Press release interim consolidated financial statements TIE KINETIX N.V.

Financial information in this interim report is unaudited

TIE KINETIX: first half year 2018

Breukelen, the Netherlands, May 16th, 2018

First half year results (period Oct, 1, 2017 – March 31, 2018).

* Total revenue amounts to € 8.803k (2017: € 9.720k)
* SaaS and hosting revenues amounts to € 4.808k (2017: € 5.078k)
* EBITDA amounts to €403k (2017: € 837k)
* EBIT amounts to € -250k (2017: € 125k)
* FLOW order intake of € 4.8 mln . (2017: € 5.3 mln)

Highlights:

First half year business line performance



First half year Total Performance



TIE Kinetix, the leading provider of Software as a Service managed solutions for Integration, Analytics, Demand Generation and E-Commerce today released interim results for the first half year of its fiscal year 2018, covering the period October 1, 2017 – March 31, 2018.

HY1 2018 performance includes the positive outcome of an out-of-court settlement with Plusserver AG. This settlement provided a positive effect on EBITDA of € 336k and included compensation for damages and costs incurred. An amount of € 136k is reported as credit to Cost of Sales and an amount of € 200k has been booked as credit under Operating Expenses.

In the first half year of 2018 several landmark new customers were implemented, such as Parker Hannifin and City of Rotterdam. Yet the implementation of other sizable new customers (Chanel, City of Amsterdam) was delayed. These customers are expected to go life in the next months. The company achieved new customer wins in its FLOW offering in the Business-to-government offerings with the city of Haarlem and the Ministry of Justice in the Netherlands. The pipeline of the Business-to-Government (BtG) proposition in the Netherlands looks promising. In HY1 2018, customer implementations and Order Intake of the FLOW offering of Google Adwords-for-Channel stayed behind plan. Also, the FLOW offering of Google Analytics 360 came in behind plan. Overall, the company reports flat FLOW sales against HY1 2017 with higher gross margins due to sales mix differences (lower than planned low margin third party products). In view of finalization of pending implementations, particularly in the US, FLOW sales may be expected to increase in HY2.

TIE closed H1 2018 with revenue amounting to € 8.803k, and EBITDA of € 403k (4,6%).

Jan Sundelin (CEO) said: “bringing our FLOW proposition to the market paints a mixed picture of success. One the one hand we see that the rich functionality of our e-invoicing proposition convinces more and more Dutch municipalities to choose for our solution. TIE has captured a stronghold position in the BtG market with subscription revenue generating customers. At the same time, we are experiencing commercial headwind in bringing our Analytics and Google Adwords-for-Channel products to market. Even though the Google-Adword-for-Channel pipeline is filling up, new customers seem weary to sign up for these products in the scale that we projected. Also the number of new customers signing up for the Google 360 Analytics proposition is below plan. The market for the Google Analytics suite of products is still immature and needs to be further developed. In the second half year we expect to sign up more Analytics and Google-Adwords-for-Channel customers. However, in the second half year our top line revenue and operational performance will be impacted as the company brings down services for two sizable non FLOW customers (T-Mobile and Orsay) upon expiration of their contracts. Total monthly revenue of these two contracts amounts to approximately € 150k which cannot be offset against new customer implementations at this stage”.

**Operating margin**



All employee expenses related to consultants are included as direct costs in the business line in which the consultant performs its activity. Other operating Expenses reflect indirect costs, including sales costs, SG&A, non-allocated consultancy hours and management overhead.

The following table provides a breakdown of the Total Operating Expenses:



Operating Expenses for HY1 of FY 2018 were flat at € 5.149k (H1 2017: € 5.191k); Other operating expenses in HY1 of 2018 include severance costs of €115k caused by early termination, and a € 200k credit resulting from the settlement with Plusserver.

**EU projects**

‘EU projects’ are projects for which TIE Kinetix claimed, and periodically received, EU Development grants. Depending of the Development Grant Regime in which the projects are executed, these grants are intended to cover direct staff costs incurred plus a limited compensation for overhead. All costs incurred and development grants claimed are separated out from the ordinary operations and reflected under ‘EU Projects’.

In the first half year of 2018 EU projects generated revenue of € 89k (H1 2017: €115k). As per December 2017, the company has seized its participation in EU projects.

**Corporate income tax**

The deferred tax movements represent non-cash movements of temporary differences predominantly for goodwill and deferred revenue between commercial books (in accordance with IFRS) and the US tax books. As at the end of March 2018, the deferred tax position has not been recalculated at its actual value as the US tax position will only be recalculated at year end. Taxes are paid in France and in the US. The income tax charge relates to normal taxes paid on local profitable income.

**Net profit**



Net income amounted € - 238k (H1 2017: € 141k).

**Development activities**

In H1, 2018 the company capitalized € 620k (H1 2017: € 700k) on the development of the FLOW applications and FLOW portal and on the onboarding tool ‘validator’.

**Liquidity and cash flow**

Cash Operating cash flow in HY1 of FY 2018 amounted to € -31k (H1 2017: € 932k), caused by lower activity levels and associated working capital movements. The cash position at the end of March 2018 was positive € 891k (March 2017: € 2.070k).

**First half year Order Intake/ ‘ISP’**



The company focuses on long term value creation and strives to increase the % of SaaS ISP in its FLOW offering. In the first half of FY 2018 FLOW ISP amounted to € 4.783k, with 46% SaaS (2017: € 5.339k with 49% SaaS). The reduction of SaaS ISP with 3% points is largely attributable to lower Analytics SaaS ISP, caused by change of contract structure by certain OEM’s.

**Highlights announced**

As from October 1, 2017 up to now, TIE Kinetix has reported the following highlights:

03-10-2017: Significant Increase of FLOW Order Intake in 2017;

11-10-2017: TIE signs contract with municipality of Rotterdam for e-invoicing;

12-10-2017: TIE Kinetix launches Google-adwords-for-Channel;

18-10-2017: Strategy update;

31-10-2017: TIE Kinetix and Unit4 launch e-invoicing to government;

09-11-2017: Tie Kinetix launches Campaign Center for FLOW Partner Automation;

15-11-2017: Full Year 2017 and Q4 update;

30-11-2017: Strategy update;

04-01-2018: TIE signs contract with municipality of Haarlem and Ministry of Justice for e-invoicing;

29-01-2018: Publication of Annual Report 2017;

30-01-2018: TIE Kinetix certified as Oracle Gold Partner;

07-02-2018: TIE Kinetix appoints Christian Seidl as Geschäftsführer for TIE Germany;

16-02-2018: Convocation Annual General Meeting of Shareholders;

31-03-2018: Voting results Annual General Meeting of Shareholders;

**Management Board Responsibility statement**

The Executive Board hereby declares that, to the best of their knowledge:

The half year financial statements give a true and fair view of the assets, liabilities, financial position as per March 31, 2018 and the profit for the half-year ended March 31, 2018 of the Company and its consolidated entities. The half year Executive Board report for the first six months of the financial year 2018 includes a true and fair review of the position as per March 31, 2018 and of the development and performance during the first six months ended March 31, 2018 of the Company and its consolidated entities, of which the information is included in the interim financial statements. In addition, the interim report gives a true and fair review of the expected developments, investments and circumstances of which the development of revenue and profitability depend.

**Forward looking statement/Guidance**

This report contains information as referred to in the articles 5.59 jo. 5:53, 5:25d and 5:25 w of the Dutch Financial Supervision Act (Wet op het financieel toezicht). Forward looking statements, which can form a part of this report refer to future events and may be expressed in a variety of ways, such as ‘expects’, ‘projects’, ‘anticipates’, ‘intends’ or similar words. The Company has based these forward looking statements on its current expectations and projections about future events.

**Risks and uncertainties**

Risks and TIE Kinetix’s risk management strategy are detailed in the 2017 annual report and have not changed during the first half of 2018.

*This document may contain expectations about the financial state of affairs and results of the activities of TIE Kinetix as well as certain related plans and objectives. Such expectations for the future are naturally associated with risks and uncertainties because they relate to future events, and as such depend on certain circumstances that may not arise in future. Various factors may cause real results and developments to deviate considerably from explicitly or implicitly made statements about future expectations. Such factors may for instance be changes in expenditure by companies in important markets, in statutory changes and changes in financial markets, in the EU grant regime, in the salary levels of employees, in future borrowing costs, in future take-overs or divestitures and the pace of technological developments. TIE Kinetix therefore cannot guarantee that the expectations will be realized. TIE Kinetix als refuses to accept any obligation to update statements made in this document.*

For further information, please contact:

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About TIE Kinetix

TIE Kinetix transforms the digital supply chain by providing Total Integrated E-commerce solutions. These solutions maximize revenue opportunities by minimizing the energy required to market, sell and deliver online. Customers and partners of TIE Kinetix constantly benefit from innovative, field tested, state-of-the-art technologies, which are backed by over 25 years of experience and prestigious awards. TIE Kinetix makes technology to perform, such that customers and partners can focus on their core business.

TIE Kinetix is a public company (NYSE Euronext: TIE Kinetix), and has offices in the United States, the Netherlands, France, Australia, UK, Spain, Germany, Austria and Switzerland.

Unaudited interim condensed

Consolidated financial statements

March 31, 2018

1. Interim consolidated statement of financial position.

As at March 31, 2018



1. Interim consolidated income statement.

For the 6 month period ending March 31, 2018



1. Interim consolidated statement of changes in equity.

For the 6-month period ending March 31, 2018



1. Interim consolidated statement of cash flows.

For the 6-month period ending March 31, 2018



Notes to the interim consolidated financial report

**General Information**

TIE Kinetix N.V. is a public limited company established and domiciled in the Netherlands, with its registered office and headquarters at De Corridor 5d, 3621 ZA in Breukelen. The Interim Consolidated Financial report of the company for the half year ended on March 31, 2018 include the company and all its subsidiaries (jointly called “TIE Kinetix”). The financial year of TIE Kinetix commences on October 1 and closes on September 30. The Interim Consolidated Financial report for the six months has been authorized for issue by the Executive Board on May 11, 2018.

**Auditor’s Involvement**

The interim financial report has not been audited by our external auditors. The Annual General Meeting of shareholders has appointed BDO on March 31st, 2017 as external auditor for the year commencing on October 1, 2017.

**Statement of Compliance**

The Executive Board has considered and approved the interim condensed consolidated financial statements for the period October 1, 2016 – March 31, 2018.

The Interim Consolidated Financial report has been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the EU. The Interim Consolidated Financial report does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements as at September 30, 2017.

We consider the accounting policies applied to the effect that the interim condensed consolidated financial statements give a true and fair view of the Group’s assets, liabilities and financial position as at March 31, 2018 and of the results of the Group’s operations and cash flow in the period October 1, 2016 – March 31, 2018.

**General Accounting Principles**

The accounting policies used in the preparation of the Interim Consolidated Financial report are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended September 30, 2017. The Interim Consolidated Financial report is presented in € x 1.000 unless otherwise indicated.

**Accounting Estimates**

The preparation of the financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, the determination of results and the reported contingent assets and liabilities. For a list of the judgments, estimates and assumptions, reference is made to the financial statements for 2017. No important changes occurred in the first six months of financial year 2018.

**Segment Information**

The segment reporting in these Interim consolidated Financial Statements are aligned with the internal reporting to the Executive Board as Chief Operating Decision Maker in the Company. Reporting is primarily based on business line segments. All revenue, direct costs and fee earning staff are allocated to business lines. To avoid arbitrary and volatile allocation, indirect costs and non-free earning staff are not allocated directly to business lines, but rather allocated to country operations (or holding functions).

TIE has four business lines: Integration, E-Commerce, Demand Generation and Analytics &Optimization and operations in the Netherlands, in the US, in Germany, and in France. The business lines are primary reporting segment for both internal and external reporting. Country operations are secondary reporting segment for internal reporting and externally for statutory reporting purposes only. In preparing this segment information, the accounting principles applied reflect the same as those in the preparation of the Consolidated Statement of Financial Position and Consolidated Statement of Income. Any transactions between reporting segments are accounted for at cost. These items are adjusted for the segment information presented under Eliminations.

**Risks and Risk Management**

In our Annual Report 2017 (pages 54-55) we have outlined the strategic, operational and financial risks we face; the risk management and control mechanisms we have in place; and the risk analysis and assessments we conduct regularly. We believe that the nature and potential impact of these risks have not materially changed in the first half of 2017. We will continue to monitor the key risks closely and manage our internal control systems as new risks may emerge and current risks may change in the second half of 2017.

**Seasonal Effects**

There are little seasonal effects on the operations and therefore the results of the Company. Despite the holiday season, the second half year (April-September) sales have proven to be strong during this period over the last few years. Due to the increased importance of SaaS, the company’s revenue and results have become less vulnerable for seasonal effects. However there may be some effect on Consultancy and R&D development as a result of the holiday’s season. Therefore the Company may face some impact on the results of the second half year.

**Intangible Assets**

The capitalization of development costs amounts to € 563k (H1 2017: € 739k).

**Tangible Assets**

The investment in tangible assets amounts to € 90K (H1 2017: € 49k).

**Cash**

On March 31, 2018 the Company held a net positive cash position of € 891k (March 31, 2017 € 2.070k) as follows:



The net cash flow from operating activities in HY1 2017 amounted to € -31k (H1 2017: €932k).

**Options**

During the reporting period no movements occurred.

**Equity**



In 1HY 2018, no shares have been issued.

**Personnel**

The total number of FTE of the Company by country is:



Breukelen, May 15, 2018

M. Wolfswinkel

J.B. Sundelin

Executive Board