

## PROXAMA PLC

### Half-Yearly Results

#### For the six months to 30 June 2015

Proxama plc (AIM: PROX, "Proxama" or the "Company"), the international mobile proximity commerce company, announces its half year results for the six months ended 30 June 2015

#### Highlights

- Generated revenues and other income of £1.0 million (2014: £0.35 million)
- EBITDA before exceptional items loss of £3.48m (2014: £2.52million)
- Cash as at 30 June 2015: £1.6m
- Loss per share 0.44p (H1 2014 0.32p)
- New £2.5 million debt facility agreed with Barclays Bank Technology, Media & Telecoms, to support the Company in achieving its commercial objectives
- Good progress by Proximity Marketing Division signing 9 new strategic contracts during 2015
- On target to establish the largest beacon infrastructure network in the UK with currently over 10,000 locations exclusively under contract
- Digital Payments Division have signed 4 material long term contracts and 3 partnership agreements so far during 2015. Further significant new contracts wins expected in H2
- Significant advancement in Technology development across both Divisions
- Market trends across the globe for both divisions are favourable

David Bailey, Chairman of Proxama, said, "Proxama continues to make significant investment across both divisions, delivering infrastructure and technology to facilitate the delivery of proximity marketing campaigns via mobile phones, and enable card issuers to migrate customers from magnetic stripe credit and debit cards to contactless mobile payments. Marketing engagement via mobile phones and mobile phone payments are now everyday occurrences demonstrating that the Business is in a rapidly growing space. In addition, our belief is that the Company's infrastructure and technology will form an invaluable part of the emerging 'internet of things' (IoT).

Reflecting this, the Company has won key contracts with market leaders in their respective sectors and geographies, however, revenues from these and other potential contracts have been slower to materialise than hoped at the outset of the year.

Managing the Group's costbase whilst supporting further investment was a primary focus during the first six months. The significant overhaul reduced Group overheads by £1.7 million on an annualised basis. Having now secured the new debt facility, this will help support the Group in achieving its future commercial objectives."

## Enquiries:

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## About Proxama

- ☞ Proxama is an international mobile commerce Company operating across two divisions specialising in proximity marketing via mobile and providing end-to-end solutions for card issuers to migrate customers from magnetic stripe credit and debit cards to contactless mobile payments.
- ☞ The technology to support mobile payments is now in place. 90% of the world's smartphones have technology to make mobile payments and in 2015 30 million contactless mobile payments are expected to be made compared to 3 million in 2014.
- ☞ Proxama has been at the forefront of this market for the last 10 years. Today, Proxama's solutions are used by banks, financial institutions, loyalty companies, media owners, stadium owners, retailers and brands. Current clients include: Diners Club, Navy Credit Union, Fiserv, Nets, Exterior Media, Harrods, O2 and Ubiquitous.
- ☞ **The Proximity Marketing Division:**
  - focuses on connecting consumers to brands and retailers via Bluetooth Low Energy (BLE) beacon technology and Near Field Communication (NFC). Proxama establishes and owns beacon infrastructure networks in high footfall locations such as City Centres, transport networks, stadia, shopping malls, entertainment hubs and retail outlets, which are then able to communicate to consumers via messages to mobiles when the consumer is in close proximity to a beacon. The technology platform at the heart of this division is TapPoint®.
- ☞ **The Payments Division:**
  - manages end-to-end credit and debit cards solutions on behalf of financial institutions in the United States, Europe, Africa and the Middle East and specialises in enabling the migration of cards from magnetic stripe cards, to chip and pin cards and from contactless chip cards to mobile devices. The technology behind this division is Proxama's Digital Enablement Platform.

## **Chairman's Statement**

The level of interest from existing and potential customers in both Proximity Marketing and the Payments Division is high, as the market trends in the UK and abroad are favourable. There is no doubt all mobile phones around the world will increasingly be used for receiving marketing information on a location basis and Proxama are a UK leader in this field with the largest infrastructure network being established, driven by our award winning technology. Similarly, there is a global move for card issuers to migrate customers from magnetic stripe credit and debit cards to contactless mobile payments and Proxama has a leading position in this market too.

Revenues achieved in the first 6 months reflected the increased size of the business and were up on the same period last year. The second half of this financial year has seen the Company announce important new contracts with Ubiquitous, another leading media owner partnership and a leading Middle Eastern bank and we expect to announce further deal flow during the current period, however, a number of potential contracts have taken longer to complete and revenues from existing agreements have been slower to generate revenues than anticipated.

Whilst slightly disappointing to announce the slower than expected conversion rate, I would emphasise that the fundamentals for the business remain strong and the rails have been laid for the future. Consequently we are confident the take-up of our products in market will reflect this in time.

## **Results**

The financial performance of the Group reflected the increased size of the business following the acquisition of Aconite in December 2014 with revenues increasing to £1.0 million and the increased overhead of the enlarged business resulting in a pre-tax loss before exceptional items for the period of £3.8 million.

Looking ahead, the Company has reduced costs on an annualised basis by approximately £1.7m principally through the reduction of staff numbers. Overall expenditure increased due to the costs associated with the integration of the Aconite acquisition, investment in the technology build out across both divisions and associated infrastructure build.

As at 30 June 2015, the Company has a net cash balance of £1.6 million and has today announced a new £2.5 million debt facility with Barclays Bank Technology, Media & Telecoms for 2 years.

As announced in May 2015, the Company secured a second grant for £1 million from Innovate UK as part their aim to strengthen the UK's high streets.

The Board is not recommending the payment of an Interim dividend.

## **Operating Review**

Proximity, or location based marketing as it is known in the United States, is growing rapidly. Globally the trends are favourable, today on average 68 percent of consumers who have downloaded a brand's app have enabled push notifications. (Source: Responsys). Similarly, mobile offers are now redeemed 10x more frequently than print offers. (Source: eMarketer). These types of trends are indicative of the way consumers are seeking and obtaining information and offers on brands they are interested in.

Today, Proxama has the largest beacon infrastructure network in the UK with over 10,000 locations exclusively 'owned' currently significantly ahead of our 10,000 target by the end of 2015. Establishing this infrastructure network in key places, complimented by our award winning technology, represents the backbone of this division with the potential to reach tens of thousands of people every day in a highly targeted manner.

In 2015, we have signed agreements with leading media owner partners Exterion Media, Eye Airports and Ubiquitous which has allowed us to create this network of beacons across the airports, London buses and black cabs. Our partners are all leaders in their target markets and have existing corporate clients seeking to connect with their potential customers who from now can be offered a proximity marketing programme alongside their more traditional advertising campaigns.

In the second half of this financial year, the Proximity division expects to sign further key contracts with media owners and looks forward to announcing the commercial advertising campaigns to be run through our technology, on our networks.

The Digital Payments division has announced four new long term clients during the period, the largest of which is Navy Federal who Proxama has the responsibility to migrate to EMV, the international standard for chip and PIN cards, and on-going lifecycle management of Navy Federal's portfolio of approximately four million debit cards. The division also won contracts with Diners Club (South Africa), a large European processor and a leading middle-eastern bank taking the company into another new geographic territory and providing a range of services. To support the Division's international capabilities the Company signed three strategic deals with Sygnity, Stanchion and Reward Technology all leaders in their respective fields and with close ties to the Company.

In the second half of the current financial year, we anticipate announcing further contracts with financial institutions. In the US, card issuers are now required to migrate their customers to chip and PIN and so there is likely to be growing pressure on them to do so. Proxama is a proven player in this market and is well placed to benefit.

### **Product development**

Our product development platform is perfectly aligned with what the industry needs to support global deployment of mobile wallets, the ultimate aim of the Company. Market opportunity is even greater now Android Pay and Samsung Pay are launched although it takes time for Companies to understand the options and make long term decisions. Demand for our Digital Enablement Platform™ (DEP) is building especially for processors who need an in-house solution for tokenisation and maintain low cost 'on-us' transactions. Similarly, local debit schemes are a key target market as they will need DEP to support their own domestic mobile payment solutions. The long-term pipeline for the business is healthy, technology is advanced and these represent a significant barrier to entry for newcomers to our marketplace.

### **Outlook**

Proxama's divisions are well placed across two growth markets and have made good progress in establishing a commercial position in both. The Board is confident that, with the cost reductions made, debt facility in place and contract wins and pipeline of opportunities, the Group will achieve cashflow breakeven by mid-2016.

That the world is moving towards mobile payments and receiving marketing messages via mobile is a given, our role is to use the infrastructure we are establishing to take advantage of the opportunities these trends offer.

**CONSOLIDATED INCOME STATEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2015**

	<b>Six months ended 30 June 2015 Unaudited £</b>	Six months ended 30 June 2014 Unaudited £	Year ended 31 December 2014 Audited £
Revenue	<b>964,033</b>	350,420	650,978
Cost of sales	<b>(49,612)</b>	(178,855)	(741,489)
<b>Gross profit</b>	<b>914,421</b>	171,565	(90,511)
Administrative expenses	<b>(4,829,266)</b>	(2,805,908)	(5,806,178)
Administrative expenses – exceptional item	<b>(656,250)</b>	-	(109,375)
Other operating income	<b>35,527</b>	26,091	147,296
<b>Operating loss</b>	<b>(4,535,568)</b>	(2,608,252)	(5,858,768)
Finance income	<b>9,515</b>	19,133	31,261
Finance expense	<b>(72,781)</b>	(34,588)	(72,121)
<b>Loss on ordinary activities before taxation</b>	<b>(4,598,834)</b>	(2,623,707)	(5,899,268)
Taxation	<b>113,879</b>	69,588	275,291
<b>Loss for the period</b>	<b>(4,484,955)</b>	(2,554,119)	(5,623,977)
Loss per share – basic and fully diluted	(0.44p)	(0.32p)	(0.68p)

The accompanying notes are an integral part of these interim financial statements

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2015**

	<b>Six months ended 30 June 2015 Unaudited £</b>	Six months ended 30 June 2014 Unaudited £	Year ended 31 December 2014 Audited £
Loss for the period	<b>(4,484,955)</b>	(2,554,119)	(5,623,977)
Foreign exchange difference arising on consolidation	<b>(14,964)</b>	-	8,162
Other comprehensive income/(expense)	_____	_____	_____
<b>Total comprehensive loss for the period attributable to equity holders</b>	<b><u>(4,499,919)</u></b>	<b><u>(2,554,119)</u></b>	<b><u>(5,615,815)</u></b>

## CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2015

	As at 30 June 2015 Unaudited £	As at 30 June 2014 Unaudited £	As at 31 December 2014 Audited £
<b>Assets</b>			
<b>Non-current Assets</b>			
Intangible assets	4,634,819	677,855	4,921,777
Property, plant and equipment	183,674	184,860	199,729
	<u>4,818,493</u>	<u>862,715</u>	<u>5,121,506</u>
<b>Current Assets</b>			
Trade and other receivables	793,622	459,785	959,962
Current tax receivable	519,923	242,311	649,087
Cash and cash equivalents	1,610,371	5,326,656	5,503,567
	<u>2,923,916</u>	<u>6,028,752</u>	<u>7,112,616</u>
<b>Current Liabilities</b>			
Trade and other payables	(2,070,111)	(515,800)	(1,976,627)
Current portion of long-term borrowings	(964,149)	(10,887)	(563,676)
	<u>(3,034,260)</u>	<u>(526,687)</u>	<u>(2,540,303)</u>
<b>Net Current Assets</b>	<u>(110,344)</u>	5,502,065	4,572,313
	4,708,149	6,364,780	9,693,819
<b>Non-current liabilities</b>			
Non-current borrowings	(8,403)	(528,466)	(560,194)
Deferred Tax liabilities	(553,600)		(624,000)
<b>Net Assets</b>	<u>4,146,146</u>	<u>5,836,314</u>	<u>8,509,625</u>
<b>Equity</b>			
Share capital	10,194,393	8,092,336	10,187,672
Share premium account	8,703,332	6,338,332	8,703,332
Share based payment reserve	729,169	460,705	599,449
Merger relief reserve	11,605,556	10,960,607	11,605,556
Translation Reserve	(6,802)		8,162
Capital reserve	209,791	209,791	209,791
Equity reserve	546,178	55,200	546,178
Other reserve	(9,225,108)	(9,225,108)	(9,225,108)
Retained earnings	(18,610,363)	(11,055,549)	(14,125,407)
<b>Total Equity</b>	<u>4,146,146</u>	<u>5,836,314</u>	<u>8,509,625</u>

## CONSOLIDATED CASH FLOW STATEMENT

AS AT 30 JUNE 2015

	Six months ended 30 June 2015 Unaudited £	Six months ended 30 June 2014 Unaudited £	Year ended 31 December 2014 Audited £
<b>Cash flows from operating activities</b>			
Loss before taxation	(4,598,834)	(2,623,707)	(5,899,268)
Adjustments for:			
Depreciation of property, plant and equipment	51,964	37,882	93,183
Amortisation of intangible assets	418,763	52,081	42,520
Profit on disposal of assets	-	(5,129)	(5,129)
Loss on disposal of intangibles	-	-	53,361
Financial income	(9,515)	(19,133)	(31,621)
Financial expense	72,781	34,588	72,121
Share-based payments	129,720	128,382	267,126
	<u>(3,935,121)</u>	<u>(2,395,036)</u>	<u>(5,407,707)</u>
Decrease/(Increase) in trade and other receivables	166,340	8,487	(168,180)
Increase/(Decrease) in trade and other payables	93,483	(223,233)	(207,902)
<b>Cash used in operations</b>	<b>(3,675,298)</b>	<b>(2,609,782)</b>	<b>(5,783,789)</b>
Income taxes received	172,643	-	-
<b>Net cash used in operating activities</b>	<b>(3,502,655)</b>	<b>(2,609,782)</b>	<b>(5,783,789)</b>
<b>Cash flows from investing activities</b>			
Interest received	9,515	19,133	31,621
Purchase of intangible assets	(131,805)	(309,280)	(817,715)
Purchase of property, plant and equipment	(35,909)	(127,620)	(196,863)
Sale of property, plant and equipment	-	12,627	12,627
Cash on acquisition	-	-	18,178
<b>Net cash used in investing activities</b>	<b>(158,199)</b>	<b>(405,140)</b>	<b>(952,152)</b>
<b>Cash flows from financing activities</b>			
Interest paid	(41,617)	(2,633)	(6,976)
Issue of share capital	6,721	920,000	4,937,596
Share issue costs	-	(25,463)	(60,463)
Proceeds from issue of convertible notes	-	-	-
Repayment of borrowings	(182,482)	(19,144)	(107,629)
<b>Net cash from financing activities</b>	<b>(217,378)</b>	<b>872,760</b>	<b>4,762,528</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(3,878,232)</b>	<b>(306,660)</b>	<b>(1,973,413)</b>



<b>Cash and cash equivalents at beginning of period</b>	<b>5,503,567</b>	361,379	7,468,818
Exchange differences on cash and cash equivalents	<b>(14,964)</b>	-	8,162
	<u><u>1,610,371</u></u>	<u><u>54,719</u></u>	<u><u>5,503,567</u></u>
<b>Cash and cash equivalents at end of period</b>	<b>1,610,371</b>	54,719	5,503,567

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2015

	Share capital	Share premium	Capital reserve	Translation Reserve	Merger relief reserve	Share based payment reserve	Convertible loan	Other reserve	Retained earnings	Total
	£	£	£	£	£	£	£	£	£	£
At 1 January 2014	7,724,336	5,811,795	209,791	-	10,960,607	332,323	55,200	(9,225,108)	(8,501,430)	7,367,514
Income statement for the period	-	-	-	-	-	-	-	-	(2,554,119)	(2,554,119)
Total comprehensive income for the period attributable to equity holders	-	-	-	-	-	-	-	-	(2,554,119)	(2,554,119)
Issue of shares	368,000	552,000	-	-	-	-	-	-	-	920,000
Share based payments	-	-	-	-	-	128,382	-	-	-	128,382
Share issue costs	-	(25,463)	-	-	-	-	-	-	-	(25,463)
Total transactions with owners	368,000	526,537	-	-	-	128,382	-	-	-	1,022,919
Total movement in shareholder's equity	368,000	526,537	-	-	-	128,382	-	-	(2,554,119)	(1,531,200)
At 30 June 2014	8,092,336	6,338,332	209,791	-	10,960,607	460,705	55,200	(9,225,108)	(11,055,549)	5,836,314
At 1 July 2014	8,092,336	6,338,332	209,791	-	10,960,607	460,705	55,200	(9,225,108)	(11,055,549)	5,836,314
Income statement for the period	-	-	-	-	-	-	-	-	(3,069,858)	(3,069,858)
Other comprehensive Income	-	-	-	8,162	-	-	-	-	-	8,162
Total comprehensive income for the period attributable to equity holders	-	-	-	8,162	-	-	-	-	(3,069,858)	(3,061,696)

Cost of acquisition	-	-	-	-	-	-	-	-	-	-
Issue of shares	2,095,336	2,365,000	-	-	644,949	-	-	-	-	5,105,285
Equity to be Issued	-	-	-	-	-	-	490,978	-	-	490,978
Share based payments	-	-	-	-	-	138,744	-	-	-	138,744
Share issue costs	-	-	-	-	-	-	-	-	-	-
<b>Total transactions with owners</b>	<b>2,095,336</b>	<b>2,365,000</b>	<b>-</b>	<b>-</b>	<b>644,949</b>	<b>138,744</b>	<b>490,978</b>	<b>0</b>	<b>0</b>	<b>5,735,007</b>
<b>Total movement in shareholder's equity</b>	<b>2,095,336</b>	<b>2,365,000</b>	<b>-</b>	<b>8,162</b>	<b>644,949</b>	<b>138,744</b>	<b>490,978</b>	<b>0</b>	<b>(3,069,858)</b>	<b>2,673,311</b>
<b>At 31 December 2014</b>	<b>10,187,672</b>	<b>8,703,332</b>	<b>209,791</b>	<b>8,162</b>	<b>11,605,556</b>	<b>599,449</b>	<b>546,178</b>	<b>(9,225,108)</b>	<b>(14,125,407)</b>	<b>8,509,625</b>
<b>At 1 January 2015</b>	<b>10,187,672</b>	<b>8,703,332</b>	<b>209,791</b>	<b>8,162</b>	<b>11,605,556</b>	<b>599,449</b>	<b>546,178</b>	<b>(9,225,108)</b>	<b>(14,125,407)</b>	<b>8,509,625</b>
Income statement for the period	-	-	-	-	-	-	-	-	(4,484,955)	(4,484,955)
Other comprehensive Income	-	-	-	(14,964)	-	-	-	-	-	(14,964)
<b>Total comprehensive income for the period attributable to equity holders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,964</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,484,955)</b>	<b>(4,499,919)</b>
Cost of acquisition	-	-	-	-	-	-	-	-	-	-
Issue of shares	6,721	-	-	-	-	-	-	-	-	6,721
Equity to be Issued	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	129,719	-	-	-	129,720
Share issue costs	-	-	-	-	-	-	-	-	-	-
<b>Total transactions with owners</b>	<b>6,721</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>129,719</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>136,441</b>
<b>Total movement in shareholder's equity</b>	<b>6,721</b>	<b>-</b>	<b>-</b>	<b>(14,964)</b>	<b>-</b>	<b>129,719</b>	<b>-</b>	<b>-</b>	<b>(4,484,955)</b>	<b>(4,363,478)</b>
<b>At 30 June 2015</b>	<b>10,194,393</b>	<b>8,703,332</b>	<b>209,791</b>	<b>(6,802)</b>	<b>11,605,556</b>	<b>729,168</b>	<b>546,178</b>	<b>(9,225,108)</b>	<b>(18,610,363)</b>	<b>4,146,146</b>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### FOR THE SIX MONTHS ENDED 30 JUNE 2015

#### 1. GENERAL INFORMATION

Proxama PLC (“the Company”) and its subsidiaries are an international mobile commerce Company operating across two divisions specialising in proximity marketing via mobile and providing end-to-end solutions for card issuers to migrate customers from magnetic stripe credit and debit cards to contactless mobile payments.

Proxama has been at the forefront of this market for the last 10 years. Today, Proxama’s solutions are used by banks, financial institutions, loyalty companies, media owners, stadium owners, retailers and brands. Current clients include: Diners Club, Navy Credit Union, Fiserv, Nets, Exterion Media, Harrods, O2 and Ubiquitous.

The Proximity Marketing Division:

- focuses on connecting consumers to brands and retailers via Bluetooth Low Energy (BLE) beacon technology and Near Field Communication (NFC). Proxama establishes and owns beacon infrastructure networks in high footfall locations such as City Centres, transport networks, stadia, shopping malls, entertainment hubs and retail outlets, which are then able to communicate to consumers via messages to mobiles when the consumer is in close proximity to a beacon. The technology platform at the heart of this division is TapPoint®.

The Payments Division:

- manages end-to-end credit and debit cards solutions on behalf of financial institutions in the United States, Europe, Africa and the Middle East and specialises in enabling the migration of cards from magnetic stripe cards, to chip and pin cards and from contactless chip cards to mobile devices. The technology behind this division is Proxama’s Digital Enablement Platform.

The Company is a public limited company which is listed on the Alternative Investment Market of the London Stock Exchange and is incorporated and domiciled in the United Kingdom. The address of its registered office is given on the Company Information page.

#### 2. BASIS OF PREPARATION

The financial information has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union, IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The accounting policies adopted are consistent with those of the financial statements for the year ended 31 December 2014, as described in those financial statements. In preparing these interim financial statements the Board has not sought to adopt IAS 34 ‘interim financial reporting’.

The figures for the six-month periods ended 30 June 2015 and 30 June 2014 have not been audited. The figures for the year ended 31 December 2014 have been extracted from, but do not constitute, the consolidated financial statements of Proxama PLC for that year. Those financial statements have been delivered to the Registrar of Companies and included an auditors’ report, which was unqualified and did not contain a statement under Section 498(2) or Section 498(3) Companies Act 2006.

### 3. EARNINGS PER SHARE

	<b>Six months ended 30 June 2015 Unaudited £</b>	Six months ended 30 June 2014 Unaudited £	Year ended 31 December 2014 Audited £
Loss attributable to shareholders	<u><b>(4,484,955)</b></u>	<u>(2,554,119)</u>	<u>(5,623,977)</u>
Loss attributable to shareholders excluding exceptions items	<u><b>(3,828,705)</b></u>	<u>(2,554,119)</u>	<u>(5,514,602)</u>
	Number	Number	Number
Weighted average number of shares (basic)	<u>1,018,877,152</u>	<u>807,403,766</u>	<u>825,290,390</u>

The calculation of basic earnings per share is based on loss after taxation and the weighted average number of ordinary shares of 1p each in issue during the period. Diluted earnings per share has not been presented as the company is loss making and hence presenting the diluted earnings per share would reduce the loss per share.

### 4. EXCEPTIONAL ITEMS

The 2015 exceptional item of £656,250 is the earn-out consideration accounted for as contingent post acquisition remuneration on the acquisition of Aconite which can be settled by either cash or shares and is due on 31 March 2016.

The 2014 exceptional item of £109,375 is the earn-out consideration accounted for as contingent post acquisition remuneration on the acquisition of Aconite which can be settled by either cash or shares and is due on 31 March 2016.