

LETTER TO SHAREHOLDERS

Dear Shareholders,

The CREALOGIX Group had an eventful and successful 2015/2016 financial year. The company's growth strategy led to a 28.4 per cent increase in sales, from CHF 49.3 million to CHF 63.3 million. In Europe the Group has strengthened its position as a leading provider of digital banking software solutions, and the international portion of total sales increased from 32 per cent to an impressive 45 per cent in the year under review.

EBITDA reached CHF 3.7 million as against a negative CHF 10.6 million in the previous year. These results indicate that the substantial expenditure on the new product platform, the Digital Banking Hub, which was charged fully to the income statement in 2014/2015, has had a positive impact on corporate performance in the period covered by the report. Diligent implementation of the measures announced to optimise costs also had a significant influence on these encouraging results; those measures included the scalability of the new platform and the increased use of nearshore resources.

At CHF 8.5 million or 13.4 per cent of sales, expenditure on research and development remained at a high level in the 2015/2016 financial year. The innovative product range has been well received by the market. The proportion of product sales increased from 61 per cent to 63 per cent. Annually recurring sales generated in Maintenance, Software as a Service (SaaS) and Hosting rose by 46 per cent, from CHF 16.3 million to CHF 23.8 million.

Successful placement of convertible bond and acquisition of ELAXY

In the autumn of 2015, CREALOGIX successfully carried out the largest round of fintech financing so far in Switzerland. The bond was heavily oversubscribed and successfully placed at the maximum amount of CHF 25 million. A major part of this was used to acquire 80 per cent of ELAXY Financial Software & Solutions and 20 per cent of ELAXY Business Solution & Services on 1 January 2016. These shareholdings were acquired as part of a long-term cooperation with the seller, Fiducia & GAD IT AG, Karlsruhe (Germany). This transaction has enabled CREALOGIX to expand its client base in Germany by around 380 Volksbanken and Raiffeisen banks. With its involvement in ELAXY, Germany has become the second home market for CREALOGIX.

Well-known new customers

In addition to the above-mentioned Volksbanken and Raiffeisen banks, CREALOGIX has gained the following as customers: the German financial service provider MLP, Landesbank Baden-Württemberg (LBBW), Deutsche Apotheker- und Ärztebank (Apobank), Bankhaus August Lenz, Finanz Informatik (the IT services provider of the Sparkassen-Finanzgruppe), Oldenburgische Landesbank, Mediterranean Bank (Medbank) headquartered on Malta and the Australian asset manager Crestone. Successful implementation of the new CREALOGIX flagship product – The Digital Banking Hub – at Crestone took just three months. CREALOGIX carried out the project together with Tech Mahindra, its implementation partner for the Asia-Pacific region.

In Switzerland, projects for next-generation mobile solutions began under the heading 'Banking to go'. Customers include Aargauische Kantonalbank, Basler Kantonalbank and the Coop Bank, St. Galler Kantonalbank, Thurgauer Kantonalbank and Bank Julius Bär.

CREALOGIX as reliable partner for digital banking

The shareholding taken by CREALOGIX in ELAXY signifies a considerable expansion of the product portfolio in the area of interactive digital banking advisory services, such as retirement planning, financial management and financial planning. These products also include online solutions for asset management (robo-advisory), which experts believe have considerable potential for growth. All these products integrate seamlessly with the Digital Banking Hub – which is possible due to the pioneering open architecture of the hub's design. The customer is provided with a solution tailored to its particular needs, based on parameter-driven standard products whilst third-party applications are integrated as required. This exceptionally customer-friendly and user-friendly solution underscores how CREALOGIX continues to justify its claim to be a 'trusted enabler for banks on their digital journey'.

CREALOGIX's partnership with the South African firm Entersekt is an ideal match. An agreement was reached in May 2016 with Entersekt, a provider of modern authentication software for transactions and of security software for mobile apps. Thanks to this collaboration, CREALOGIX can offer its customers a mobile authentication solution, based on push technology, for the protection of banking transactions and payments which use online and mobile channels. The combination of these technologies has resulted in a highly secure and cost-effective solution.

The Digital Banking Hub from CREALOGIX already provides customers with more than 500 Application Programming Interfaces (APIs). Advanced development into a client-side portal is well underway, as is the development of portal solutions using Hybrid Advisory (the use of modern communication channels combined with personal advice) and Personal Financial Management (PFM).

In Commercial Banking, CREALOGIX has begun to roll out the Nova platform at leading companies to facilitate the payment transactions of the future. Software products for the ISO 20022 sector formats are already available for both corporate clients and private customers. This provides a substantial basis for the acquisition of new CREALOGIX customers. EBICS is an internet-based communication standard throughout the Eurozone, used for payment transactions involving banks and corporate customers. CREALOGIX, in partnership with Swisscom, is offering Swiss financial institutions a comprehensive solution in the form of an 'EBICS as a Service' platform. This product can be used irrespective of the size of the firm or the banking software used. A number of banks have already been won as customers for the new product.



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Furthermore, CREALOGIX has developed a software package which Swiss banks can use to educate and train their employees in compliance matters. Long-term contracts have been signed with the Swiss Army and SBB for the authoring software, which enables digital learning units to be created in an extremely simple way. Moreover, CREALOGIX solutions are being used to train Swiss banking students and junior staff. The market-leading 'time2learn' tool, originally developed for apprentice training in the commercial field and used throughout Switzerland, has now been extended to cover the needs of further professions.



digital-learning.
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Organisation and Personnel

The company has forged ahead with the integration of staff and the re-organisation of its corporate structure as a follow-up to its investment in ELAXY. As at 30 June 2016 the CREALOGIX Group had 414 (previous year: 354) employees, half of whom were employed in Switzerland.

With effect from 1 January 2016, responsibility for the Group's Executive Management passed to Thomas Avedik, as planned. The new CEO graduated in engineering from ETH and has been a member of the Group Management since 2007. The Chairman of the Board of Directors, Bruno Richle, is primarily responsible for areas involving the implementation of strategic objectives and the international growth of the Group. This change in operational management went smoothly and was completed in the year covered by the report.

Strategic focus

The Group's strategic focus remains on growth relating to software products for digitalising banking operations. The geographic focus is on the firm's two home markets, Switzerland and Germany, and on the UK. The integration of ELAXY, already advanced, will be continued. The product portfolio will be further harmonised and geared towards customers' present and future needs. The company continues to attach the highest importance to innovations developed in-house. In some cases, these innovations originate from think-tanks, in which CREALOGIX specialists work closely with market-leading banks, prestigious universities and world experts in digitalisation and security.

Outlook

Thanks to its game-changing and comprehensive solutions, CREALOGIX is in an ideal position to benefit from the inexorable digitalisation of the financial services industry. Due to uncertainties in the current market environment in Europe (Brexit, Middle East, interest rates, monetary policy, etc.), which could delay investment decisions by customers, CREALOGIX is somewhat cautious with its growth forecasts for 2016/2017. Nevertheless, CREALOGIX expects further double-digit growth in sales. Moreover, despite the continuing high level of investment in new product development, harmonisation of the product range and the opening up of new markets, CREALOGIX expects to generate an even higher EBITDA than in 2015/2016.

In the medium term, CREALOGIX continues to aim at sales growth rates of at least 20 per cent and a minimum EBITDA margin of 10 per cent, as annual averages. The international side of the business should contribute at least 50 per cent to total sales and the target for the proportion of sales attributable to products is at least 70 per cent.

The Board of Directors will put forward a proposal to the Shareholder's Meeting held on 31 October 2016 that no dividend be paid. By making this proposal, the Board of Directors underlines the current priority that it attaches to investment in innovative developments, tapping into new sales markets and internationalising the business. The objective in doing so is to strengthen the medium to longer-term earnings power of CREALOGIX on a sustainable basis.

Acknowledgements

On behalf of the Board of Directors and Executive Management, we would like to thank our shareholders, customers and business partners for their loyalty and support. We would also like to express our gratitude to our employees. With top-class technological expertise, innovative spirit and strong commitment, they have made CREALOGIX the leading European software provider to the 'digital bank of tomorrow'.



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Bruno Richle
Chairman

Thomas Avedik
CEO