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## **OpenLimit Holding AG: Group Interim Report for the second half of 2015 in accordance with Article 37x WpHG**

- Earnings figures confirm the upward trend
  - Turnover increases in the first nine months of 2015 by 10% to EUR 4.55 million (comparative value 9M 2014: EUR 4.14 million)
  - Operating expense for the first nine months of 2015 increases by 3% to EUR 5.67 million over the previous year
  - Compared with the same period last year, a reduction in the operating loss (EBIT) from EUR -1.18 million to EUR -0.83 million (-30%) as well as a reduction in the net loss from EUR -1.45 million to EUR -1.19 million (-18%)
- As of the reporting date of 30 September, the company's net cash and cash equivalents stood at EUR 1.03 million (compared with EUR 0.97 million as of 31 December 2014 and EUR 0.44 million as of 30 September 2014), while accounts receivable decreased from EUR 6.69 million last year to EUR 5.95 million as of 30 September. After the reporting date, accounts receivable were reduced considerably again
- Smart Meter Gateway rollout planned for 1 January 2017 by the BMWi (Federal Ministry for Economic Affairs and Energy); draft bill for the ordinances published
- The major order from T-Systems for the development of a Konnektor for the healthcare market was expanded through change requests; e-health draft law also published
- Development of PalmSecure trueidentity was successfully completed after the reporting period; Fujitsu announces the official launch of the product at the Fujitsu Forum on 18 November
- New international distribution partners acquired

## General development

(Baar, Switzerland, 17 November 2015) OpenLimit was able to increase its turnover in the first nine months of 2015 by 10% to EUR 4.55 million. In the third quarter, approximately half of revenues were generated through business with new customers and the other half by reaching milestones in ongoing development projects. The consistent challenges in the areas of high resource utilization and working capital management could only be overcome with the greatest difficulty during the period through third-party service providers, the interim financing of outstanding debtors and new loans. After the reporting period, in October, the company's accounts receivable were reduced further in the low 7-digit euro range, improving the liquidity situation further after the period under review. Developments in the third quarter as well as after the reporting period indicate that OpenLimit should reach its targets for 2015 (see Outlook). In this respect, the Board of Directors and management are satisfied with the company's situation.

A major challenge remains however the organizational implementation of the planned growth in the different product areas against the backdrop of constraints in terms of human resources and finances. The Board of Directors and management are continually evaluating their options here, as the high resource utilization is not expedient for the Group over the long term.

The publication of draft laws and ordinances which will have a considerable influence on the development of OpenLimit technologies in the areas of energy and health is a positive development worthy of note. Subject to these laws and ordinances being passed, the drafts reinforce the company's prospects in the areas mentioned.

The main developments in and with the technology portfolios were as follows:

### *Konnektor*

The continuation of work on the Konnektor as part of the development contract awarded by T-Systems to OpenLimit was a focus of the company's development activities. The Konnektor allows a secure connection between the local systems of the players in the healthcare sector to the central telematics infrastructure as well as selected services within the scope of the processing of electronic documents and files, e.g. using electronic signature and encryption. To support the primary system manufacturers for card readers and specialist applications, OpenLimit regularly makes the most up-to-date development status of the Konnektors available.

Fulfilment of the main order will extend into the second quarter of 2016. Since 2014, OpenLimit has been generating revenues in the solid seven-digit range. In the third quarter, the order was expanded by way of change requests (CR), with new CRs also in negotiation, the realization of which would extend into 2016. With the nationwide rollout expected from mid-2016 onwards (e-health draft law first read in the German parliament – 3 July 2015), OpenLimit will also generate revenues from the sale of Konnektors.

### *Smart Meter Gateway*

The Smart Meter Gateway (SMGW), as the guarantor of secure communication between the local electricity meters and the energy provider, is a crucial component for implementation of the amended Energy Industry Act in Germany. In the first nine months of the year, development of the SMGW was continued according to plan in collaboration with Power Plus

Communications AG (PPC). The current focus is on the certification process. The shared goal of PPC and OpenLimit is to be able to present one of the first certified SMGWs in Germany in 2016.

PPC and OpenLimit presented their latest SMGW this year. The team showed the FNN-compliant SMGWs with integrated telecommunication module for broadband power line, mobile or Ethernet communication at several trade fairs, in some instances together with partners such as Bosch, Co.met, Cuculus, Easymeter, Elster, E.ON Metering, Iskraemeco, itron, NLI, Robotron, Schleupen, Siemens, SmartOptimo, Thüga, Voltaris and Worldline. Several pilot projects were procured by partner PPC and are currently being implemented, with the speed of said implementation expected to pick up in 2016.

On 21 September, the Federal Ministry for Economic Affairs and Energy (BMWi) presented the draft bill for a "law on the digitalization of the energy transition" ("Gesetz zur Digitalisierung der Energiewende" in German), which aims to advance the use of intelligent metering systems in a way that is secure and cost-efficient. The federal cabinet passed the law on 4 November; the federal parliament ("Bundestag") still has to pass it. Mandatory rollout of the systems with an SMGW (such as developed by OpenLimit and partner Power Plus Communications) for certain user groups should take effect from 1 January 2017. This rollout date is one year later than was assumed at the start of the year and therefore will have an impact on planned turnover growth up to that point. On the positive side, the ordinances, once having been passed, would significantly increase SMGW customers' planning certainty. Furthermore, the door will be opened for full market rollout, with small consumers receiving a metering system on a voluntary rather than mandatory basis. We assume that the ordinances will be passed before the end of 2015. Until the rollout of the SMGW, revenues will be generated primarily from the implementation of small-scale pilot projects. Upon the start of the rollout, revenues will then be generated from sale of the devices to legally defined consumer groups. The total market potential amounts to around 12 to 15 million devices.

#### *truedentity® and eID server*

truedentity® creates trust and security in electronic identification processes. The product was further developed technically as part of the development order placed by Fujitsu (FTS) in the third quarter of 2014, the aim being to combine the OpenLimit truedentity® technology with the biometric hand vein scanner PalmSecure™ from Fujitsu. Through two-factor authentication, this technical solution offers a high degree of protection against identity misuse and is characterized by its user-friendliness, as it is not necessary to enter a password during authentication. The solution saves the identity data locally on smart cards and offers scalable security. In future, it will support usage scenarios such as physical access control, logging on to computers, smart devices and networks as well as cashless payment methods. The order was successfully completed after the reporting period and Fujitsu announced the product launch on 4 November in advance of the Fujitsu Forum on 18 November. The first pilot projects are also in sight. In addition to the remuneration for development work in 2015, OpenLimit will share in future licensing revenues. FTS plans to market this solution globally.

In addition, project possibilities are opening up internationally, where truedentity may possibly be used as a basis for the introduction of eID cards.

### *Signature technology*

The current signature product portfolio as well as integrated solutions based on same support companies and authorities in the application scenarios of e-mail archiving, implementation of the "eAkte" (requirement for federal authorities to have electronic filing systems in place), electronic court documents, digitalization processes and electronic invoicing. To some extent, the solutions developed will be offered as services for third parties.

During the reporting period, OpenLimit was able to place numerous signature products with both existing and new customers as well as perform integrations of the signature technologies in third-party products. In particular, after the reporting period OpenLimit was able to successfully conclude a larger order in the low 6-digit euro range awarded in the third quarter. In addition, one of the largest statutory health insurers awarded OpenLimit a contract for the integration of OpenLimit products and solutions into existing infrastructures and processes during the reporting period. This integration is making a significant contribution towards increasing the efficiency and security of such processes.

During the reporting period, OpenLimit expanded several signature products based on the new signature application component OpenLimit CC Sign Version 2.8, including BatchSign (batch signature), SignatureService (continuous signing) and VerificationService (continuous signature verification). In this way, the preconditions that these products now also support the latest smart cards from the German trust centers and the current Windows operating systems were created.

The further development and maintenance of the signature components in Version 3.5 was also advanced. The company's customers were provided with updates and the associated manufacturer's declaration of conformity with the relevant regulations was submitted to the Federal Network Agency ("Bundesnetzagentur").

### *Fujitsu SecDocs powered by OpenLimit*

In the first half of the year, OpenLimit received a partial order for recertification of the product. Otherwise, the company primarily generated service revenues with SecDocs. A further partial order is expected for the recertification in the fourth quarter.

### *International developments*

OpenLimit was able to successfully acquire partners in different Eastern European countries since the beginning of the year. Together with these partners, OpenLimit is pursuing the acquisition of projects in both the public and the energy sector. Although these countries are significantly affected by the current refugee issue, there is the chance of initial shared successes in the foreseeable future.

Although the developments are on the one hand very promising, they are on the other hand placing the company under very heavy strain in every respect. The not unexpected delays being experienced at the moment - whether in terms of project progress (e.g. Konnektor) or regulatory frameworks (e.g. SMGW) - represent an additional challenge for the company's management. The revenues and the liquidity situation could be higher/better if things were to run according to schedule. This is very unsatisfactory and is something that cannot be quickly resolved. However, we are optimistic that our forecast will be reached by the end of the year.

## Financial development of the OpenLimit Group (based on unaudited 9-month figures)

### *Earnings*

In the first nine months of 2015, OpenLimit was able to increase its turnover by 10% to a total of EUR 4.55 million (comparative value for 9M 2014: EUR 4.14 million). Plus internally produced and capitalized assets of EUR 2.37 million (9M 2014: EUR 2.16 million), this gives total earnings of EUR 6.93 million. This represents an increase of 10% over the figure for the same period last year (9M 2014: EUR 6.30 million).

The cost of goods amounted to EUR 0.16 million, which was somewhat higher than the figure for the first three quarters of the previous year.

As of the reporting date, OpenLimit employed 68 people (including management), which was exactly the same as on the reporting date in the previous year. In particular owing to salary adjustments and overtime hours, as well as overlaps in terms of employees joining and leaving the company, pure personnel expense (excluding third-party services) increased by 5% from EUR 3.24 million to EUR 3.40 million. In comparison, the cost of third-party services was reduced by 2% at EUR 1.16 million it was slightly lower than the figure for the same period last year (9M 2014: 1.18 million).

Operating expense increased by 4% over the same period last year, rising slightly from EUR 1.07 million to EUR 1.11 million. This is due primarily to cost increases in the areas of maintenance/repairs, legal advice as well as administrative expense.

Depreciation expense increased by 3% compared to the same period last year, rising from EUR 1.87 million to EUR 1.93 million. The depreciation relates mostly to intangible assets and is due to the software development activity of recent years.

The EBITDA (operating result before depreciation) of EUR 1.10 million was again positive and was significantly higher than the previous year's value (9M 2014: EUR 0.69 million). The operating result (EBIT) improved by 30%, increasing from EUR -1.18 million to EUR -0.83 million.

The financial result of EUR -0.31 million was more negative than the previous year's value of EUR -0.22 million. This was due primarily to exchange rate losses resulting from the strong Swiss franc as well as the somewhat higher interest charge arising from the issuing of convertible loans and the use of working capital financing. After the Swiss National bank took the surprising step of giving up the minimum CHF / EUR minimum exchange rate on 15 January 2015, the franc rose considerably and has since been trading just above parity to the euro.

After considering tax expense of EUR 0.06 million (9M 2014: 0.05 million), the net loss of EUR -1.19 million for the period 1 January to 30 September 2015 was therefore 18% improved over the same period last year (9M 2014: EUR -1.45 million).

### *Net asset position and working capital*

Compared to the figure of EUR 6.23 million recorded at the end of 2014, the company's non-current assets had increased by 8% to EUR 6.72 million by the reporting date of 30 September (30/09/2014: EUR 6.21 million), with an increase in value of 10% of the company's intangible assets being primarily responsible for this.

The value of OpenLimit's current assets stood at EUR 6.98 million at the end of the quarter (31/12/2014: EUR 7.29 million). At the same time, the item "Accounts payable and other liabilities" increased from EUR 1.61 million at the end of the year to EUR 2.27 million by the end of September, representing an increase of 41%. Despite previous growth, the company's trade accounts receivable were reduced (30/09/2015: EUR 5.95 million vs. 31/12/2014: EUR 6.32 million),

which improved the liquidity situation as of the reporting date (EUR 1.03 million vs a figure of EUR 0.97 million as of 31/12/2014). Furthermore, in October accounts receivable were reduced further in the low 7-digit range, with an effect on liquidity.

### *Financing*

As of 30 September 2015, the company's non-current liabilities stood at EUR 1.34 million, the exact same as they were in the Half-Year Report (31/12/2014: EUR 1.34 million). With regard to a convertible loan which fell due on 31 October 2015, the company is in negotiations on extending the term of the liability. The current financial liabilities of EUR 3.08 million were 9% lower than in the same period last year, although 25% higher compared to the end of 2014 (31/12/2014: EUR 2.46 million; 30/09/2014: EUR 3.38 Mio.).

As of the reporting date of 30 September 2015, the company's equity position was EUR 6.98 million, which represents an increase of 5% over the previous year (30/09/2014: EUR 6.63 Mio.). In contrast, total assets increased by 3%, rising from EUR 13.34 million to EUR 13.70 million period over period.

### **Personnel**

On 31 December 2014, the employment contract with Mr. Hermann Homann was mutually terminated owing to personal, family reasons of Mr. Homann's. As a result of these new circumstances, Mr. Fuessinger (CFO from July 2010 to August 2014), declared himself ready to change his plans and resume the role of CFO from 1 January 2015 until further notice. As of 1 September 2015, Mr. Fuessinger has taken up a new function outside of the OpenLimit Group. Consequently, a reallocation of various tasks within the company's management was decided upon. Marc Gurov, CEO, will also take on the role of CFO until further notice. The previous Chief Commercial Officer, Maik Pogoda, assumed the newly created position of Chief Operating Officer on 1 September. In this new role, he will be responsible for operational implementation of the corporate strategy and will provide relief for the CEO /CFO, especially in the areas of administration, human resources and legal affairs.

### **Outlook**

The outlook for the financial year 2015 remains unchanged over that contained within the Half-Year Report 2015. With the company's business performance to date, OpenLimit is on track to meet expectations for the year as a whole. It is also important to point out here that a considerable share of turnover for the year is historically generated in the fourth quarter. This is also the expectation for the current period. To achieve its targets, the company will have to generate substantial new business. The current ongoing projects are supporting the achievement of these targets. This should make turnover growth in the high single-digit percent range as well as slightly higher profitability possible. Looking beyond the year 2015, there are already signs that significant growth in turnover cannot be expected until 2017. The main reason for this is that the rollout of the Smart Meter Gateway on the part of the Federal Ministry for Economic Affairs and Energy is now not planned to begin until 1 January 2017. If the rollout of the Konnektor begins effectively on 1 July 2016 and the expected revenues from truedentity® materialize as planned, the effects of the delayed Smart Meter Gateway rollout could be partly absorbed, although not to the full extent. This situation shows, once again, how dependent OpenLimit is on legal and other frameworks which lie beyond the company's control. At present, we assume that the legal and technical frameworks for the Smart Meter Gateway and for the Konnektor will be

completed before the end of the year, which would have a positive effect on the sales activities in the energy and healthcare sectors.

### **About OpenLimit**

Publicly traded OpenLimit Holding AG (symbol: 05H) as well as an operating subsidiary are headquartered in Baar, Switzerland. Another subsidiary is located in Berlin, Germany. The group of companies currently employs over 65 highly qualified staff.

OpenLimit stands for the secure electronic handshake. Our technologies enable people and machines worldwide to communicate without limits in ways that are secure, verifiable and identifiable. We develop base technologies and products in the following areas: electronic identities, electronic signatures, evidentiary value-preserving long-term storage of data and documents and secure data transmission between machines. Our solutions are an integral part of products from leading developers of IT applications and are used by businesses, authorities, institutions and private households. To achieve our mission of a secure electronic handshake, we enter into carefully selected strategic development and distribution partnerships.

For more information, please visit <http://www.openlimit.com>

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### **Disclaimer**

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