	276

The above amounts are included as a reduction to research and development expenses on the statement of profit and loss.

* WBSO is the Dutch acronym for “Wet Bevordering Speur- en Ontwikkelingswerk”, meaning the Dutch Research and Development Act.

6. Employee Benefit Expenses

Employee benefit expenses consist of:

	Expressed in Thousands of Euro
Wages and salaries	1,162
Employee stock options	83
Social security	164
Total	1,409

Employee benefit expenses have been classified on the statement of profit and loss as follows:

	Expressed in Thousands of Euro
Cost of sales	218
Research and development	687
Sales and marketing expenses	303
General and administrative expenses	201
Total	1,409

7. Depreciation and Amortization

	Expressed in Thousands of Euro
Amortization of intangible assets	33
Depreciation of property, plant and equipment	27
Total	60

The above depreciation and amortization expenses are included in research and development expenses on the statement of profit and loss.

8. Financial Income and Expense

	Expressed in Thousands of Euro
Interest income	-
Interest expense	19
Foreign exchange rate losses	102
Total	121

9. Unrecognized Deferred Tax Assets

Deferred tax assets have not been recognized in respect to tax losses because it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom. Tax losses can be offset against future taxable profits in the subsequent 9 years and these losses will expire beginning in 2024.

	Gross Amount	Tax Effect
	(Expressed in Thousands of Euro)	
Tax losses	537	97

10. Share Based Payments

SecurityMatters B.V. has a share option scheme for a group of employees.

As at December 31, 2017, 7,410 option rights were granted to obtain an equal number of non-voting common shares.

Number of granted option rights:	
Balance at January 1, 2017	2,750
Granted option rights	4,660
Balance at December 31, 2017	7,410

Option rights granted to employees are subject to vesting conditions (a period of time) and good leaver and bad leaver provisions. Only vested option rights can be exercised against EUR 0.10 (granted before or in 2016) or EUR 45 (granted in 2017 and subsequent period) at the time when an exercise event occurs (settlement in equity). Option rights granted vest after 18 months (37.5%) and 48 months (62.5%) or on a quarterly basis for employees who joined prior to January 1, 2015. The options do have an indefinite life.

As at December 31, 2017, no options have been exercised, expired or forfeited and no options are exercisable. The fair value of the option, calculated using the Black Scholes model and the assumption no employees will leave the Company during the vesting period, expected to vest are recognized as part of the employee benefits for an amount of EUR 83 (in thousands) for the year ended December 31, 2017.

The Company estimated the fair value of options granted to be EUR 112.14 as of December 31, 2017 using the Black Scholes option pricing model with the following weighted-average assumptions:

Fair value per common share	EUR 68.11 - 145.40
Volatility	70.00%
Average risk-free rate	0.71 - 0.74%
Dividend yield	0.00%
Expected term (years)	4.00

11. Intangible Assets

	Patents	Total
	(Expressed in Thousands of Euro)	
Cost:		
Balance at January 1, 2017	153	153
Additions	27	27
Balance at December 31, 2017	180	180
Accumulated amortization:		
Balance at January 1, 2017	63	63
Amortization for the year	33	33
Balance at December 31, 2017	96	96
Net balance at December 31, 2017	84	84

12. Property, Plant and Equipment

	Computer and Office Equipment	Total
	(Expressed in Thousands of Euro)	
Cost:		
Balance at January 1, 2017	91	91
Additions	141	141
Balance at December 31, 2017	232	232
Accumulated depreciation:		
Balance at January 1, 2017	39	39
Depreciation for the year	27	27
Balance at December 31, 2017	66	66
Net balance at December 31, 2017	166	166

Property, plant and equipment serve as collateral for the financing agreement in Note 18.

13. Other Non-Current Asset

Other Non-Current Assets consist solely of deposits.

	Expressed in Thousands of Euro
Balance at January 1, 2017	14
Additional deposit	6
Balance at December 31, 2017	20

14. Accounts Receivable

	Expressed in Thousands of Euro
Trade receivables	1,179
Parent company	37
U.S. distribution agent	2,112
	3,328
Provision for impairment accounts receivable	-
Total	3,328

The management of the Company considers that the carrying amount of accounts receivable approximates to their fair value.

The accounts receivable serve as collateral for the financing agreement in Note 18.

15. Other Current Assets

	Expressed in Thousands of Euro
Value added tax, foreign countries	11
Government grants	87
Income to invoice	83
Prepayments	74
Other accounts receivable	1
Total	256

The management of the Company considers that the carrying amount of other current assets approximates to their fair value.

16. Cash and Cash Equivalents

	Expressed in Thousands of Euro
Savings account	1,800
Current accounts	875
Total	2,675

The funds on the savings account are available after a 31 days waiting period.

17. Equity

Issued and Paid-up Capital

As at December 31, 2017, the Company's issued and paid up share capital comprises:

- 180,000 common shares of EUR 0.10 each;
- 69,350 preference class A shares of EUR 0.10 each ;
- 11,490 shares without voting right of EUR 0.10 each.

Every common share gives right to one vote.

The Company is in its growth phase and dividend distributions may strain its growth capacity and; therefore, the Company has no recent history of dividend distributions.

Preference Class A Shares

In accordance with the articles of association class A shares do have preference, in case of an Exit Event. In case of an Exit Event, each class A shareholder shall receive a preference amount, in proportion to the paid-up nominal value of its class A shares, equaling the higher of:

- 200% of its respective Investment Amount;
- Such percentage of the proceeds corresponding to its respective portion of the relevant nominal share capital of the Company (all shares deemed to be common shares).

Finally, the remaining proceeds will be allocated to the holders of common shares and non-voting shares in proportion to the number of common shares and non-voting shares.

18. Debt and Financing

	Expressed in Thousands of Euro
Debt and financing due after more than one year	-
Debt and financing due within one year	190
Total debt and financing	190

The management of the Company considers that the carrying amount of non-current and current financial liabilities approximates to their fair value.

Debt and Financing Due after More than One Year

	Expressed in Thousands of Euro
Bank financing	199
Prepaid fees	(9)
Total non-current debt and financing	190
Less portion payable within one years	(190)
Total debt and financing due after more than one year	-

Bank Financing

General

The Company entered into three (pledged) loan agreements with ABN-Amro Bank N.V.

Repayment

The repayment schedule is as follows:

	Expressed in Thousands of Euro
< 1 year	190
1 - 5 years	-
> 5 years	-
Borrowing from ABN-Amro	190

Interest

The interest on the loans is fixed in the range 3.1% and 4.5%.

Securities

The loan agreement was secured by:

- Guarantees of EUR 50 (in thousands) provided by Mr. D. Bolzoni, Mr. E. Zambon and Mr. S. Etalle;
- Joint and several liability of SecurityMatters Holding B.V.;
- Lien on inventories, equipment and receivables.

Debt and Financing Due Within One Year

	Expressed in Thousands of Euro
Bank financing	-
Portion of non-current debt payable within one year	190
Total debt and financing due within one year	190

ABN-Amro Bank N.V., Credit Facility

The bank provided the Company with an overdraft facility of EUR 390 (in thousands). The facility will be reduced with EUR 25 (in thousands) per quarter starting July 1, 2017 for a period of two years. Subsequently, the facility will be reduced with EUR 10 (in thousands) per quarter starting July 1, 2020. The interest is equal to the ABN-Euro Basisrente with a minimum of 3.55% per annum plus a mark-up of 1.5%.

19. Accounts Payable

The management of the Company considers that the carrying amount of accounts payable approximates to their fair value.

20. Other Current Liabilities

	Expressed in Thousands of Euro
Value added tax	10
Wage tax	64
Deferred income	867
Employee benefits payable	128
Sales expenditures	258
Other accruals	18
Total	1,345

21. Transactions with Related Parties

		Expenses During the Year Ended	Receivable Balances as at
		December 31, 2017 (Expressed in Thousands of Euro)	
Management fee	(a)	287	-
Receivable from Parent company	(b)	-	37
Compensation of key management personnel:			
Short-term employee benefits		232	-
Share-based payment expenses		5	-

(a) The shareholders of the Parent company consist of three personal holding companies, who provide management services to the Company and were paid management fees. Each of the three personal holding companies are owned by each of the three founders of the Company, respectively.

(b) As of December 31, 2017, the Company had a receivable due from the Parent company relating to tax refunds the Parent company collected on behalf of the Company. The receivable has been collected in full by June 30, 2018.

Guarantees

With regards to the credit facility available to the Company, guarantees are provided by the founders of the Company for a total amount of EUR 150 (in thousands).

In addition, the Parent company is jointly and several liable for the credit facility provided to the Company.

22. Revenues by Geographic Region

The Company's revenues by geographic region are as follows:

	Expressed in Thousands of Euro
United States of America	3,272
Netherlands	902
European Union less than 10% of revenue by country	495
Asia less than 10% of revenue by country	3

23. Financial Risk Management

In the ordinary course of business, the Company is exposed to a different extent to a variety of financial risks: capital risk, foreign currency risk, interest rate risk, liquidity risk, price risk and credit risk.

Within SecurityMatters B.V. financial instruments and derivatives are not used to hedge the exposure associated with these factors.

Capital Risk Management

The Company manages its capital to ensure that the Company entities will be able to continue as a going concern while maximizing the return to the equity holders through optimization of the debt to equity balance. The management of the Company reviews the capital structure on a regular basis.

Based on the results of this review, the Company takes steps to balance its overall capital structure through the issuance of new shares, payment of dividends, issuance of new debt or the redemption of existing debt liabilities. One of the results of the most recent review was the issuance of new shares in previous year, resulting in four venture capitalists joining the Company as shareholders. The shareholders provided the Company with significant funds to support further growth and increased the liquidity level.

Major Categories of Financial Instruments

The Company's principal financial liabilities comprise loans and borrowings, trade and other accounts payable and accruals. The main purpose of these financial instruments is to finance the Company's operations. The Company has various financial assets such as trade and other accounts receivable, cash and cash equivalents.

	Expressed in Thousands of Euro
Financial Assets	
Cash and cash equivalents	2,675
Accounts receivables	3,328
Other current assets	256
Current	6,259
Other non-current assets	20
Total	6,279
Financial Liabilities (short-term)	
Debt financing	190
Accounts payables	133
Other current liabilities	1,345
Current	1,668
Financial Liabilities (long-term)	
Debt and financing (excl. prepaid fees)	-
Total	1,668
Total liquidity	4,611

Foreign Currency Risk

Currency risk is the risk that the financial results of the Company will be adversely impacted by changes in exchange rates to which the Company is exposed. The Company undertakes significant amount of transactions denominated in foreign currencies, mainly US Dollar (“USD”).

The Company does have limited natural hedges in place whereby a part of the regular business transactions (sales and purchases) are settled in the same currency. The Company does not use any derivative instruments to manage foreign currency risk exposures. Also, management currently does not have any intention to limit the risk exposure, as management is in the opinion there is no necessity to cover this risk.

The carrying amount of the Company's monetary assets and liabilities denominated in currencies other than the EUR was as follows as of December 31, 2017:

	Expressed in Thousands of Euro	USD Amount (in %)
Financial Assets		
Cash and cash equivalents	2,675	- %
Accounts receivables	3,328	60-65
Other current assets	256	-
Current	6,259	30-35
Other non-current financial assets	20	-
Total	6,279	30-35 %
Financial Liabilities (short-term)		
Current financial liabilities	190	- %
Accounts payables	133	-
Other current liabilities	1,345	45-50
Current	1,668	35-40
Financial Liabilities (long-term)		
Interest bearing loans (excl. prepaid fees)	-	-
Total	1,668	35-40 %

A 10% change in the EUR – USD exchange rate would result in a EUR 159 (in thousands) impact to the statement of profit and loss.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely impact the financial results of the Company. The Company works with fix interest rates until the maturity date of the long-term loans. As a result, the interest risk is managed and rather limited.

The interest on the overdraft facility is variable and the interest risk is not hedged. Given the current cash position, the Company does not use the facility. Also, the overdraft facility is limited to EUR 390 (in thousands) and therefore the interest risk is rather limited. An increase of interest rates on the overdraft facility by 1% will only result in EUR 4 (in thousands) additional cost assuming the maximum facility has been used.

Limitations of Sensitivity Analysis

The table on the previous page demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors.

It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results. The sensitivity analysis does not take into consideration that the Company's assets and liabilities are actively managed.

Additionally, the financial position of the Company may vary at the time that any actual market movement occurs. Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Company's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to settle all liabilities as they become due. The Company's liquidity position is carefully monitored and managed. The Company has a significant cash position (EUR 2,675) (in thousands) available to meet its payment obligations. For 2018, further and aggressive expansion of the activities is planned. If the planned growth will substantiate this will result in a significant increase in the required working capital needs. In that case the Company may consider a new financing round to fund (either debt or equity) the working capital needs.

The following table provides details of the remaining contractual maturity of the Company's financial liabilities. It has been drawn up based on the undiscounted cash flows and the earliest date on which the Company can be required to pay. The table includes only principal cash flows.

(Expressed in thousands of Euro)	0 to 1 Year	1 to 2 Years	2 to 5 Years	More than 5 Years	Total
December 31, 2017					
Bank financing	190	-	-	-	190
Accounts payable	133	-	-	-	133
Other current liabilities	1,345	-	-	-	1,345
Total	1,668	-	-	-	1,668

Price Risk

The interest on the interest bearing loans is fixed. Given the remaining duration, the price risk is limited on these financial instruments.

The Company does not own any investments in the form of equity interests in other companies.

Credit Risk

Credit risk is the risk that a customer may default or not meet its obligations to the Company on a timely basis, leading to financial losses by the Company.

The management has a credit policy in place and the exposure to credit risk is monitored on an on-going basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

Investments are made only in bank deposits with counterparties that have a high credit rating. Given their high credit rating, the management does not expect any investment counterparty to fail to meet their obligations.

No transactions involving derivative financial instruments are made.

At the balance sheet date there was a significant concentration of credit risk, with regards to the agent in the United States of America. The outstanding amount as at December 31, 2017 was EUR 2,112 (in thousands). This amount was collected in full as of the issue date of these financial statements.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

The balances of trade accounts receivable were as follows as of December 31, 2017:

	Expressed in Thousands of Euro
Trade accounts receivable	1,179
Less allowance for estimated irrecoverable amounts	-
Total	1,179

The average credit period for the Company's customers is 30 - 90 days. Interest is never charged on overdue trade accounts receivables.

Included in the Company's trade accounts receivable balance are debtors with a carrying amount of EUR 286 (in thousands), which are past due at the respective reporting date and which the Company still considers recoverable. Till the authorized for issue date of these financial statements parties settled the full amounts outstanding.

The analysis of outstanding trade accounts receivable was as follows:

	Expressed in Thousands of Euro
Not past due	893
1 to 30 days	16
31 to 60 days	-
61 to 90 days	-
91 to 120 days	-
> 120 Days	270
	1,179
Less allowance for estimated irrecoverable amounts	-
Total	1,179

The entire EUR 1,179 (in thousands) has been collected in full as of the issue date of these financial statements.

24. Contingent Liabilities

Operating lease commitments

The Company is a lessee in operating lease agreements.

The operating lease commitments are as follows:

(Expressed in thousands of Euro)	Office	Cars	Total
< 1 year	140	7	147
1 - 5 years	482	2	484
> 5 years	103	-	103
Total	725	9	734

25. Subsequent Events

Credit Facility

As of July 17, 2018, the Company entered into a credit facility agreement amounting to EUR 500 (in thousands).

Changes in Company Structure

Since May 22, 2018, SecurityMatters B.V. is the sole subscriber in the newly incorporated and wholly owned subsidiary SecurityMatters Americas, Inc. SecurityMatters Americas, Inc. had limited activity through November 6, 2018.

Share Purchase Agreement

On November 6, 2018, the Company entered into a share purchase agreement to be acquired by ForeScout Technologies, Inc. ("ForeScout"). Under the terms of the share purchase agreement, Forescout paid USD 113,250,000 in cash, subject to certain customary closing adjustments, in exchange for all of the capital stock, options and other rights to acquire or receive capital stock of the Company. The acquisition has been completed as of the release date of these financial statements and as a result, the Company has become a wholly owned subsidiary of ForeScout.

Exhibit 99.2

SecurityMatters B.V.

Consolidated Financial Statements

June 30, 2018

SecurityMatters B.V.

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June 30, 2018

Independent Accountants' Review Report

Board of Directors and Shareholders
SecurityMatters B.V.

We have reviewed the accompanying consolidated statement of financial position of SecurityMatters B.V. as of June 30, 2018, and the related consolidated statements of profit and loss, changes in equity, and cash flows for the six months ended June 30, 2018 and 2017, and the related notes to the consolidated financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the consolidated financial statements for them to be in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the 2017 Financial Statements

The December 31, 2017 statement of financial position was audited by us and we expressed a qualified opinion on it in our report dated January 14, 2019.

/s/ Baker Tilly Virchow Krause, LLP

Pittsburgh, Pennsylvania
January 14, 2019

SecurityMatters B.V.

Statement of Profit and Loss
Six Months Ended June 30, 2018
(Expressed in thousands of Euro)

	Notes	HY1 2018 (Unaudited)	HY1 2017 (Unaudited)
Sales	4	1,557	1,906
Cost of Sales		267	90
Gross profit		1,290	1,816
Research and development expenses		510	232
Sales and marketing expenses		1,922	952
General and administrative expenses		1,148	565
Total expenditures		3,580	1,749
(Loss)/profit from operations		(2,290)	67
Finance Income and Expenses	8	(17)	67
Loss before taxation		(2,273)	—
Income Tax	9	—	—
Net loss		(2,273)	—

See notes to consolidated financial statements

SecurityMatters B.V.

Consolidated Statement of Financial Position

June 30, 2018 (Unaudited) and December 31, 2017 (Audited)

(Expressed in thousands of Euro)

	Notes	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Assets			
Non-Current Assets			
Intangible assets	11	102	84
Property, plant and equipment	12	198	166
Other non-current asset	13	4	20
Total non-current assets		304	270
Current Assets			
Accounts receivable	14	885	3,328
Other current assets	15	650	256
Cash and cash equivalents	16	2,278	2,675
Total current assets		3,813	6,259
Total assets		4,117	6,529
Liabilities and Equity			
Equity	17		
Share capital		26	26
Share premium reserve		4,655	4,655
Retained earnings		(4,876)	180
Total equity		(195)	4,861
Non-Current Liabilities			
Debt and financing	18	—	—
Deferred revenue		2,236	—
Total non-current liabilities		2,236	—
Current Liabilities			
Debt and financing	18	65	190
Accounts payable	19	133	133
Deferred revenue		1,265	867
Other current liabilities	20	613	478
Total current liabilities		2,076	1,668
Total liabilities		4,312	1,668
Total equity and liabilities		4,117	6,529

See notes to consolidated financial statements

SecurityMatters B.V.

Consolidated Statement of Cash Flows
Six Months Ended June 30, 2018
(Expressed in thousands of Euro)

	HY1 2018 (Unaudited)	HY1 2017 (Unaudited)
Net Loss	(2,273)	—
Noncash items in net loss:		
Loss on disposal of property, plant and equipment	19	—
Depreciation and amortization	45	27
Employee stock options	89	42
Change in assets and liabilities		
Decrease in accounts receivable	2,443	607
Increase in other current assets	(303)	(955)
Increase in non-current assets	—	(2)
Increase in accounts payable	—	(17)
(Decrease) in deferred revenue	(314)	—
Increase (decrease) in other current liabilities	135	(16)
Net cash flows used in operating activities	(159)	(314)
Purchase of intangible assets	(38)	(19)
Purchase of property, plant and equipment	(75)	(45)
Net cash flows used in investing activities	(113)	(64)
Payments of debt and financing	(125)	(99)
Net cash flows used in financing activities	(125)	(99)
Net decrease in cash and cash equivalents	(397)	(477)
Cash and Cash Equivalents, at the Beginning of Period	2,675	4,357
Net decrease in cash and cash equivalents	(397)	(477)
Cash and Cash Equivalents, at the End of Period	2,278	3,880

See notes to consolidated financial statements

Consolidated Statement of Changes in Equity
Six Months Ended June 30, 2018
(Expressed in thousands of Euro)

	Share Capital	Share Reserve	Retained Earnings (Deficit)	Total Equity
As at December 31, 2017 (Audited)	26	4,655	180	4,861
IFRS 15 - First Time Adoption	—	—	(2,872)	(2,872)
Adjusted opening balance	26	4,655	(2,692)	1,989
Employee stock option plan	—	—	89	89
Net loss	—	—	(2,273)	(2,273)
As at June 30, 2018 (Unaudited)	26	4,655	(4,876)	(195)

See notes to consolidated financial statements

1. General

Foundation and Activity of the Company

SecurityMatters B.V. (the "Company" and/or "SecurityMatters") has been incorporated on December 9, 2009 with the Chamber of Commerce registration number 08514012 and has its legal seat in Eindhoven, the Netherlands. The address of its registered office is John F Kennedylaan 5, 5612 AB Eindhoven, the Netherlands.

The Group engages in industrial cyber security. SecurityMatters B.V. develops a solution - SilentDefense - to address domain specific threats and needs. SilentDefense is the most advanced and mature OT network monitoring and intelligence platform.

SecurityMatters B.V. is a subsidiary of SecurityMatters Holding B.V. (“Parent company”), the Netherlands. Approximately 69% of the outstanding shares of the Company are owned by this holding. The remaining shares are held by four Venture Capitalists (approximately 27% of total share capital - which represents 100% of the preference shares) and others (e.g. employees) (4%).

When we, in these consolidated financial statements, are referring to the group ("Group") without a specific disclosure we are referring to SecurityMatters B.V. and all of its consolidated subsidiaries (as disclosed in Note 2, "Basis of Consolidation").

These consolidated financial statements of SecurityMatters B.V. are approved by the management board for issue on January 14, 2019.

Financial Period

These consolidated financial statements include the profit and loss statement for the six month periods ended June 30, 2018 and 2017 and the statement of financial position as of June 30, 2018 and December 31, 2017.

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS-IASB"). The consolidated financial statements have been prepared under the historical cost convention except for certain financial instruments.

All amounts in the consolidated financial statements and disclosure notes are expressed in thousands of euros unless otherwise stated.

The preparation of consolidated financial statements in conformity with IFRS-IASB requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Going Concern

In the opinion of the management the Group is able to operate as a going concern, as it is able to fulfil its obligations towards third party creditors on an on-going basis, as well as to support the normal operational activities as necessary.

Change in Accounting Policies - Implementation of International Financial Reporting Standard ("IFRS") 15

The Group adopted IFRS 15 "Revenue from Contracts with Customers", effective January 1, 2018, using the modified retrospective method.

The major change comparing to the accounting policies in use till December 31, 2017 is the carve out of the initial period of maintenance and support services included in the licenses as well as the capitalization of costs to obtain a contract, primarily sales commissions, and the amortization of these costs over the contract period or estimated customer life, which resulted in the recognition of a deferred charge on the Group's consolidated balance sheet.

Prior to the implementation of IFRS 15, the Company expensed all sales commissions and other incremental costs to acquire contracts as they were incurred.

The Group implemented IFRS 15 retrospectively in accordance with the provisions stipulated in IFRS 15 C3 (b). Based on this standard, the cumulative effect of the initial implementation has been recognized as an adjustment to the opening balance of the retained earnings without an adjustment of the comparable figures.

The initial recognition of IFRS 15 is recognized at the following line items in these interim statements:

(Expressed in thousands of Euro)	**Balance December 31, 2017 (Audited)**	**Adjustment IFRS 15 (Unaudited)**	**Balance January 1, 2018 (Unaudited)**
Assets			
Non-current assets			
Intangible assets	84	-	84
Property, plant and equipment	166	-	166
Other non-current asset	20	-	20
Total non-current assets	270	-	270
Current assets			
Accounts receivable	3,328	-	3,328
Other current assets	256	76	332
Cash and cash equivalents	2,675	-	2,675
Total current assets	6,259	76	6,335
Total assets	6,529	76	6,605

(Expressed in thousands of Euro)	Balance December 31, 2017 (Audited)	Adjustment IFRS 15 (Unaudited)	Balance January 1, 2018 (Unaudited)
Liabilities and Equity			
Equity			
Share capital	26	-	26
Share premium reserve	4,655	-	4,655
Retained earnings (deficit)	180	(2,872)	(2,692)
Total equity	4,861	(2,872)	1,989
Non-current liabilities			
Deferred revenue	-	2,506	2,506
Total non-current liabilities	-	2,506	2,506
Current liabilities			
Debt and financing	190	-	190
Accounts payable	133	-	133
Deferred revenue	867	442	1,309
Other current liabilities	478	-	478
Total current liabilities	1,668	442	2,110
Total liabilities	1,668	2,948	4,616
Total equity and liabilities	6,529	76	6,605

In accordance with the new revenue standard requirements, the disclosure of the impact of adoption on the consolidated income statement and balance sheet was as follows:

(Expressed in thousands of Euro)	For the 6 Month Period Ended June 30, 2018 (Unaudited)		
	As Reported	**Balance without Adoption of IFRS 15**	**Effect of Change Higher/Lower**
Sales	1,557	1,371	186
Cost of Sales	(267)	(267)	-
Gross profit	1,290	1,104	186
Research and development	510	510	-
Sales and marketing expenses	1,922	1,917	5
General and administrative expenses	1,148	1,148	-
Total expenditures	3,580	3,575	5
Loss from operations	(2,290)	(2,471)	181
Finance income and expenses	(17)	(17)	-
Loss before taxation	(2,273)	(2,454)	181
Income tax	-	-	-
Net loss	(2,273)	(2,454)	181

(Expressed in thousands of Euro)	For the 6 Month Period Ended June 30, 2018 (Unaudited)		
	June 30, 2018	Balance without Adoption of IFRS 15	Effect of Change Higher/Lower
Assets			
Non-Current Assets			
Intangible assets	102	102	-
Property, plant and equipment	198	198	-
Other non-current asset	4	4	-
Total non-current assets	304	304	-
Current Assets			
Accounts receivable	885	885	-
Other current assets	650	579	71
Cash and cash equivalents	2,278	2,278	-
Total current assets	3,813	3,742	71
Total assets	4,117	4,046	71
Liabilities and Equity			
Equity			
Share capital	26	26	-
Share premium reserve	4,655	4,655	-
Retained earnings (deficit)	(4,876)	(2,185)	(2,691)
Total equity	(195)	2,496	(2,691)
Non-Current Liabilities			
Deferred revenue	2,236	-	2,236
Total non-current liabilities	2,236	-	2,236
Current Liabilities			
Debt and financing	65	65	-
Accounts payable	133	133	-
Deferred revenue	1,265	739	526
Other current liabilities	613	613	-
Total current liabilities	2,076	1,550	526
Total liabilities	4,312	1,550	2,762
Total equity and liabilities	4,117	4,046	71

Application of New and Revised International Financial Reporting Standards

Amendments to IFRS that are Mandatorily Effective for the Current Year

As of January 1, 2018 IFRS 15 is mandatory. The implementation of IFRS 15 is disclosed above at the Change in Accounting Policies - Implementation IFRS 15.

The implementation of IFRS 9 "Financial Instruments", amendments to IFRS 2: Classification and Measurement of Share-based payment transactions, Annual Improvements to IFRS Standards 2014-2016 Cycle and Amendments to IAS 40: Transfers of Investment Property has had no material impact in the Group's consolidated financial statements.

Standards, Amendments and Interpretations Issued But Not Yet Effective as at June 30, 2018

Standards issued but not yet effective up to June 30, 2018 are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt these standards when they become effective. As at June 30, 2018 the following financial reporting standards were issued by the IASB but were not yet effective:

New and Amended Standards	Effective for Accounting Periods Beginning on or After
Standards	
IFRS 16 Leases	1 January 2019
IFRS 17 Insurance Contracts	1 January 2021
Amendments	
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle	1 January 2019
Amendment to IAS 19: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2019

The Board of Directors expects that the adoption of these financial reporting standards, except the impact of IFRS 16 Leases, will not have a material effect on the consolidated financial statements of the Group in future periods.

The Company is evaluating the impact IFRS 16 will have on the consolidated financial statements.

Basis of Consolidation

Subsidiaries

Subsidiaries are those enterprises controlled by the Group and its subsidiaries. Control is achieved when:

- the Group has power of the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements to control listed above.

The consolidated financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Changes in Group Structure

Since May 22, 2018 SecurityMatters B.V. is the sole subscriber in the newly incorporated and wholly owned subsidiary SecurityMatters Americas, Inc. SecurityMatters Americas, Inc. had limited activity through June 30, 2018.

Consolidation

The accompanying consolidated financial statements include the financial information of SecurityMatters B.V., the Netherlands and SecurityMatters Americas, Inc., a wholly owned subsidiary.

Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealized gains and losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the enterprise. Unrealized gains resulting from transactions with associates are eliminated against the investment in the associate. Unrealized losses are eliminated in the same way as unrealized gains except that they are only eliminated to the extent that there is no evidence of impairment.

Revenue Recognition

Revenues from contracts with customers are recognized for each performance obligation. Revenues are identified separately for each distinct good or services, also when the good or service is bundled in another element of the contract (e.g. in the perpetual license).

Within SecurityMatters the following main categories of performance obligations are identified:

- Perpetual or subscription license;
- Maintenance and post implementation support ;
- Implementation and training services;
- Hardware.

Revenue is recognized against the amount allocated to each performance obligation on a standalone selling price basis. A performance obligation can be satisfied at a certain point of time or over time.

Revenues from license fees for standard content as well as hardware are recognized as revenue at a point of time when the control is passed to the customer. Most often the control is passed to the customer at the date of delivery/activation.

Maintenance and post implementation support has been recognized on a straight-line basis during the maintenance period.

In case the license or subscription fee does include maintenance/post customer support the revenues are recognized on an element by element basis. In most situations the perpetual license fee does include an initial maintenance/support period which varies between 1 and 5 years. In that situation, the allocation to the license is estimated by carving out the maintenance component using the residual approach. The maintenance part is carved out by estimating the stand-alone selling price of the maintenance fee by referring to the expected maintenance revenue subsequent to first period included in the perpetual license. The remainder (after carving out the maintenance) is allocated to the license.

Revenue from services provided are recognized over time when the services have been performed. These services include implementation and training services.

Contract Costs

The Group capitalizes contract origination costs that are incremental and recoverable costs of obtaining a contract with a customer. The Group expects that sales commissions and third-party referral fees related to customer contracts are both incremental and recoverable.

The contract origination costs are capitalized and amortized to sales and marketing expense when the related performance obligations are met. Incremental contract origination costs relating to products are expensed as the related products are delivered. Incremental contract origination costs relating to support and maintenance contracts are capitalized and amortized over the contractual performance period.

Capitalized costs are periodically reviewed for impairment. During the six month period ended June 30, 2018, there was no impairment loss in relation to the costs capitalized.

Government Grants

The Group did receive Government grants from the local and European government to support research activities with regards to cyber security and other themes.

Government grants are recognized in the profit and loss statement only if there is reasonable assurance that the Group will comply with the conditions attached to the grants and that it is probable that the grants will be received.

Government grants are recognized in the profit and loss in the same period as the recognition of the expenses which the grants are intended to compensate (most significant part of the Government grants are linked to the hours spent).

No other forms of government support have been received.

Finance Income and Costs

Finance income and costs comprises interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested and foreign exchange gains and losses.

Interest income is recognized in the income statement as it accrues, taking into account the effective yield on the asset.

Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly to equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date taking into account facilities such as the innovation box

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary difference or unused tax losses/credits can be utilized. If the Group has a history of recent losses, the Group recognizes a deferred tax asset arising from unused tax losses only to the extent that the Group has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Intangible Assets

Intangible assets acquired separately are initially recognized at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization.

Intangible assets are amortized over their estimated useful economic lives using the straight-line method. The Group does not have any intangible assets with an indefinite life. Patents are amortized over 5 years.

Property, Plant and Equipment

Owned Assets

Office equipment and other assets held for use in the production and for administrative purposes are recorded at historical cost or deemed cost, equal to the fair value as at the date of the acquisition.

After initial recognition the office equipment and other assets shall be carried at cost less accumulated depreciation and any accumulated impairment losses.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent Expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalized. Other subsequent expenditure is capitalized if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other expenditure is recognized in the income statement as an expense as incurred.

Depreciation

Depreciation is recorded on a straight-line basis over the estimated useful lives of the asset items of property, plant and equipment, and major components that are accounted for separately. The estimated useful life for office equipment and other assets is 5 years.

The residual values, estimated useful lives and depreciation methods of each items of property, plant and equipment are reassessed annually.

Financial Assets

Deposits (other receivables) are initially stated at fair value and subsequently measured at amortized cost less impairment losses.

Trade and Other Receivables

Trade and other receivables are initially stated at fair value and subsequently measured at amortized cost less impairment losses.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and savings accounts.

Impairment

The carrying amounts of the Group's property, plant and equipment and intangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.

Management is in the opinion that on June 30, 2018 no indications for impairment were existing.

Equity

Ordinary, preferred and non-voting shares are classified as shareholders' equity. External costs that can be attributed directly to the issuance of new shares are deducted from the share premium reserve.

Borrowings

Borrowings are recognized initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

Trade and Other Payables

Trade and other payables are initially stated at fair value and subsequently measured at their amortized cost using the effective interest method where the effect of the passage of time is material.

Research and Development

Research and development expenses consist of the cost for the development of new products and services, salaries and related benefits of product development personnel, prototype products and expenses related to the development of new products.

The most significant part of the research and development cost are related to staff expenditures of the research and development department whereby it is not possible to allocate the specific cost to a specific project. As a result, the measurement of these costs attributable to a specific intangible is not possible and the costs have been expensed in accordance with IFRS.

Employee Benefits

Retirement Benefit Costs

The Group does not offer a pension scheme to its employees.

Employee Stock Options

SecurityMatters B.V., at its discretion, offers a stock option plan to a group of employees.

The fair value of the share options expected to vest is accounted for as expenditures on a straight-line basis over the vesting period, with a corresponding addition to shareholders' equity. The fair value of the options is calculated at the grade date using the Black Scholes model and taking into account the specific conditions of the option plans.

The recognition is based on the best estimate of the number of share option rights expected to vest. If subsequent information indicates that the number of share options rights expected to vest differs from the previous period the estimate shall be revised.

Short-Term and Other Long-Term Employee Benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect to short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognized in respect to other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect to services provided by employees up to the reporting date.

Foreign Currency

The consolidated financial statements are presented in Euros (EUR), the functional currency of the Group.

Transactions in foreign currencies are translated to EUR at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to EUR at the foreign exchange rate prevailing at that date. Foreign exchange differences arising on translation are recognized in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to EUR at foreign exchange rates prevailing at the dates the fair value was determined.

The applied exchange rates of the EUR to the US Dollar were as follows:

Period End Rate	
June 30, 2018	1 : 1.165
Profit and Loss Account	
HY1 2018 (average)	1 : 1.205
HY1 2017 (average)	1 : 1.086

Fair Value Estimation

Estimated fair value disclosures of financial instruments are made in accordance with the requirements of IFRS 7 Financial Instruments: Disclosure. Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. As no readily available market exists for a large part of the Group's consolidated financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

The following summarizes the major methods and assumptions used in estimating the fair values of financial instruments.

Interest-Bearing Borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows. The carrying amount of the Group's loans due after one year is also considered as reasonable estimate of their fair values as the nominal interest rates on the loans due after one year are considered to be a reasonable approximation of the fair market rate with reference to loans with similar credit risk level and maturity period at the reporting date.

Trade and Other Receivables / Payables

Receivables / payables typically have a remaining life of less than one year and receivables are adjusted for impairment losses. Therefore, the carrying amounts for these assets and liabilities are deemed to approximate their fair values, as the allowance for estimated irrecoverable amounts is considered a reasonable estimate of the discount required to reflect the impact of credit risk.

Leasing

Leases are classified as finance leases when according to the terms of lease the lessee assumes all principal risks and rewards incident to ownership of the leased equipment. Other leases are classified as operating leases.

Assets held under finance lease are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in the profit or loss.

Expenses associated with operating leases are accrued on a straight-line basis and recorded in the income statement over the lease term.

Statement of Cash Flows

The statement of cash flows has been prepared using the indirect method. Under the indirect method, the cash flow is determined by adjusting net loss for the effects of:

- changes during the period in operating receivables and payables;
- non-cash items such as depreciation and provisions;
- all other items for which the cash effects are investing or financing cash flows.

Investing and financing transactions that do not require the use of cash (e.g. finance lease) are excluded from the cash flow statements.

3. Accounting Estimates and Judgements

Due to the nature of the Group's operations, critical accounting estimates and judgements principally relate to the:

- Revenue recognition;
- Intangible assets (estimate useful life);
- Property, plant and equipment (estimate useful life);
- Provision doubtful debts.

With regards to the revenue recognition, especially the allocation of the revenue to each performance obligation, management of the Group makes assumptions about the standalone selling price of each component.

In most situations the perpetual license fee does include an initial maintenance period which varies between 1 and 5 years. Also, in the case of subscription licenses, maintenance is included. Due to the highly variable nature of the license pricing, the allocation to the license is estimated by carving out the standalone selling price of the maintenance using the residual approach.

The maintenance part is carved out by estimating the stand-alone selling price of the maintenance fee by referring to the expected maintenance revenue subsequent to first period included in the perpetual license. The remainder (after carving out the maintenance) is allocated to the license.

The management of the Group makes assumptions about the estimated useful lives, depreciation methods or residual values of items of patents and office equipment. The assumptions made are based on past experiences and information currently available.

Furthermore, the Group's management believes that the net carrying amount of trade receivables is recoverable based on their past experience in the market and their assessment of the credit worthiness of debtors at June 30, 2018. Such estimates are inherently imprecise and there may be additional information about one or more debtors that the Group's management are not aware of, which could significantly affect their estimations.

4. Sales

Summary sales per region based on the location of the customer:

(Expressed in thousands of Euro)	HY1 2018 (Unaudited)	HY1 2017 (Unaudited)
United States of America	872	964
European Union	670	942
Asia	15	-
Total	1,557	1,906

5. Government Grants

(Expressed in thousands of Euro)	HY1 2018 (Unaudited)	HY1 2017 (Unaudited)
Project subsidies	117	69
WBSO*	121	42
Total	238	111

The above amounts are included as reductions to research and development expenses on the statement of profit and loss.

* WBSO is the Dutch acronym for “Wet Bevordering Speur- en Ontwikkelingswerk”, meaning the Dutch Research and Development Act.

6. Employee Benefit Expenses

Employee benefit expenses consist of:

(Expressed in thousands of Euro)	HY1 2018 (Unaudited)	HY1 2017 (Unaudited)
Wages and salaries	1,087	504
Employee stock options	89	42
Social security	149	72
Total	1,325	618

Employee benefit expenses have been classified on the statement of profit and loss as follows:

(Expressed in thousands of Euro)	HY1 2018 (Unaudited)	HY1 2017 (Unaudited)
Cost of sales	248	83
Research and development	703	316
Sales and marketing expenses	214	131
General and administrative expenses	160	88
Total	1,325	618

7. Depreciation and Amortization

(Expressed in thousands of Euro)	HY1 2018 (Unaudited)	HY1 2017 (Unaudited)
Amortization of intangible assets	20	16
Depreciation of property, plant and equipment	25	11
Total	45	27

The above depreciation and amortization expenses are included in research and development expenses on the statement of profit and loss.

8. Financial Income and Expenses

(Expressed in thousands of Euro)	HY1 2018 (Unaudited)	HY1 2017 (Unaudited)
Interest income	-	-
Interest expense	11	10
Foreign exchange rate (gains)/losses	(28)	57
Total	(17)	67

9. Unrecognized Deferred Tax Assets

Deferred tax assets have not been recognized in respect to tax losses because it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom. Tax losses can be offset against future taxable profits in the subsequent 9 years and these losses will expire beginning in 2024.

	June 30, 2018 (Unaudited)		December 31, 2017 (Audited)	
(Expressed in thousands of Euro)	**Gross Amount**	**Tax Effect**	**Gross Amount**	**Tax Effect**
Tax losses	3,029	547	537	97

10. Share Based Payments

SecurityMatters B.V. has a share option scheme for a group of employees.

As at June 30, 2018, 9,265 option rights were granted to obtain an equal number of non-voting common shares.

	HY1 2018 (Unaudited)	**HY1 2017 (Unaudited)**
Number of Granted Option Rights		
Opening balance	7,410	2,750
Granted option rights	1,855	3,520
Closing balance	9,265	6,270

Option rights granted to employees are subject to vesting conditions (a period of time) and good leaver and bad leaver provisions. Only vested option rights can be exercised against EUR 0.10 (granted before or in 2016) or EUR 45 (granted in 2017 and subsequent period) at the time when an exercise event occurs (settlement in equity). Option rights granted vest after 18 months (37.5%) and 48 months (62.5%) or on a quarterly basis for employees who joined prior to January 1, 2015. The options do have an indefinite life.

As at June 30, 2018 no options have been exercised, expired or forfeited and no options are exercisable. The fair value of the option, calculated using the Black Scholes model at the grant date and the assumption no employees will leave the Group during the vesting period, expected to vest are recognized as part of the employee benefits for an amount of EUR 87 (in thousands) for the period ended June 30, 2018.

The Company estimated the fair value of options granted to be EUR 194.48 as of June 30, 2018 using the Black Scholes option pricing model with the following weighted-average assumptions:

Fair value per common share	EUR 68.11 - 231.42
Volatility	70.00%
Average risk-free rate	0.67 - 0.74%
Dividend yield	0.00%
Expected term (years)	4.00

11. Intangible Assets

(Expressed in thousands of Euro)	June 30, 2018 (Unaudited) Patents	Total	December 31, 2017 (Audited) Patents	Total
Cost:				
Opening balance	180	180	153	153
Additions	38	38	27	27
Closing balance	218	218	180	180
Accumulated amortization:				
Opening balance	96	96	63	63
Amortization	20	20	33	33
Closing balance	116	116	96	96
Net closing balance	102	102	84	84

12. Property, Plant and Equipment

(Expressed in thousands of Euro)	June 30, 2018 (Unaudited) Computer and Office Equipment	Total	December 31, 2017 (Audited) Computer and Office Equipment	Total
Cost:				
Opening balance	232	232	91	91
Additions	75	75	141	141
Disposals	(22)	(22)	-	-
Closing balance	285	285	232	232
Accumulated depreciation:				
Opening balance	66	66	39	39
Depreciation	25	25	27	27
Disposals	(4)	(4)	-	-
Closing balance	87	87	66	66
Net closing balance	198	198	166	166

Property, plant and equipment serve as collateral for the financing agreements in Note 18.

13. Other Non-Current Asset

Other Non-Current Assets consist solely of deposits.

(Expressed in thousands of Euro)	**June 30, 2018 (Unaudited)**	**December 31, 2017 (Audited)**
Opening balance	20	14
Additional deposit	93	6
Transfer deposit to short-term (other current asset)	(109)	-
Closing balance	4	20

14. Accounts Receivable

(Expressed in thousands of Euro)	**June 30, 2018 (Unaudited)**	**December 31, 2017 (Audited)**
Trade receivables	738	1,179
Parent company	-	37
U.S. distribution agent	147	2,112
	885	3,328
Provision for impairment accounts receivable	-	-
Total	885	3,328

The management of the Group considers that the carrying amount of accounts receivable approximates to their fair value.

The accounts receivable serve as collateral for the financing agreements in Note 18.

15. Other Current Assets

(Expressed in thousands of Euro)	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Income to invoice	151	83
Government grants	-	87
Value added tax	100	-
Value added tax, foreign countries	11	11
Prepayments	124	74
Contract costs	70	-
Deposits, short term	109	-
Guarantee account	82	-
Other accounts receivable	3	1
Total	650	256

Capitalized contract costs were EUR 70 (in thousands) as of June 30, 2018. For the six months period ended June 30, 2018, amortization expense for the contract costs was EUR 28 (in thousands).

The management of the Group considers that the carrying amount of other current assets approximates to their fair value.

16. Cash and Cash Equivalents

(Expressed in thousands of Euro)	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Savings account	-	1,800
Current accounts	2,278	875
Total	2,278	2,675

17. Equity

Issued and Paid-up Capital

As at June 30, 2018 the Company's issued and paid up share capital comprises:

- 180,000 common shares of EUR 0.10 each;
- 69,350 preference class A shares of EUR 0.10 each;
- 11,490 shares without voting right of EUR 0.10 each.

Every common share gives right to one vote.

The Company is in its growth phase and dividend distributions may strain its growth capacity and; therefore, the Company has no recent history of dividend distributions.

Preference Class A Shares

In accordance with the articles of association class A shares do have preference, in case of an Exit Event. In case of an Exit Event each class A shareholder shall receive a preference amount, in proportion to the paid-up nominal value of its class A shares, equaling the higher of:

- 200% of its respective Investment Amount;
- Such percentage of the proceeds corresponding to its respective portion of the relevant nominal share capital of the Company (all shares deemed to be common shares).

The remaining proceeds will be allocated to the holders of common shares and non-voting shares in proportion to the number of common shares and non-voting shares.

18. Debt and Financing

(Expressed in thousands of Euro)	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Debt and financing due after more than one year	-	-
Debt and financing due within one year	65	190
Total debt and financing	65	190

The management of the Group considers that the carrying amount of non-current and current financial liabilities approximates to their fair value.

Debt and Financing Due After More Than One Year

(Expressed in thousands of Euro)	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Bank financing	67	199
Prepaid fees	(2)	(9)
Total non-current debt and financing	65	190
Less portion payable within one years	(65)	(190)
Due after more than one year	-	-

Bank Financing

General

The Group entered into three (pledged) loan agreements with ABN-Amro Bank N.V.

Repayment

The repayment schedule is as follows:

(Expressed in thousands of Euro)	June 30, 2018 (Unaudited)
< 1 year	67
1 - 5 years	-
> 5 years	-
Borrowing from ABN-Amro	67

Interest

The interest on the loans is fixed in the range 3.1% and 4.5%.

Securities

The loan agreement was secured by:

- Guarantees of EUR 50 (in thousands) provided by Mr. D. Bolzoni, Mr. E. Zambon and Mr. S. Etalle;
- Joint and several liability of SecurityMatters Holding B.V.;
- Lien on inventories, equipment and receivables.

Debt and Financing Due Within One Year

(Expressed in thousands of Euro)	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Bank financing	-	-
Portion of non-current debt payable within one year	65	190
Total debt and financing due within one year	65	190

ABN-Amro Bank N.V., Credit Facility

The bank provided the Group with an overdraft facility of EUR 340 (in thousands). The facility will be reduced with EUR 25 (in thousands) per quarter starting July 1, 2019. Subsequently, the facility will be reduced with EUR 10 (in thousands) per quarter starting July 1, 2020. The interest is equal to theABN-Euro Basisrente with a minimum of 3.55% per annum plus a mark-up of 1.5%.

19. Accounts Payable

(Expressed in thousands of Euro)	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Payables to suppliers	133	133
Total	133	133

The management of the Group considers that the carrying amount of accounts payable approximates to their fair value.

20. Other Current Liabilities

(Expressed in thousands of Euro)	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Government grants	57	-
Value added tax	-	10
Wage tax	67	64
Employee benefits payable	200	128
Sales expenditures	235	258
Other accruals	54	18
Total	613	478

21. Transactions with Related Parties

(Expressed in thousands of Euro)		Expenses during the period ended		Receivable (Payable) balances as at	
		June 30, 2018	**June 30, 2017**	**June 30, 2018**	**December 31, 2017**
Management fee	(a)	166	141	(28)	-
Receivable from Parent company	(b)	-	-	-	37
Compensation of key management personnel:					
Short-term employee benefits		122	94	-	-
Share-based payment expenses		19	1	-	-

(a) The shareholders of the Parent company consist of three personal holding companies, who provide management services to the Company and were paid management fees. Each of the three personal holding companies are owned by each of the three founders of the Company, respectively.

(b) As of December 31, 2017, the Company had a receivable due from the Parent company relating to tax refunds the Parent company collected on behalf of the Company.

Guarantees

With regards to the credit facility available to the Company guarantees are provided by the founders of the Company for a total amount of EUR 150 (in thousands).

In addition, the Parent company is jointly and several liable for the credit facility provided to the Group.

22. Revenues by Geographic Region

The Company's revenues by geographic region are as follows:

(Expressed in thousands of Euro)	**HY1 2018 (Unaudited)**	**HY1 2017 (Unaudited)**
United States of America	872	964
Netherlands	241	512
Germany	201	2
Italy	48	287
European Union less than 10% of revenue by country	180	141
Asia less than 10% of revenue by country	15	-

23. Contingent Liabilities

Operating Lease Commitments

The Group is a lessee in operating lease agreements.

The operating lease commitments are as follows:

(Expressed in thousands of Euro)	Office	Cars	Total
< 1 year	209	5	214
1 - 5 years	854	-	854
> 5 years	17	-	17
Total	1,080	5	1,085

Purchasing Commitments

As at June 30, 2018, the Group committed itself into EUR 66 (in thousands) capital expenditures.

24. Subsequent Events

Credit Facility

As at July 17, 2018, the Company entered into a credit facility agreement amounting to EUR 500 (in thousands).

Share Purchase Agreement

On November 6, 2018, the Company entered into a share purchase agreement to be acquired by ForeScout Technologies, Inc. ("ForeScout"). Under the terms of the share purchase agreement, Forescout paid USD 113,250,000 in cash, subject to certain customary closing adjustments, in exchange for all of the capital stock, options and other rights to acquire or receive capital stock of the Company. The acquisition has been completed as of the release date of these financial statements and as a result, the Company has become a wholly owned subsidiary of ForeScout.

Exhibit 99.3

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

On November 7, 2018, ForeScout Technologies, Inc. (“ForeScout”, “we”, “our”) completed its acquisition (the “Acquisition”) of SecurityMatters B.V. (“SecurityMatters”). Such Acquisition was completed pursuant to the terms of a share purchase agreement (the “Purchase Agreement”), and as a result of the Acquisition, SecurityMatters has become a wholly-owned subsidiary of ForeScout.

The following unaudited pro forma condensed combined financial statements present the historical consolidated financial information of ForeScout and SecurityMatters after giving effect to the Acquisition based on the assumptions, reclassifications, and adjustments described in the accompanying notes to the unaudited pro forma condensed combined financial statements. The unaudited pro forma condensed combined balance sheet as of June 30, 2018 is presented as if the Acquisition had occurred on June 30, 2018. The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2017 and the six months ended June 30, 2018 are presented as if the Acquisition had occurred on January 1, 2017. The historical consolidated financial information has been adjusted in the unaudited pro forma condensed combined financial statements to give effect to events that are (1) directly attributable to the Acquisition, (2) factually supportable, and (3) with respect to the statements of operations, expected to have a continuing impact on the combined results.

The determination and preliminary allocation of the total consideration transferred in the unaudited pro forma condensed combined financial statements are based upon preliminary estimates, which are subject to change during the measurement period (up to one year from the acquisition date) as we finalize the valuations of the assets acquired and liabilities assumed.

The unaudited pro forma condensed combined financial statements should be read in conjunction with (i) our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2017, (ii) our unaudited condensed consolidated financial statements included in our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2018, and (iii) SecurityMatters’ audited consolidated financial statements for the year ended December 31, 2017 and SecurityMatters’ unaudited condensed consolidated financial statements for the six months ended June 30, 2018, which are both included in this Form 8-K/A.

The unaudited pro forma condensed combined financial statements have been presented for informational purposes only. The pro forma information is not necessarily indicative of what the combined company’s financial position or results of operations would have been had the Acquisition been completed as of the dates indicated. In addition, the unaudited pro forma condensed combined financial statements do not purport to project the future financial position or operating results of the combined company.

FORESCOUT TECHNOLOGIES, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
(In USD thousands)

	As of June 30, 2018				
	Historical				
	ForeScout	SecurityMatters - As Adjusted (4)	Pro Forma Adjustments	Notes	Pro Forma Combined
Assets					
Current assets:					
Cash and cash equivalents	$ 99,560	$ 2,565	$ (19,656)	(a)	$ 82,469
Marketable securities	120,322	—	(96,000)	(b)	24,322
Accounts receivable	34,106	1,210	—		35,316
Inventory	1,783	—	—		1,783
Deferred commissions - current	11,072	82	(82)	(c)	11,072
Prepaid expenses and other current assets	11,570	501	3,116	(d)	15,187
Total current assets	278,413	4,358	(112,622)		170,149
Deferred commissions - non-current	21,174	—	—		21,174
Property and equipment, net	24,592	231	—		24,823
Severance pay deposits	2,106	—	—		2,106
Restricted cash - non-current	1,686	96	—		1,782
Intangible assets, net	—	119	19,381	(e)	19,500
Goodwill	—	—	92,290	(f)	92,290
Other assets	2,212	5	3,116	(g)	5,333
Total assets	$ 330,183	$ 4,809	$ 2,165		$ 337,157
Liabilities and stockholders' equity					
Current liabilities:					
Accounts payable	$ 1,070	$ 155	$ —		$ 1,225
Accrued compensation	25,501	188	—		25,689
Accrued expenses	9,783	528	2,273	(h)	12,584
Customer deposits	399	—	—		399
Deferred revenue - current	83,986	1,478	(380)	(i)	85,084
Notes payable - current	7,287	—	—		7,287
Debt and financing	—	76	(76)	(j)	—
Total current liabilities	128,026	2,425	1,817		132,268
Deferred revenue - non-current	63,154	2,612	(671)	(k)	65,095
Notes payable - non-current	11,924	—	—		11,924
Accrued severance pay liability	2,718	—	—		2,718
Deferred tax liability, net	—	—	3,064	(l)	3,064
Other liabilities	9,885	—	—		9,885
Total liabilities	215,707	5,037	4,210		224,954
Stockholders' equity (deficit):					
Common stock	42	30	(30)	(m)	42
Additional paid-in capital	599,740	5,438	(5,438)	(n)	599,740
Accumulated other comprehensive loss	(282)	—	—		(282)
Accumulated deficit	(485,024)	(5,696)	3,423	(o)	(487,297)
Total stockholders’ equity (deficit)	114,476	(228)	(2,045)		112,203
Total liabilities and stockholders' equity	$ 330,183	$ 4,809	$ 2,165		$ 337,157

The accompanying notes are an integral part of this statement

FORESCOUT TECHNOLOGIES, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
(In USD thousands, except per share amounts)

	Year Ended December 31, 2017				
	Historical				
	ForeScout - As Adjusted (3)	SecurityMatters - As Adjusted (4)	Pro Forma Adjustments	Notes	Pro Forma Combined
Revenue:					
Product	$ 125,348	$ 3,598	$ —		$ 128,946
Maintenance and professional services	99,056	1,059	(131)	(p)	99,984
Total revenue	224,404	4,657	(131)		228,930
Cost of revenue:					
Product	23,841	8	1,900	(q)	25,749
Maintenance and professional services	34,771	246	151	(r)	35,168
Total cost of revenue	58,612	254	2,051		60,917
Total gross profit	165,792	4,403	(2,182)		168,013
Operating expenses:					
Research and development	47,435	532	446	(s)	48,413
Sales and marketing	144,398	2,900	2,240	(t)	149,538
General and administrative	51,206	1,423	4,100	(u)	56,729
Total operating expenses	243,039	4,855	6,786		254,680
Loss from operations	(77,247)	(452)	(8,968)		(86,667)
Interest expense	(1,223)	—	—		(1,223)
Other income (expense), net	316	(137)	—		179
Revaluation of warrant liabilities	(727)	—	—		(727)
Loss before income taxes	(78,881)	(589)	(8,968)		(88,438)
Income tax provision (benefit)	1,839	—	(2,388)	(v)	(549)
Net loss	(80,720)	(589)	(6,580)		(87,889)
Deemed dividend on the conversion for Series G redeemable convertible preferred stock	12,810	—	—		12,810
Net loss attributable to common stock holders	$ (93,530)	$ (589)	$ (6,580)		$ (100,699)
Net loss per share attributable to common stockholders, basic and diluted	$ (8.20)				$ (8.83)
Weighted-average shares used to compute net loss per share attributable to common stockholders, basic and diluted	11,405				11,405

The accompanying notes are an integral part of this statement

FORESCOUT TECHNOLOGIES, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
(In USD thousands, except per share amounts)

	Six Months Ended June 30, 2018				
	Historical				
	ForeScout	SecurityMatters - As Adjusted (4)	Pro Forma Adjustments	Notes	Pro Forma Combined
Revenue:					
Product	$ 64,103	$ 710	$ —		$ 64,813
Maintenance and professional services	63,188	1,176	(47)	(p)	64,317
Total revenue	127,291	1,886	(47)		129,130
Cost of revenue:					
Product	12,055	23	950	(q)	13,028
Maintenance and professional services	19,144	300	46	(r)	19,490
Total cost of revenue	31,199	323	996		32,518
Total gross profit	96,092	1,563	(1,043)		96,612
Operating expenses:					
Research and development	29,490	618	88	(s)	30,196
Sales and marketing	87,318	2,328	773	(t)	90,419
General and administrative	26,992	1,390	1,873	(u)	30,255
Total operating expenses	143,800	4,336	2,734		150,870
Loss from operations	(47,708)	(2,773)	(3,777)		(54,258)
Interest expense	(468)	—	—		(468)
Other income, net	1,175	21	—		1,196
Loss before income taxes	(47,001)	(2,752)	(3,777)		(53,530)
Income tax provision (benefit)	1,601	—	(1,633)	(v)	(32)
Net loss	(48,602)	(2,752)	(2,144)		(53,498)
Net loss attributable to common stock holders	$ (48,602)	$ (2,752)	$ (2,144)		$ (53,498)
Net loss per share attributable to common stockholders, basic and diluted	$ (1.23)				$ (1.36)
Weighted-average shares used to compute net loss per share attributable to common stockholders, basic and diluted	39,394				39,394

The accompanying notes are an integral part of this statement

FORESCOUT TECHNOLOGIES INC.
NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

1. Basis of Presentation

The unaudited pro forma condensed combined financial statements were derived from the historical consolidated financial information of ForeScout and SecurityMatters. The historical consolidated financial information has been adjusted to give effect to pro forma events that are (i) directly attributable to the Acquisition, (ii) factually supportable, and (iii) with respect to the unaudited pro forma condensed combined statements of operations, expected to have a continuing impact on the combined results.

Further, these unaudited pro forma condensed combined financial statements and related notes were prepared using the acquisition method of accounting with ForeScout as the accounting acquirer pursuant to the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 805, *Business Combinations* (“ASC 805”). The estimated total consideration transferred has been preliminarily allocated to the assets acquired and liabilities assumed of SecurityMatters based on preliminary estimates of fair value with the excess recognized as goodwill.

The unaudited pro forma condensed combined financial statements do not reflect any cost savings, or associated costs to achieve such savings, from operating efficiencies, synergies, or other restructuring that may result from the Acquisition.

2. Accounting policies and reporting currencies

The historical financial information of ForeScout was prepared under accounting principles generally accepted in the United States (“U.S. GAAP”) and was presented in United States Dollars (“USD”). The historical financial information of SecurityMatters was prepared under International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and was presented in Euros (“EUR”). During the preparation of these unaudited pro forma condensed combined financial statements, we performed a preliminary analysis of SecurityMatters’ financial information to identify differences between IFRS and U.S. GAAP, differences in SecurityMatters’ accounting policies compared to those of ForeScout, and differences in SecurityMatters’ financial statement presentation compared to the financial statement presentation of ForeScout. Our assessment is ongoing and, at the time of preparing these unaudited pro forma condensed combined financial statements, other than the adjustments made herein, we are not aware of any other material differences. The financial information related to SecurityMatters has been translated to USD for the purposes of the accompanying unaudited pro forma condensed combined financial statements.

In May 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to codify new guidance on revenue from contracts with customers under ASC Topic 606, *Revenue from Contracts with Customers* (“ASC 606”), and to codify new guidance on other assets and deferred costs from contracts with customers under ASC Subtopic 340-40, *Other Assets and Deferred Costs - Contracts with Customers* (“ASC 340-40”), and modified the standard thereafter through amendments issued in 2015 and 2016. Effective January 1, 2018, ForeScout adopted the new standard using the full retrospective method. Also in May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (“IFRS 15”), which established new guidance on revenue and other assets and deferred costs from contracts with customers. Effective January 1, 2018, SecurityMatters adopted IFRS 15 using the modified retrospective method. The adoption of these standards is reflected in the historical financial information of ForeScout and SecurityMatters as of and for the six months ended June 30, 2018, but is not reflected in the historical financial information for the year ended December 31, 2017 (for ForeScout, the adoption of these standards will be reflected for the year ended December 31, 2017 in our Annual Report on Form 10-K for the year ended December 31, 2018). The impact of the adoption of these standards was reflected on the historical financial information for both ForeScout and SecurityMatters for the year ended December 31, 2017, as we believe it may be useful to investors and other users of these unaudited pro forma condensed combined financial statements.

For the impact of the adoption of ASC 606 and ASC 340-40 on ForeScout’s historical financial information for the year ended December 31, 2017, refer to Note 3 for further details. For the impact of reclassifications, accounting policy conforming adjustments (including the impact of the pro forma full retrospective method adoption of IFRS 15 and conforming to ForeScout’s accounting policies under ASC 606 and ASC 340-40), and foreign currency translation on SecurityMatters’ historical financial information, refer to Note 4 for further details.

3. Impact of the ForeScout adoption of ASC 606 and ASC 340-40 on the historical financial information for the year ended December 31, 2017

The following represents the adjustments to ForeScout's historical financial information for the year ended December 31, 2017 for the adoption of ASC 606 and ASC 340-40. Such information was presented in our unaudited recasted financial information for the year ended December 31, 2017 in a Form 8-K filed on March 15, 2018 to present the impact of such adjustments (in USD thousands, except per share amounts).

	Year Ended December 31, 2017		
	ForeScout - As Reported	Impact of Adoption	ForeScout - As Adjusted
Revenue:			
Product	$ 121,413	$ 3,935	$ 125,348
Maintenance and professional services	99,458	(402)	99,056
Total revenue	220,871	3,533	224,404
Cost of revenue:			
Product	24,098	(257)	23,841
Maintenance and professional services	34,771	—	34,771
Total cost of revenue	58,869	(257)	58,612
Total gross profit	162,002	3,790	165,792
Operating expenses:			
Research and development	47,435	—	47,435
Sales and marketing	151,093	(6,695)	144,398
General and administrative	51,206	—	51,206
Total operating expenses	249,734	(6,695)	243,039
Loss from operations	(87,732)	10,485	(77,247)
Interest expense	(1,223)	—	(1,223)
Other income, net	316	—	316
Revaluation of warrant liabilities	(727)	—	(727)
Loss before income taxes	(89,366)	10,485	(78,881)
Income tax provision	1,839	—	1,839
Net loss	(91,205)	10,485	(80,720)
Deemed dividend on the conversion for Series G redeemable convertible preferred stock	12,810	—	12,810
Net loss attributable to common stock holders	$ (104,015)	$ 10,485	$ (93,530)
Net loss per share attributable to common stockholders, basic and diluted	$ (9.12)	$ 0.92	$ (8.20)
Weighted-average shares used to compute net income loss per share attributable to common stockholders, basic and diluted	11,405	11,405	11,405

4. Impact of SecurityMatters reclassifications, accounting policy conforming adjustments, and reporting currency translations on the historical financial information

As discussed in Note 2, ForeScout prepared its historical financial information in accordance with U.S. GAAP in USD. SecurityMatters prepared its historical financial information in accordance with IFRS in EUR. For purposes of the unaudited pro forma condensed combined financial statements, SecurityMatters' historical financial statements have been reclassified, adjusted to conform to ForeScout's accounting policies and presentation under U.S. GAAP, and translated to USD. Such translation from EUR to USD was calculated using the EUR to USD foreign currency exchange rates in effect as of and during the reported periods.

The following table presents the foreign currency exchange rates that were used to prepare these unaudited pro forma condensed combined financial statements:

	EUR to USD Foreign Currency Exchange Rates
As of June 30, 2018	1.17
For the year ended December 31, 2017	1.13
For the six months ended June 30, 2018	1.21

The following table presents the reclassifications, and reporting currency translations applied to the SecurityMatters historical balance sheet as of June 30, 2018 (in thousands).

	Reporting Currency - EUR				USD
	Historical SecurityMatters	Conforming Accounting Adjustments		Adjusted SecurityMatters	Adjusted SecurityMatters
Assets					
Current assets:					
Cash and cash equivalents	€ 2,278	€ (82)	(i)	€ 2,196	$ 2,565
Accounts receivable	885	151	(ii)	1,036	1,210
Deferred commissions - current	—	70	(ii)	70	82
Prepaid expenses and other current assets	—	429	(ii)	429	501
Other current assets	650	(650)	(ii)	—	—
Total current assets	3,813	(82)		3,731	4,358
Property and equipment, net	198	—		198	231
Restricted cash - non-current	—	82	(i)	82	96
Intangible assets, net	102	—		102	119
Other assets	—	4	(iii)	4	5
Other financial assets	4	(4)	(iii)	—	—
Total assets	4,117	—		4,117	4,809
Liabilities and stockholders' equity					
Current liabilities:					
Accounts payable	€ 133	€ —		€ 133	$ 155
Accrued compensation	—	161	(iv)	161	188
Accrued expenses	—	452	(iv)	452	528
Deferred revenue - current	1,265	—		1,265	1,478
Debt and financing	65	—		65	76
Other current liabilities	613	(613)	(iv)	—	—
Total current liabilities	2,076	—		2,076	2,425
Deferred revenue - non-current	2,236	—		2,236	2,612
Total liabilities	4,312	—		4,312	5,037
Stockholders' equity (deficit):					
Common stock	—	26	(v)	26	30
Additional paid-in capital	—	4,655	(v)	4,655	5,438
Share capital	26	(26)	(v)	—	—
Share premium reserve	4,655	(4,655)	(v)	—	—
Accumulated deficit	(4,876)	—		(4,876)	(5,696)
Total stockholders’ equity (deficit)	(195)	—		(195)	(228)
Total liabilities and stockholders' equity	€ 4,117	€ —		€ 4,117	$ 4,809

Conforming Accounting Adjustments - Unaudited Balance Sheet

Conforming accounting adjustments (i.e., reclassifications of SecurityMatters assets and liabilities to conform to ForeScout financial presentation) consisted of the following (in EUR thousands):

(i) ***Reclassification of Cash and cash equivalents to Restricted cash - non-current***

		June 30, 2018
SecurityMatters	Cash and cash equivalents	(82)
ForeScout	Restricted cash - non-current	82

(ii) ***Reclassification of Other current assets to Accounts receivable, Deferred commissions - current, and Prepaid and other current assets***

		June 30, 2018
SecurityMatters	Other current assets	(650)
ForeScout	Accounts receivable	151
ForeScout	Deferred commissions - current	70
ForeScout	Prepaid and other current assets	429

(iii) ***Reclassification of Other financial assets to Other assets***

		June 30, 2018
SecurityMatters	Other financial assets	(4)
ForeScout	Other assets	4

(iv) ***Reclassification of Other current liabilities to Accrued compensation and Accrued expenses***

		June 30, 2018
SecurityMatters	Other current liabilities	(613)
ForeScout	Accrued compensation	161
ForeScout	Accrued expenses	452

(v) ***Reclassification of Equity***

		June 30, 2018
SecurityMatters	Share capital	(26)
SecurityMatters	Share premium reserve	(4,655)
ForeScout	Common stock	26
ForeScout	Additional paid-in capital	4,655

The following table presents the reclassifications, accounting policy conforming adjustments, and reporting currency translations applied to the SecurityMatters historical statement of operations for the year ended December 31, 2017 (in thousands).

	Reporting Currency - EUR							USD	
	Historical SecurityMatters		Conforming Accounting Adjustments			Adjusted SecurityMatters		Adjusted SecurityMatters	
Revenue:									
Product	€	—	€	3,185	(i)	€	3,185	$	3,598
Maintenance and professional services		—		937	(i)		937		1,059
Sales		4,672		(4,672)	(i)		—		—
Total revenue		4,672		(550)			4,122		4,657
Cost of revenue:									
Product		—		7	(ii)		7		8
Maintenance and professional services		—		218	(ii)		218		246
Cost of sales		225		(225)	(ii)		—		—
Total cost of revenue		225		—			225		254
Gross profit		4,447		(550)			3,897		4,403
Operating Expenses:									
Research and Development		471		—			471		532
Sales and marketing		2,687		(120)	(iii)		2,567		2,900
General and Administrative		1,260		—			1,260		1,423
Total operating expenses		4,418		(120)			4,298		4,855
Income (loss) from operations		29		(430)			(401)		(452)
Other expense, net		—		(121)	(iv)		(121)		(137)
Finance income and expenses		(121)		121	(iv)		—		—
Loss before income taxes		(92)		(430)			(522)		(589)
Income tax provision		—		—			—		—
Net loss	€	(92)	€	(430)		€	(522)	$	(589)
Net loss attributable to common stock holders	€	(92)	€	(430)		€	(522)	$	(589)

Conforming Accounting Adjustments - Unaudited Statement of Operations

(i) ***Revenue*** - To adjust historical SecurityMatters revenue to IFRS 15 to conform with ForeScout's accounting policies under ASC 606, and to present such amount as separate line items related to (a) Product and (b) Maintenance and professional services
(ii) ***Cost of revenue*** - To present SecurityMatters cost of revenue as separate line items related to (a) Product and (b) Maintenance and professional services
(iii) ***Sales and marketing*** - To adjust for SecurityMatters' accounting for costs to obtain a revenue contract (i.e., commissions), which were expensed as incurred in its historical financial statements, to comply with IFRS 15 and to conform with ForeScout's accounting policies under ASC 340-40
(iv) ***Finance income and expenses*** - To present amounts related to the foreign currency impact on financing balances held in different currencies originally presented in Finance income and expenses by SecurityMatters into Other expense, net to conform to ForeScout's financial presentation

The following table presents the reclassifications, accounting policy conforming adjustments, and reporting currency translations applied to the SecurityMatters historical statement of operations for the six months ended June 30, 2018 (in thousands).

	Reporting Currency - EUR					USD	
	Historical SecurityMatters	Conforming Accounting Adjustments			Adjusted SecurityMatters		Adjusted SecurityMatters
Revenue:							
Product	€ —	€	586	(i)	€ 586	$	710
Maintenance and professional services	—		971	(i)	971		1,176
Sales	1,557		(1,557)	(i)	—		—
Total revenue	1,557		—		1,557		1,886
Cost of revenue:							
Product	—		19	(ii)	19		23
Maintenance and professional services	—		248	(ii)	248		300
Cost of sales	267		(267)	(ii)	—		—
Total cost of revenue	267		—		267		323
Gross profit	1,290		—		1,290		1,563
Operating Expenses:							
Research and Development	510		—		510		618
Sales and marketing	1,922		—		1,922		2,328
General and Administrative	1,148		—		1,148		1,390
Total operating expenses	3,580		—		3,580		4,336
Loss from operations	(2,290)		—		(2,290)		(2,773)
Other income, net	—		17	(iii)	17		21
Finance income and expenses	17		(17)	(iii)	—		—
Loss before income taxes	(2,273)		—		(2,273)		(2,752)
Income tax provision	—		—		—		—
Net loss	€ (2,273)	€	—		€ (2,273)	$	(2,752)
Net loss attributable to common stock holders	€ (2,273)	€	—		€ (2,273)	$	(2,752)

Conforming Accounting Adjustments - Unaudited Statement of Operations

(i) ***Revenue*** - To present SecurityMatters revenue as separate line items related to (a) Product and (b) Maintenance and professional services (no differences between IFRS 15 and ASC 606/ASC 340-40 were noted in the SecurityMatters historical statement of operations for the six months ended June 30, 2018)
(ii) ***Cost of revenue*** - To present SecurityMatters cost of revenue as separate line items related to (a) Product and (b) Maintenance and professional services
(iii) ***Finance income and expenses*** - To present amounts related to the foreign currency impact on financing balances held in different currencies originally presented in Finance income and expenses by SecurityMatters into Other income, net to conform to ForeScout's financial presentation

5. Preliminary estimated total consideration transferred and allocation

The preliminary estimated total consideration transferred as part of the closing of the Acquisition for all of the vested and outstanding equity interests of SecurityMatters consisted of cash payments (adjusted for customary closing adjustments) of $109.3 million. There were no other components of purchase consideration other than cash payments.

Also, as part of the Purchase Agreement, ForeScout agreed to pay cash on the closing date of the Acquisition of $6.2 million to be held by a third-party escrow agent and to be released to a continuing employee of SecurityMatters (the “Holdback Amounts”). Such Holdback Amounts would be released at future dates following the one and two-year anniversaries of the Acquisition in exchange for future employee services to ForeScout (assuming the employee provides the required service).

Such amounts were not included as total consideration transferred as part of the Acquisition, but instead were recorded as current and non-current assets with post-combination expense to be recognized over the one to two-year service periods.

In addition, as part of the Purchase Agreement, ForeScout agreed to pay cash on future dates of $1.2 million to continuing employees of SecurityMatters in exchange for such employees' equity awards that were unvested as of the closing of the Acquisition. Such cash payments would be paid on future dates that are consistent with the original SecurityMatters equity awards' vesting terms (assuming the employees provide employee services to ForeScout through such future dates). Such amounts to be paid on future dates were not included as total consideration transferred as part of the Acquisition, but instead will be accrued to post-combination expense over the period the employees provide the required services.

Finally, as part of the Acquisition, ForeScout agreed to grant share-based payment awards in the form of ForeScout restricted stock units to continuing employees of SecurityMatters. Such share-based payment awards will vest on future dates provided the employees provide the requisite service. Such amounts are not included as total consideration transferred as part of the Acquisition, but instead will be recorded as post-combination share-based compensation expense over the period the employees provide the requisite service.

The preliminary allocation of the estimated total consideration transferred based on SecurityMatters' balance sheet as of June 30, 2018 is as follows (in USD thousands):

		Amount
Assets Acquired:		
Cash and cash equivalents	$	2,489
Accounts receivable		1,210
Prepaid expenses and other current assets		501
Total current assets		4,200
Property and equipment		231
Restricted cash - non-current		96
Identifiable intangible assets		
Developed Technology		13,300
Customer relationships		6,200
Goodwill		92,290
Other assets		5
Total assets		116,322
Liabilities Assumed:		
Accounts payable		155
Accrued compensation		188
Accrued expenses		528
Deferred revenue - current		1,098
Total current liabilities		1,969
Deferred revenue - non-current		1,941
Deferred tax liability, net		3,064
Total liabilities		6,974
Total purchase consideration	$	109,348

As part of the preliminary allocation of the estimated total consideration transferred, we determined that SecurityMatters' separately identifiable intangible assets consisted of developed technology and customer relationships. The fair value of intangible assets is determined using an income approach based on preliminary valuation models prepared. The valuation models were based on estimates of future operating projections of SecurityMatters and rights to sell new products containing the acquired technology as well as judgments on the discount rates used and other variables. We developed forecasts based on a number of factors including future revenue and operating cost projections, a discount rate that is representative of the weighted-average cost of capital, and long-term sustainable growth rates based on a market analysis.

The allocation of the estimated total consideration transferred is preliminary and is therefore subject to potential future adjustments during the measurement period. The primary areas of the preliminary purchase price allocation that are not yet finalized relate to the fair values of certain tangible and intangible assets acquired and liabilities assumed, taxes, and residual goodwill.

The preliminary estimated useful lives of the intangible assets are as follows:

	Useful Life
Developed Technology	7 years
Customer relationships	5 years

These preliminary estimates of fair value and useful lives could differ from the final allocation of total consideration transferred. Any change in the valuation of the intangible assets would cause a corresponding increase or decrease in the balance of goodwill. A 10% change in the valuation of the intangible assets would result in a change to annual amortization expense of approximately $0.3 million, assuming a weighted-average useful life of 6.4 years.

Goodwill represents the excess of the preliminary estimated total consideration transferred over the preliminary estimates of the fair value of the net tangible and intangible assets acquired. Goodwill is primarily attributable to expected post-acquisition synergies from integrating SecurityMatters' technology into ForeScout's security solutions. None of the goodwill recorded as part of the Acquisition will be deductible for U.S. federal income tax purposes. Further, under U.S. GAAP, goodwill is not amortized but rather subject to an annual fair value impairment test.

6. Pro Forma Adjustments

The pro forma adjustments included in the unaudited pro forma condensed combined financial statements are as follows (in USD thousands):

Adjustments to the Unaudited Pro Forma Condensed Combined Balance Sheet:

(a) ***Cash and cash equivalents***

		June 30, 2018
◆ To fund the Acquisition with cash on hand and from the maturity of marketable securities	$	(13,348)
◆ To relieve the pre-acquisition obligation of SecurityMatters notes payable with SecurityMatters cash on hand immediately prior to the Acquisition		(76)
◆ To fund the Holdback Amounts as discussed in Note 5		(6,232)
	$	(19,656)

(b) ***Marketable securities***

		June 30, 2018
◆ To fund the Acquisition with cash on hand and from the maturity of marketable securities	$	(96,000)

(c) ***Deferred commissions - current***

		June 30, 2018
◆ To remove deferred amounts related to historical SecurityMatters paid commissions as such amounts do not meet the recognition criteria under the acquisition method of accounting	$	(82)

(d) ***Prepaid expenses and other current assets***

		June 30, 2018
◆ To record the current portion of the Holdback Amounts as discussed in Note 5	$	3,116

(e) ***Intangible assets, net***

	June 30, 2018
◆ To reverse net book value of existing SecurityMatters intangible assets	$ (119)
◆ To record the fair value of acquired intangible assets related to the developed technology and customer relationships	19,500
	$ 19,381

(f) ***Goodwill***

	June 30, 2018
◆ To record goodwill for the excess of total consideration transferred over the fair value of net assets acquired and liabilities assumed	$ 92,290

(g) ***Other assets***

	June 30, 2018
◆ To record the non-current portion of the Holdback Amounts as discussed in Note 5	$ 3,116

(h) ***Accrued expenses***

	June 30, 2018
◆ To accrue direct, incremental acquisition-related transaction costs not yet reflected in the historical financial statements of ForeScout with a corresponding increase to accumulated deficit. Similar direct, incremental acquisition-related transaction costs of SecurityMatters not yet reflected in the historical financial statements were required to be paid as part of the closing of the Acquisition from the total consideration transferred (and, therefore, are not reflected as part of this pro forma adjustment)	$ 2,273

(i) ***Deferred revenue - current***

	June 30, 2018
◆ To adjust SecurityMatters historical deferred revenue balances to the fair value of the obligation to fulfill such contractual obligation	$ (380)

(j) ***Debt and financing***

	June 30, 2018
◆ To relieve the pre-acquisition obligation of SecurityMatters notes payable with SecurityMatters cash on hand immediately prior to the Acquisition	$ (76)

(k) ***Deferred revenue - non-current***

	June 30, 2018
◆ To adjust SecurityMatters historical deferred revenue balances to the fair value of the obligation to fulfill such contractual obligation	$ (671)

(l) ***Deferred tax liability, net***

		June 30, 2018
◆ To record an estimated deferred tax liability on the fair value step up for purchased intangibles	$	4,275
◆ To record an estimated deferred tax liability on the fair value adjustment to reduce the historical book value of SecurityMatters' deferred revenue to the fair value of costs to fulfill the associated obligation		256
◆ To record an estimated deferred tax asset on the incremental deferred revenue balances recognized as part of SecurityMatters' adoption of IFRS 15		(711)
◆ To record an estimated deferred tax asset for net operating loss carryforwards of SecurityMatters	$	(756)
	$	3,064

(m) ***Common stock***

		June 30, 2018
◆ To eliminate amounts related to Common shares of SecurityMatters	$	(30)

(n) ***Additional paid-in capital***

		June 30, 2018
◆ To eliminate amounts related to Additional paid-in capital of SecurityMatters	$	(5,438)

(o) A***ccumulated deficit***

		June 30, 2018
◆ To eliminate amounts related to Accumulated deficit of SecurityMatters	$	5,696
◆ To accrue direct, incremental acquisition-related transaction costs not yet reflected in the historical financial statements of ForeScout with a corresponding increase to accumulated deficit. Similar direct, incremental acquisition-related transaction costs of SecurityMatters not yet reflected in the historical financial statements were required to be paid as part of the closing of the Acquisition from the total consideration transferred (and, therefore, are not reflected as part of this pro forma adjustment)		(2,273)
	$	3,423

Adjustments to the Unaudited Pro Forma Condensed Combined Statements of Operations:

(p) ***Revenue - maintenance and professional services***

		For the six months ended June 30, 2018		For the year ended December 31, 2017
◆ To adjust historical SecurityMatters revenue recognized based on the fair value of the obligation to fulfill such contractual obligations as of January 1, 2017	$	(47)	$	(131)
	$	(47)	$	(131)

(q) ***Cost of revenue - product***

	For the six months ended June 30, 2018		For the year ended December 31, 2017	
◆ To record amortization expense based on the preliminary estimates of fair value and useful life for the acquired developed technology intangible asset which will support ongoing revenue streams related to the Acquisition	$	950	$	1,900
	$	950	$	1,900

(r) ***Cost of revenue - maintenance and professional services***

	For the six months ended June 30, 2018		For the year ended December 31, 2017	
◆ To record incremental post-combination expense (for share-based and cash-based awards) directly related to the Acquisition and requiring future service from continuing employees as discussed in Note 5	$	46	$	151
	$	46	$	151

(s) ***Research and development***

	For the six months ended June 30, 2018		For the year ended December 31, 2017	
◆ To reverse amortization expense of historical SecurityMatters intangible assets	$	(24)	$	(38)
◆ To record incremental post-combination expense (for share-based and cash-based awards) directly related to the Acquisition and requiring future service from continuing employees as discussed in Note 5		112		484
	$	88	$	446

(t) ***Sales and marketing***

	For the six months ended June 30, 2018		For the year ended December 31, 2017	
◆ To record amortization expense based on the preliminary estimate of fair value and useful life for the acquired customer relationships intangible asset which will support efforts to enhance future revenue streams related to the Acquisition	$	620	$	1,240
◆ To record incremental post-combination expense (for share-based and cash-based awards) directly related to the Acquisition and requiring future service from continuing employees as discussed in Note 5		153		1,000
	$	773	$	2,240

(u) ***General and administrative***

	For the six months ended June 30, 2018		For the year ended December 31, 2017	
◆ To record incremental post-combination expense (for share-based and cash-based awards) directly related to the Acquisition and requiring future service from continuing employees (including the Holdback Amounts) as discussed in Note 5		1,873		4,100
	$	1,873	$	4,100

(v) **Income tax provision (benefit)**

	For the six months ended June 30, 2018	For the year ended December 31, 2017
◆ To record the estimated tax impact of the unaudited pro forma adjustments described above based on the estimated statutory tax rates for the respective period (25% for the six months ended June 30, 2018 and for the year ended December 31, 2017)	$ (945)	$ (2,241)
◆ To record the estimated tax benefit related to SecurityMatters' historical pretax losses (that previously could not be recognized due to the historical need for a valuation allowance) based on the estimated statutory tax rates for the respective period (25% for the six months ended June 30, 2018 and for the year ended December 31, 2017)	(688)	(147)
	$ (1,633)	$ (2,388)