

Digitalisation
of Banking

HALF-YEAR REPORT

2017/2018



**2017/2018 Half-Year Report**

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CREALOGIX Group financial report

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GROUP KEY FIGURES

Amounts in thousands of CHF

	July–December 2017	July–December 2016
Net sales from goods and services	39 670	35 776
CHF sales growth	11%	28%
Local currency sales growth	8%	30%
EBITDA	4 385	4 143
in % of net sales from goods and services	11%	12%
Free cash flow¹⁾	–2 809	1 529
Earnings per share diluted²⁾	1.03	0.56
Headcount	416	401
	31 December 2017	30 June 2017
Balance sheet total	77 024	78 925
Equity ratio	53%	37%

¹⁾ Free Cash Flow is defined as cash flow from operating activities including purchase and disposal of tangible and intangible assets.

²⁾ In order to improve transparency and international comparability, the management has decided to adjust its calculation of diluted earnings per share in line with IFRS. Prior year figures are presented accordingly. The prior year impact of the convertible bond was anti-dilutive and therefore not considered anymore in the calculation. In the period under review, the dilution effect is zero.

LETTER TO SHAREHOLDERS



Bruno Riche, Chairman of the Board of Directors, Thomas Avedik, CEO

Dear Shareholders,

CREALOGIX confirms the targeted growth and looks back at a pleasing first half of the financial year 2017/2018. While business activities in the Swiss domestic market remained strong, the Group grew particularly in Germany. Thanks to successful licensing and project deals with new customers, it was able to expand the customer base there. Market perception in Asia is also increasing: according to the trade magazine "APAC CIO Outlook", the Group is one of the 25 strongest fintech companies in the Asia-Pacific region (APAC). In addition, the information platform "Asian Private Banker" presented the Group with the Technology Award 2017 as the best mobile/tablet app developer.



CREALOGIX

Half-Year Results

Innovations such as the latest Digital Banking App "Gravity" and an increased commitment in the single markets promote the positive results of CREALOGIX. In the first half of the financial year, sales increased by 11% to CHF 39.7 million. This corresponds to growth of 8% in local currencies. Business activities outside the Swiss domestic market accounted for 58% of this figure. EBITDA for the first half of the year was CHF 4.4 million. This corresponds to an EBITDA margin of 11% and was more or less in line with the previous year margin (12%). Earnings per share increased from CHF 0.56 to CHF 1.03 compared to the same period in the prior year. The equity ratio was 53% (previous year: 37%). The focused implementation of the strategy is reflected in a noticeable improvement in performance and, not least, in the pleasing performance of the CREALOGIX share price.

Outlook

Strong local and international partnerships and CREALOGIX' established position as a leading provider of fintech solutions give the Group an optimistic outlook. Banks are making the most of the advantages of an open financial ecosystem and transforming their infrastructure towards "open banking". CREALOGIX recognised this global trend at an early stage and provides with the "Digital Banking Hub" a state-of-the-art solution.

The Group expects the acquisition of the Spanish software company Innofis with its strong customer base in the Middle East to mark a successful step into the new market. Innofis' know-how in "Islamic Banking" will have a positive impact on the activities in Middle East and parts of the Southeast Asian markets – strengthened by strategic cooperations with local software partners and implementer of the "Digital Banking Hub". CREALOGIX is therefore sticking to its targets of Autumn 2017 for the current financial year and is expecting sales growth of up to 15% (including acquisitions). An EBITDA margin of more than 10% is expected for the 2017/2018 financial year, despite increased costs of integration of Innofis.

The Group continues to plan with annual sales growth of more than 20% and profitability (EBITDA) of more than 15% in the mid-term. The share of sales outside the Swiss domestic market is expected to reach around 70%.

A word of thanks

We would like to thank our employees, over 500 of them, for their great commitment. We would also like to thank our customers, suppliers and partners with whom we maintain fruitful cooperation. Finally, we would like to thank you, valued shareholders, for your loyalty and trust in CREALOGIX.



Bruno Richle
Chairman of the Board of Directors



Thomas Avedik
CEO

CONSOLIDATED INCOME STATEMENT

Amounts in thousands of CHF	Notes	July–December 2017	In %	July–December 2016	In %
Net sales from goods and services	4	39 670	100.0	35 776	100.0
Other operating income		288	0.7	224	0.6
Goods and services purchased		-9 054	-22.8	-7 422	-20.7
Change in inventory of finished and unfinished goods		-38	-0.1	215	0.6
Personnel expense		-22 034	-55.5	-21 036	-58.8
Marketing expense		-586	-1.5	-649	-1.8
Rent, maintenance and repairs		-1 337	-3.4	-1 283	-3.6
Other operating expense		-2 524	-6.4	-1 682	-4.7
Depreciation of tangible fixed assets		-388	-1.0	-347	-1.0
Amortisation on goodwill		-872	-2.2	-903	-2.5
Amortisation on other intangible assets		-292	-0.7	-337	-0.9
Operating result		2 833	7.1	2 556	7.1
Financial income		108	0.3	51	0.1
Financial expense		-440	-1.1	-518	-1.4
Financial result		-332	-0.8	-467	-1.3
Prorated income from associates		-323	-0.8	-237	-0.7
Earnings before tax		2 178	5.5	1 852	5.2
Income tax		-624	-1.6	-1 115	-3.1
Consolidated profit		1 554	3.9	737	2.1
Attributable to:					
Shareholders of CREALOGIX Holding AG		1 143	2.9	598	1.7
Minority interest		411	1.0	139	0.4
Earnings per share attributable to shareholders in CHF:	3				
Undiluted		1.03		0.56	
Diluted		1.03		0.56	

The condensed notes to the consolidated financial statements on pages 10 to 13 are an integral part of these consolidated financial statements for the first half of 2017/2018.

CONSOLIDATED BALANCE SHEET

Amounts in thousands of CHF	Notes	31 December 2017	In %	30 June 2017	In %
ASSETS					
Current assets					
Cash and cash equivalents		30 066		33 775	
Receivables from goods and services		11 395		8 805	
Other short-term receivables		1 501		4 035	
Prepayments and accrued income		2 736		2 461	
Work in progress/inventories		4 328		3 419	
Total current assets		50 026	64.9	52 495	66.5
Non-current assets					
Financial assets		6 872		6 926	
Tangible fixed assets		1 492		1 385	
Intangible assets		13 916		14 005	
Deferred tax assets		4 718		4 114	
Total non-current assets		26 998	35.1	26 430	33.5
Total ASSETS		77 024	100.0	78 925	100.0
LIABILITIES AND EQUITY					
Current liabilities					
Payables from goods and services		3 126		2 673	
Other short-term liabilities		1 869		1 225	
Accrued liabilities and deferred income		13 186		19 477	
Short-term provisions		270		411	
Income tax liabilities		1 382		433	
Total current liabilities		19 833	25.7	24 219	30.7
Non-current liabilities					
Long-term financial liabilities	5	14 982		24 005	
Deferred conditional purchase price obligations		588		553	
Long-term provisions		0		97	
Deferred tax liabilities		460		536	
Total non-current liabilities		16 030	20.8	25 191	31.9
Total LIABILITIES		35 863	46.6	49 410	62.6
Shareholders' equity					
Share capital	6	9 369		8 657	
Treasury shares		-689		-603	
Capital reserves		25 925		17 776	
Translation differences		523		-1 161	
Retained earnings		5 432		4 289	
Total equity before minorities		40 560		28 958	
Minority interests		601		557	
Total SHAREHOLDERS' EQUITY		41 161	53.4	29 515	37.4
Total LIABILITIES AND EQUITY		77 024	100.0	78 925	100.0

The condensed notes to the consolidated financial statements on pages 10 to 13 are an integral part of these consolidated financial statements for the first half of 2017/2018.

STATEMENT OF CHANGES IN EQUITY

Amounts in thousands of CHF	Share capital	Treasury shares	Capital reserve	Translation differences	Retained earnings	Total equity before minority interests	Minority interests	Total equity
<i>On 30 June 2016</i>	8 560	-1 060	16 420	-1 075	1 859	24 704	398	25 102
Increase from convertible bond	97	0	1 158	0	0	1 255	0	1 255
Change in retained earnings from adjustments to the purchase price allocation	0	0	0	0	1 381	1 381	0	1 381
Distribution minority interest	0	0	0	0	0	0	-208	-208
Currency translation of foreign entities	0	0	0	-86	0	-86	7	-79
Consolidated profit	0	0	0	0	1 049	1 049	360	1 409
Change in treasury shares	0	457	198	0	0	655	0	655
<i>On 30 June 2017</i>	8 657	-603	17 776	-1 161	4 289	28 958	557	29 515
Increase from convertible bond	712	0	8 508	0	0	9 220	0	9 220
Dividend payments to shareholders of CREALOGIX Holding AG	0	0	-559	0	0	-559	0	-559
Dividend payments to minorities	0	0	0	0	0	0	-395	-395
Currency translation of foreign entities	0	0	0	1 684	0	1 684	28	1 712
Consolidated profit	0	0	0	0	1 143	1 143	411	1 554
Change in treasury shares	0	-86	200	0	0	114	0	114
On 31 December 2017	9 369	-689	25 925	523	5 432	40 560	601	41 161

The condensed notes to the consolidated financial statements on pages 10 to 13 are an integral part of these consolidated financial statements for the first half of 2017/2018.

CONSOLIDATED CASH FLOW STATEMENT

Amounts in thousands of CHF	Notes	July–December 2017	July–December 2016
Consolidated profit		1 554	737
Income tax		624	1 115
Depreciation/amortisation		1 552	1 587
Impairment of receivables from goods and services		16	–63
Gain/(loss) on sale of tangible fixed assets		57	–1
Financial result		332	467
Share of profit of associates		323	237
Change of receivables from goods and services and other receivables		154	3 432
Work in progress/inventories		–782	–661
Change of payables from goods and services and other payables		–5 194	–3 939
Decrease of provisions		–65	–432
Interest received		102	20
Interest paid		–662	–593
Tax received		0	354
Tax paid		–118	–284
Cash flow from operating activities		–2 107	1 976
Investing activities			
Purchase of tangible fixed assets		–457	–129
Purchase of intangible assets		–245	–318
Cash flow from investing activities		–702	–447
Financing activities			
Dividend payments to shareholders of CREALOGIX Holding AG		–559	0
Dividend payments to minorities		–395	0
Purchase of treasury shares		–4 368	–1 605
Sale of treasury shares		3 535	2 119
Cash flow from financing activities		–1 787	514
Effects of exchange rate changes		887	–105
Net change in cash and cash equivalents		–3 709	1 938
Cash and cash equivalents at beginning of period		33 775	27 495
Cash and cash equivalents at end of period		30 066	29 433

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CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Basic information

CREALOGIX Holding AG (the 'Company') and its subsidiaries make up the CREALOGIX Group. CREALOGIX globally markets its extensive product range for tomorrow's digital bank. The CREALOGIX Group is a stock corporation headquartered in Switzerland. The address of its registered office is Baslerstrasse 60, 8048 Zurich. The Group's registered shares (CLXN) are traded on the SIX Swiss Exchange under identification number 1 111 570.

The convertible bond (CLX15) issued on 6 November 2015 is traded on the SIX Swiss Exchange under Swiss security number 29871584.

These half-year financial statements were approved for issue by the Board of Directors on 15 March 2018. The consolidated financial statements are reported in Swiss francs (CHF).

The following foreign exchange rates were applied:

	Year-end rates (balance sheet)		Average rates (income statement)	
	31 December 2017	30 June 2017	July–December 2017	July–December 2016
EUR	1.17	1.09	1.14	1.09
CAD	0.78	0.74	0.77	0.75
USD	0.97	0.96	0.97	0.98
GBP	1.32	1.25	1.29	1.27
SGD	0.72	0.70	0.71	0.71

2 Summary of significant accounting and valuation policies

These unaudited consolidated interim financial statements for the first half of 2017/2018 for the period, ending 31 December 2017, have been prepared in accordance with Swiss GAAP FER 31 Interim Financial Reporting. Compared to previous half-year reports the amount of notes have been reduced to the important disclosures for the reader. The half-year report does not contain all the information and disclosures required for a full annual report.

The consolidated financial statements are reported in Swiss francs (CHF). In tables, monetary values are presented in CHF thousands if not mentioned otherwise. In some cases, the sum of the figures given in this report may not precisely equal the stated totals, and percentages may not be exact due to rounding.

CREALOGIX operates in areas which are not subject to seasonal market fluctuations.

3 Earnings per share

	July–December 2017	July–December 2016
Consolidated profit attributable to Shareholders of CREALOGIX Holding AG	1 143	598
Weighted average number of shares outstanding	1 104 250	1 060 921
Maximum number of new shares (convertible bonds)	138 086	238 995
Earnings per share – undiluted in CHF	1.03	0.56
Dilutive effect of conversion of convertible bonds in CHF	0	n/a
Earnings per share – diluted in CHF ¹⁾	1.03	0.56

¹⁾ In order to improve transparency and international comparability, the management has decided to adjust its calculation of diluted earnings per share in line with IFRS. Prior year figures are presented accordingly. The prior year impact of the convertible bond was anti-dilutive and therefore not considered anymore in the calculation. In the period under review, the dilution effect is zero.

4 Segment information

4.1 Geographical segments

The Group's main activity is in three geographical segments: Switzerland, the home country of the Group; Europe; and other countries.

Net sales from goods and services	July–December 2017	July–December 2016
Switzerland	16 837	17 985
Europe	21 656	16 850
Other countries	1 177	941
Total Group	39 670	35 776

Net sales from goods and services are assigned to the country in which the client is domiciled.

4.2 Net sales from goods and services by category

Net sales from goods and services	July–December 2017	July–December 2016
Sales from services	15 163	13 729
Sales of goods	1 327	1 499
Hosting and SaaS services	2 680	2 240
Maintenance ¹⁾	12 391	11 823
Licence sales	8 109	6 485
Total net sales from goods and services	39 670	35 776

¹⁾ Due to a new structure in reporting, maintenance is now shown as an additional sales typ. In previous years, maintenance was included in license sales and sales from services.

The CREALOGIX Group is a leading independent software provider in Europe and Asia-Pacific region. CREALOGIX globally markets its extensive product range for the digital bank of tomorrow under the term Digital Banking Hub.

The management of all group companies is based on the uniform business strategy with a central decision making structure. The key element of the CREALOGIX strategy is a uniform business model. CREALOGIX supplies finance companies at their various locations around the world with products for the digital bank of tomorrow.

The Board of Directors and Executive Management manage the CREALOGIX Group based on the financial statements of the individual group companies as well as the consolidated financial statement. Due to the economic similarity of the companies, the uniform strategy and the central management of the group by Executive Management, CREALOGIX presents a summary of its business activities as a single segment, applying Swiss GAAP FER 31.

5 Financial liabilities

On 6 November 2015, CREALOGIX Holding AG issued a convertible bond (CLX15) for CHF 25 million at an issue and placement price of 100 per cent with a term of 4 years. The coupon was fixed at 2.375 per cent (payable annually on 6 November) and the conversion price amounts to CHF 104.50.

Financial liabilities are recorded and valued at the present value.

In the period under review, fractions of the convertible bond were converted into 89 007 shares. After accounting for interests and discounted issuance costs (CHF 121 thousand) the present value reduced by CHF 9 100 thousand.

December 2017	Present Value	Nominal Value	Due Date	Interest Rate
Convertible bond (CLX15)	14 054	14 425	2019	2.375%
Other financial liabilities	928			
Total	14 982	14 425		

June 2017	Present Value	Nominal Value	Due Date	Interest Rate
Convertible bond (CLX15)	23 154	23 731	2019	2.375%
Other financial liabilities	851			
Total	24 005	23 731		

6 Capital of the organisation

The total number of issued registered shares amounts to 1 171 148 (June 2017: 1 082 141). In the period under review further fractions of the convertible bond were converted into 89 007 shares. The share capital increased by CHF 712 056 to CHF 9 369 184

Since 1 March 2007, each share has had a par value of CHF 8.

Since 2 November 2015, the conditional capital of the organisation consists of 300 thousand registered shares with a nominal value of CHF 8 per share in connection with the issuance of convertible bonds, warrant-linked bonds or other financial market instruments.

Since 30 October 2017 the Board of Directors is authorised to increase share capital by as much as CHF 2 400 000 by issuing up to 300 thousand registered shares with a nominal value of CHF 8 each by 31 October 2019.

7 Events after the balance sheet date

On 9 January 2018, CREALOGIX announced the acquisition of the Barcelona-based Innofis – a well-established digital banking supplier for the Middle East, serving leading banks of the region. There is no financial impact on the period under review.

IMPORTANT GROUP COMPANIES

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DATES AND CONTACTS



IMPORTANT DATES

18 September 2018
Presentation of 2017/2018 Annual Results

29 October 2018
Annual General Meeting



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CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

This half-year report contains forward-looking statements regarding CREALOGIX that are inherently susceptible to risk and uncertainty. The reader must therefore be aware that actual future results may vary from these statements. Forward-looking statements are projections of possible developments. All forward-looking statements are based on information available to CREALOGIX at the time the half-year report was prepared.

You can read the entire half-year report of the CREALOGIX Group online at:



crealogix.com/report-en



PUBLICATION DETAILS

Published by: CREALOGIX Holding AG, Zurich
Concept: CREALOGIX Corporate Communications, Zurich
Financial report: CREALOGIX Investor Relations, Zurich
Design: BSSM Werbeagentur AG, Basel
Translation: 24translate GmbH, St.Gallen
Photos: Boggy22; iStock
Prepress: NeidhartSchon AG, Zurich



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