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FINANCIAL RESULTS FOR THE 12 MONTHS TO 30 JUNE 2013

SLI SYSTEMS MAIDEN ANNUAL RESULT DELIVERS ON IPO FORECASTS

Highlights:

- Annualised Recurring Revenue (ARR)¹ of NZ\$19.26 million using PFI exchange rates is in line with prospectus forecasts (NZ\$19.16 million)
- Total revenue of NZ\$18.96 million is in line with prospectus forecast (NZ\$18.82 million)
- Loss for the period of NZ\$2.01 million is in line with forecast loss of NZ\$2.15 million
- Cash position of NZ\$15.4 million is as expected (forecast of NZ\$15.1 million)
- Customer retention rate is at 92% (vs 91% forecast)
- Business plan on track and launched new product “SLI Live”
- Have accelerated hiring of sales and engineering teams
- Brazilian and Japanese markets showing strong promise

Global ‘Software as a Service’ (SaaS) company SLI Systems (NZX: SLI) today announced maiden annual financial results in line with its initial public offer (IPO) forecasts and also showing promising signs from its new markets of Japan and Brazil.

SLI Chairman Greg Cross said: “The last twelve months have been a significant period of growth for SLI, cumulating in our IPO on 31 May 2013.”

SLI Systems Co-Founder and Chief Executive Shaun Ryan said: “Although the results only cover a month since our IPO, they show we have made a solid start on executing the plan that was laid out in the prospectus.

¹ This non-Generally Accepted Accounting Practice (GAAP) performance measures are defined in Appendix 1 of this release. All references to these measures throughout this release are consistent with those definitions.

Financial performance against prospectus:

NZD 000 YEAR TO 30 JUNE	2013 ACTUAL NZD \$000	2013 FORECAST ² NZD \$000	VARIANCE TO FORECAST %
Revenue	18,955	18,819	+0.7%
Operating Costs	21,011	20,971	-0.2%
EBIT	(2,056)	(2,152)	+4.6%

Revenue for the 12 months to 30 June 2013, was NZD\$18.96 million, in line with the NZ\$18.82 million forecast.

Operating costs were broadly in line with forecast within 0.2% resulting in an EBIT loss of NZ\$2.06 million, slightly better than the prospectus forecast loss of NZ\$2.15 million.

“As we stated at the time of the IPO, SLI Group expects to make losses in the near-term as we invest further in the platform for future growth – strengthening our sales and marketing teams, establishing new regional offices and engaging in continued product research and development,” Mr Ryan said.

Annualised Recurring Revenue (ARR), a key performance measure for SLI, was NZ\$20.38 million, ahead of the NZ\$19.16 million forecast, due mostly to favourable exchange rate movements. Using the exchange rates assumed at the time of the IPO ARR was NZ\$19.26 million.

“Because exchange rates are continuously changing SLI will continue to report progress against our forecast, using the exchange rates assumed for the IPO. However, if the USD-NZD exchange rate stays at similar levels to 30 June 2013 it will lift our future financial performance compared to the prospectus forecasts” said Mr. Ryan.

Customer retention rate by value for the last twelve months was 92%, two percentage points ahead of the five-year historical rate of 90%.

Mr. Ryan said: “The SLI team has achieved a great result. A high retention rate is vital for a ‘Software as a Service’ business because it shows that our customers are happy with our service and want to continue using us and this translates into long term value.”

²These forecasts were published in the SLI Systems Investment Statement and Prospectus dated 6 May 2013.

Operations

The funds raised during the IPO have allowed us to lift the pace of development. We have accelerated our recruitment globally with a focus on the appointment of sales and engineering staff.

Mr. Ryan said: “Put simply, a larger sales team will deliver stronger growth and the larger engineering team will support the growing customer base and enable us to expand our product offering.”

To accommodate the new staff we have expanded our offices in San Jose, undertaken alterations in the London office to fit more people, and leased a new office in Melbourne. The office in central Christchurch at the EPIC building is adequate.

“SLI has continued its strong growth in existing traditional markets of the US, UK and Australasia, which account for 92% of our sales and where we still see significant untapped potential. The US is 62% of our revenue and as the biggest growth opportunity is the market in which we are making the largest investment.

The additional capital raised means we now have the resources to expand more quickly in our new markets,” Mr Ryan said. “We are particularly encouraged by the growth we are seeing in Brazil. We see plenty of opportunity in this market and we are encouraged by the size and volume of the deals. SLI now has 4 of the top 10 Brazilian on-line retailers as customers. The first Japanese customer has been signed and we are working with a number of partners to grow in this market.

Products:

Two products in beta phase were released around balance date. The first, SLI Live enables customers to see search queries as they are happening on their site. SLI Live has been made available to customers to enable them to test and provide input and ideas on how they can get value from this product. We are not ready to announce the other product yet but we are excited by its potential.

Cashflow and balance sheet:

Following the IPO, which raised NZ\$15 million for the company to accelerate growth, the balance sheet is in a strong position and easily supports the development plans.

SLI is debt free. Cash and cash equivalents on hand at 30 June was NZ\$15.4 million, NZ\$300,000 ahead of forecast, due to a better-than-forecast net working capital and profits.

Outlook:

“It is an exciting time for SLI as the company is set to continue its growth both within its existing markets and new geographies and also with new product opportunities,” Mr Ryan said.

“There are significant market opportunities in our space and we believe we have the right team to deliver on these. We are on track and remain confident of achieving our growth plans.”

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About SLI Systems (www.sli-systems.com)

SLI Systems (SLI.NZ) is a fast-growing global software company. We deliver solutions focused on making it easier for the products and services on our customers' ecommerce websites to be found, through better site search, navigation and by improving site visibility in web search engines. SLI's patented learning platform is at the heart of our technology. It learns from user behaviour, ever-improving the user-experience by providing the most relevant results. Our customers sell more when they use our services because their website visitors are more easily able to find what they are looking for. Our technology is operating on more than 600 websites worldwide including a significant number operated by the top 1000 online retailers in the US.

**Appendix 1
Annualised Recurring Revenue (ARR):**

ARR is calculated based on the subscription revenue generated from the existing customer base in the reference month and then annualised. For example, ARR as at 30 June 2012 is calculated with reference to the subscription revenue generated from the existing customer base for the month of June 2012 and multiplying it by 12.

ARR is calculated based on the exchange rates at that time. When ARR is presented for a historical time series all points are calculated on a constant currency basis using the current exchange rates.

This is a non-GAAP financial performance measure used internally by SLI as a basis for its expected forward revenue. ARR does not account for changes in behaviour of customers to that experienced historically (e.g. retention rates, increase/decrease in activity or bad debts). This implied forward looking nature of ARR means it is typically higher than historical reported revenue at the same point in time where revenue is growing.

That is because the ARR at the end of a financial year is the subscription revenue for the month of June multiplied by 12, whereas the reported revenue will comprise all recognised revenue from 1 July of the previous calendar year to 30 June. The constant exchange rate used also smoothes out any foreign exchange fluctuations, providing SLI with a better understanding of the business' underlying performance over time.

ARR only includes revenue from SLI's customers for its Learning Search and related products and its Site Champion product; it does not include revenue from SLI's Related Search product, which it does not actively promote. For the Site Champion component of ARR it is necessary to apply judgement to mitigate the effects of one-off events that impact the base month revenue of the calculation. For example, SLI makes adjustments to revenue at a customer level to account for seasonality, Site Champion revenue growth and customer size.