



OpenLimit Holding AG | Zugerstrasse 76b | CH - 6341 Baar

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Zugerstrasse 76b  
CH - 6341 Baar

Tel.: +41 41 560 1020  
Fax: +41 41 560 1039

[www.openlimit.com](http://www.openlimit.com)

ISIN: CH.002.223.700.9

## OpenLimit Holding AG: Group Interim Report for the second half of 2014 in accordance with Article 37x WpHG

- Key figures confirm the upward trend
  - Turnover increases by 19% to EUR 4.14 million over the first nine months of 2014 (compared with EUR 3.46 million for the first nine months of 2013)
  - Operating expenses of EUR 5.49 million are 7% above the figure of EUR 5.14 million recorded for the first nine months of 2013
  - Compared to the same period last year, the operating loss (EBIT) decreased from EUR -1.96 million to EUR -1.18 million (-40%), while the net loss decreased from EUR 2.14 million to EUR 1.45 million (-32%)
- As of the reporting date of September 30<sup>th</sup>, net cash and cash equivalents amounted to EUR 0.44 million (compared with EUR 0.63 million as of December 31<sup>st</sup>, 2013 and EUR 0.18 million as of September 30<sup>th</sup>, 2013)
- OpenLimit receives an order from Fujitsu Technology Solutions for the implementation of PalmSecure™ into the truedentity® platform
- The major order from T-Systems for the development of a Konnektor for the healthcare market was expanded via change requests
- After the reporting period the long-term projects AusweisApp and SkIDentity have been completed successfully
- The legal and technical frameworks are developing positively for OpenLimit technologies
- Hermann Homann is appointed as the new CFO of the OpenLimit Group

## General development

(Baar, Switzerland, November 13<sup>th</sup>, 2014). With a 19% increase in turnover compared to the same period last year (9-month comparison), OpenLimit was able to show solid growth. A significant share of the increased turnover resulted from the attainment of milestones in ongoing development projects, with a smaller share coming from new customers. On the resources side, OpenLimit is operating close to full capacity, which limits sales opportunities and largely restricts activities to license sales, partner support and business development activities (future-oriented). Short-term, a significant increase in staff numbers is not foreseen, although third-party providers were increasingly used in Q3. For the future, it is important to gain one or two more strategic partners (if necessary abroad as well) who can use their expertise to position OpenLimit technologies on the market. Talks to this end are being held, although the realization of these plans will take time. The strain on OpenLimit's resources is not likely to improve until the first half of 2015, when there should be time for the initiation of new development tasks. For the financial year as a whole, OpenLimit continues to expect moderate growth over the previous year. This means that, again if the fourth quarter turns out as planned, a significant share of the year's revenues will be generated in the last three months of the year, although the usual project-related risks (date of project order and ability to realize plans) will still apply.

### *Konnektor*

A focus of development activities in the third quarter was the continuation of work on the Konnektor as part of the development contract awarded to OpenLimit by T-Systems. The Konnektor allows a secure connection between the local systems of the stakeholders in the healthcare system and the central telematics infrastructure as well as selected services within the context of the processing of electronic documents and files, e.g. via electronic signature and encryption. OpenLimit has already provided the first test Konnektors both to T-Systems as well as to other project participants and is currently working on the integration of the Konnektor in different test scenarios. The development, including the individual approval and certification procedures, will extend to the end of 2015. With this project, OpenLimit generates revenues after the realization of development milestones, with the total order value lying in the solid 7-digit range. Furthermore, it is expected that the range of functions offered will be expanded by further change requests, which would have a positive effect on the total volume of the order.

### *Smart Meter Gateway*

The Smart Meter Gateway (SMGW) secures communication between local electricity meters and the energy provider, thereby creating a crucial component for the implementation of the amended Energy Industry Act in Germany. In the third quarter, development of the Smart Meter Gateway in collaboration with Power Plus Communications AG (PPC) proceeded as planned. Development, including certification and technical approval, should be completed in 2015, the aim being to present one of the first certified Smart Meter Gateways in Germany.

Currently, field tests are being successfully performed in the Düsseldorf region with a prototype version of the device. Other pilot projects were successfully acquired by the partner company during the reporting period, which means that both companies remain

convinced of their role as forerunners in the market. Collaboration with the businesses which presented the OpenLimit /PPC Smart Meter Gateway at the eWorld trade fair in the first quarter of 2014, e.g. Elster, Siemens, Robotron, Cuculus, Worldline and Itron, continued successfully in the reporting period.

### *truidentity®*

truidentity® creates trust and security in electronic identification processes. In the third quarter too, the focus was on the expansion of existing partnerships as well as the creation of new partnerships for the distribution of the solution. In addition to selected European countries, the focus was also on the Middle East, Malaysia, Russia and Japan.

The joint solution developed with Fujitsu (FTS), which has been presented already as a showcase at the CeBIT 2014, is especially promising. The solution consists of a combination of the OpenLimit truidentity® technology with Fujitsu PalmSecure™, a biometric hand vein scanner. Through realization of a two-factor authentication, this technical solution offers good protection against identity misuse and is characterized by a high level of user-friendliness, because entry of a password is not required for authentication. At the same time, the solution saves the identity data locally on smart cards and provides scalable security. With the major order from Fujitsu awarded in the third quarter, adaptations are being implemented for use in different application scenarios. In particular, these include the areas of physical access control, logging on to computers, smart devices and networks as well as cashless payment methods. In addition to remuneration for the development work, OpenLimit will also share in future licensing revenues. In the fourth quarter of 2014, FTS shall present the solution at Fujitsu's in-house exhibition [Fujitsu Forum](#), with more than 10,000 industry participants in attendance. It is intended to sell the solution worldwide.

OpenLimit is currently examining the expansion of the truidentity® platform for use for the purposes of secure identification/authentication as well as for the secure transfer of information in the rapidly developing environment of Industry 4.0 and the IoT / IoE (Internet of Things / Internet of Everything). Together with the technologies developed for the energy and healthcare market, OpenLimit already has some important building blocks for this market segment.

### *SkIDentity*

Long before recent reports about the theft of millions of passwords, it was already well known that identity misuse represents a growing threat for cloud and web applications. Such misuse limits the use of the latter, especially in sensitive areas such as public administration or the healthcare system. At the same time, a wide range of technical solutions are available for the problem. The "SkIDentity" project, which is supported by the Federal Ministry for Economic Affairs and Energy within the scope of the "Trusted Cloud" program ([www.skidentity.de](http://www.skidentity.de)), solves this problem for users and application providers alike.

SkIDentity offers a uniform user guidance, which can be used for a wide range of authentication mechanisms.

The SkIDentity project is executed by an interdisciplinary team of experts and is supported by leading associations in the relevant field. OpenLimit successfully implemented the

project after the reporting period and presented the results at the SkIDentity Summit in the fourth quarter.

As a modular platform, *truedentity*<sup>®</sup> is perfectly suited for the integration of different authentication mechanisms. In this respect, licensing revenues can be expected in future from the combination of SkIDentity and *truedentity*<sup>®</sup>.

#### *eID Server and AusweisApp*

The work commissioned by ATOS and the Federal Ministry of the Interior with regard to the AusweisApp was realized according to plan and the order was completed after the reporting period.

In addition, OpenLimit is currently developing a new version of the crypto server, which is obligatory for the use of an eID server and which effectively expands the *truedentity*<sup>®</sup> product portfolio. This element of the ID card infrastructure is absolutely necessary in order, for example, to retrieve up-to-date revocation lists. Development will be complete in the first quarter of 2015.

#### *Signature technology*

OpenLimit has provided a new release for the legally compliant electronic signature. Since November 3<sup>rd</sup>, 2014 businesses, authorities and private individuals can purchase Version 2.8 of the signature software OpenLimit CC Sign. This program for the creation of electronic signatures impresses users with its functionality, ease of use and the fact that it meets the highest security requirements. OpenLimit CC Sign, which is released with a manufacturer's declaration, meets the requirements of the German Signature Act (SigG) as well as the Electronic Signature Ordinance (SigV). The base components of the signature software were the first to be certified in accordance with Common Criteria EAL 4+ (currently the highest security standard for software products) and to be approved by the German Federal Office for Information Security. The current components are based on this certified version.

OpenLimit further expanded its partner activities in the social insurance field. In collaboration with a leading provider in the enterprise content management (ECM) sector, more customers were gained from the health insurance sector.

Amongst others, one of the leading statutory health insurers has chosen OpenLimit for its use of qualified electronic signatures for the archiving of written documents as per §§ 35 and 36 SRVwV (General Administrative Provision on Social Insurance Accounting) in accordance with the advisory circular sent by the Federal Insurance Office. This decision in favour of OpenLimit was made after intensive examination of the products available on the market.

The implementation of seamless processes using electronic signatures is supported by the use of signature application components in the area of legally compliant archiving. With the integration of the OpenLimit signature software into the solution of a partner company from southern Germany specialized in input management solutions, a legally compliant e-mail solution is being offered on-demand with the OpenLimit signature components for health insurance companies.

After the reporting period, OpenLimit received another order in the solid six-digit range for a period of four years from the Federal Employment Agency for the maintenance and support of the existing software solution.

#### *Fujitsu SecDocs powered by OpenLimit*

In addition to technical support during the introductory phase for SecDocs at the Federal Employment Agency, development work has focused on timely completion of the new software version EREBUS. Amongst other things, this version will support the processing of external references and large files (e.g. from computer tomography or sensitive video material).

Otherwise, the SecDocs revenues lie within the annual minimum purchase guarantees (low 7-digit range) from Fujitsu, which expire next year.

#### *Legal and technical framework development*

Many developments are currently taking place in the area of legal and technical frameworks, which will have an influence on OpenLimit technologies:

- Developments with an impact on the Smart Meter Gateway: the Federal Ministry for Economic Affairs and Energy (BMWi) has confirmed the submission of draft ordinances for the Renewable Energies Act or its amendment in 2014, and has named the cost-benefit analysis undertaken by Ernst & Young as its basis. The market players therefore continue to anticipate the Rollout Plus scenario. This means the mandatory installation of around 11.9 million devices and rebuts some of the negative or false reporting of recent weeks. The BMWi is currently presenting the models underlying the ordinances in a series of events. We must wait until the first half of 2015 to see the ordinances come into effect. However, current indications suggest that this will transpire as expected.
- Developments with an impact on *truedentity*<sup>®</sup>: for the second half of 2014, a draft bill for an IT security act in the Federal Republic of Germany was announced. It is hoped that this act will bring about a significant improvement in the security of IT systems in Germany. The envisaged new regulations will serve to improve the protection of the availability, integrity and confidentiality of data-processing systems and adapt this to meet the increased security threat. The aim of the law is to improve IT security in companies, increase protection for citizens in a secure network, expand IT security throughout the federal administration and, in this context, to strengthen the Federal Office for Information Security (BSI) and the Federal Criminal Police Office (BKA).

When it comes to IT security in companies, particular focus is on providers of critical infrastructures, which are of paramount importance for proper functioning of our body politic. Protection of the IT systems of critical infrastructures and of the networks necessary for operation of the infrastructure is a top priority.

The planned measures offer considerable potential for the use of truedentity®, potential which is currently being evaluated.

- Developments with an impact on truedentity® and signature software: the EU Council passed a draft law (eIDAS) on July 23<sup>rd</sup>, 2014 for the simplification and harmonization of electronic signatures and similar identification systems (eID). With the new law, companies, citizens and authorities should be enabled to electronically sign and certify documents throughout the entire EU. Member states will be obliged to recognize the eID systems of other EU countries, provided their eID system has been certified by the EU. Procedures certified in this way will then be considered qualified for the purpose of trustworthy communication with public stakeholders in other EU countries.

The new EU law also stipulates rules for trust centers and service providers in this area, in particular relating to secure electronic data transfer as well as electronic signatures, timestamps and seals, the long-term storage of information and certified electronic document delivery. Methods for website authentication are also included. The EU member states themselves can decide whether or not they will develop corresponding eID systems (or adapt existing methods) and have these certified, or if they wish to opt out of the project. The cross-border authentication with public bodies should be available online free of charge for all citizens.

Completion of the necessary implementation provisions has been announced for the second half of 2015. From then on, interested member states can join the recognition system and have their systems certified. The law should come into effect towards the end of 2018. The previous requirements for digital signatures are still valid until July 2016.

With the nPA (new German ID card) and the AusweisApp, Germany is meeting the EU's new identification provisions. It can therefore be expected that not all EU member states will develop their own systems but will instead to some extent make use of existing solutions which have already shown themselves to be fit for purpose. This represents a major opportunity for OpenLimit as the emerging market can be served with customized truedentity® solutions.

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

### *Earnings*

In the first nine months of 2014, OpenLimit was able to increase its turnover by 19% to a total of EUR 4.14 million (comparison value 9M 2013: EUR 3.46 million). With the addition of own work capitalized of EUR 2.16 million (9M 2013: EUR 1.79 million), this gives total earnings of EUR 6.30 million. This represents an increase of 20% over the same period last year (9M 2013: EUR 5.26 million).

The cost of goods sold amounted to EUR 0.12 million, representing only a slight increase over the figure for the first three quarters of the previous year.

As of the reporting date of September 30<sup>th</sup>, 2014, OpenLimit employed 68 people (including management). This represents eight more people than the same time last year (60 employees as of the reporting date of September 30<sup>th</sup>, 2013).

Personnel expenditure (excluding third-party services) increased by 7% over the previous year, from EUR 3.02 million to EUR 3.23 million. This was mainly due to the increased number of employees. To cover short-term project peaks, third-party providers were also employed, which resulted in an increase of just under 22% to EUR 1.18 million in expenditure for the work of third parties (9M 2013: EUR 0.97 million).

On the other hand, the effects of cost reduction measures introduced in previous periods continued to become apparent. For example, the operating expenditure of EUR 1.07 million was 7% lower than the value for the same period last year (9M 2013: EUR 1.15 million).

Compared to the same period last year, depreciation expense decreased from EUR 1.96 million to EUR 1.87 million. The depreciation mainly relates to intangible assets and is due to the significant software development activity of recent years.

At EUR 0.70 million, the EBITDA (operating result before depreciation) was significantly in the black (9M 2013: EUR 2,816). The operating result (EBIT) improved by 40%, from EUR -1.96 million to EUR 1.18 million.

At EUR -0.22 million, the financial result was considerably lower than the previous year's figure of EUR -0.10 million. This was due primarily to higher interest charges as a result of the issuing of convertible loans and the use of interim financing, e.g. lines of credit.

After taking into account tax expenditure of EUR 0.05 million (9M 2013: EUR 0.07 million), there was a net loss of EUR -1.51 million for the period January 1<sup>st</sup> to September 30<sup>th</sup>, 2014 (9M 2013: EUR -2.14 million), representing an improvement of 32% over the previous year.

### *Net asset position and working capital*

As of the reporting date of September 30<sup>th</sup>, the value of the company's non-current assets had grown by +5% since the end of 2013, increasing from EUR 5.89 million to EUR 6.21 million (September 30<sup>th</sup>, 2013: 5.84 million). This was due primarily to an increase of 7% to EUR 5.21 million in the company's intangible assets, while the book value of the tangible assets amounted to EUR 0.10 million (December 31<sup>st</sup>, 2013: EUR 0.11 million).

The book value of the company's current assets stood at EUR 7.13 million at the end of the quarter (December 31<sup>st</sup>, 2013: EUR 6.49 million). While the value of accounts receivable increased once more in the short term (September 30<sup>th</sup>, 2014: EUR 6.16 million vs. June 30<sup>th</sup>, 2014: EUR 5.65 million vs. December 31<sup>st</sup>, 2013: EUR 5.35 million), the liquidity position as of the reporting date

was EUR 0.44 million (December 31<sup>st</sup>, 2013: EUR 0.63 million). At the same time, the item "Trade accounts payable and other liabilities" decreased from EUR 1.65 million at the end of 2013 to EUR 1.61 million (-3%) at the end of September.

After the reporting date of September 30<sup>th</sup>, 2014 old accounts receivable of over EUR 1.3 million were reduced positively affecting liquidity and financing positions.

### *Financing*

As of September 30<sup>th</sup>, 2014, the company's long-term debt remained unchanged over the figure reported in the Half-Year Report (December 31<sup>st</sup>, 2013: EUR 1.45 million). In addition, short-term (convertible) loans (with maturities of up to one year) of EUR 1.25 million (December 31<sup>st</sup>, 2013: EUR 1.25 million) as well as short-term tax liabilities of EUR 0.02 million were reported. Furthermore, as of the end of the third quarter, receivables in working capital were financed in the interim (until the receipt of outstanding accounts receivable) via lines of credit totaling EUR 2.13 million. However, it was possible already to reduce this figure by around EUR 1.40 million before the date of publication of this Interim Report.

The equity position as of the reporting date of September 30<sup>th</sup>, 2014 was EUR 6.63 million, which corresponds to an increase of 4% over the same time last year (September 30<sup>th</sup>, 2013: EUR 6.37 million). In comparison, total assets increased by 32% from EUR 10.14 million to EUR 13.34 million.

### **Personnel**

Mr. Hermann Homann assumed the position of Chief Financial Officer (CFO) of the OpenLimit Group on August 1<sup>st</sup>, 2014, replacing previous CFO Christian Fuessinger, who announced his departure from the company for personal reasons in May. Mr. Fuessinger will remain in the company in an advisory capacity until the end of December.

### **Outlook**

The outlook for the financial year 2014 remains the same as that stated in the Half-Year Report 2014. The turnover trend to date is due to a solid order backlog in the medium 7-digit range. The order backlog for the next year is at a similar level. Because of project delays and, to some extent, long payment periods, working capital management has been challenging to date. An improvement can be expected in the fourth quarter. To achieve the sales targets for 2014, OpenLimit remains dependent on the conclusion of considerable new business. Achieving the EBIT breakeven depends very heavily on how the projects progress and the type of new business that is generated before the end of the year. The OpenLimit management will, in any event, do everything in their power to ensure that the goals set out are reached.

## **About OpenLimit**

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

OpenLimit stands for the secure electronic handshake. With our technologies, we allow 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 as well as secure data communication between machines. Our solutions are an integral part of products from leading manufacturers of IT applications and are used by companies, authorities, institutions as well as private households. In order to realize our mission of a secure electronic handshake, we enter into targeted strategic development and sales partnerships.

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

## **Investor relations contact**

OpenLimit Holding AG  
Björn Templin  
Zugerstrasse 76b  
CH-6341 Baar  
Tel.: +41 41 560 1020  
Fax: +41 41 560 1039  
E-mail: [ir@openlimit.com](mailto:ir@openlimit.com)

## **Disclaimer**

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