

## Vizrt Reports H1 and Q2 2011 Results

Record Revenues, Strong Margin Growth and  
a Record Order Backlog



Bergen, Norway, August 11, 2011. Vizrt Ltd. (Oslo Main List: VIZ)

For the first six months of 2011, the Company posted a 25% revenue growth compared to H1 2010 and achieved all-time record revenues. All business areas contributed to the revenue growth, with the strongest performance in BG and ONL. Geographically, APAC led growth with 48%, compared to H1 2010. Profitability has significantly improved, including both Gross Margin and EBIT Margin.

## HIGHLIGHTS

- H1 and Q2 2011 Revenues of MUSD 60.1 and MUSD 32.1, up 25% and up 32% compared to same periods LY.
- EBIT of MUSD 7.5 in H1 2011 and MUSD 5.1 in Q2 2011, corresponding to a 12% and 16% margin respectively, compared to MUSD 2.6 (5%) and MUSD 2.4 (10%) for the same periods LY.
- EBITDA<sup>1</sup> of MUSD 10.4 in H1 2011 and MUSD 6.4 in Q2 2011, corresponding to a 17% and 20% margin respectively, compared to MUSD 5.7 (12%) and 3.9 (16%) for the same periods LY.
- The Company posted a net profit of MUSD 6.6 (11%) in H1 2010 and MUSD 4.5 (14%) in Q2 2011 compared to MUSD 0.6 (1%) and MUSD 1.1 (4%) in the same periods LY.
- Record backlog to date of MUSD 49.8, up 32% compared to the same period LY.
- Subsequent to the quarter's end, the Company successfully closed the acquisition of the first tranche of 60% of all the issued and outstanding shares of LiberoVision AG (LV), a leader in the field of virtual sports enhancements, complementing Vizrt's workflow solution in BG. LV will be consolidated from Q3 2011.

Martin Burkhalter, Vizrt CEO, commented on the results, "We are obviously pleased we have again managed to achieve record revenue levels, but perhaps even more pleasing is our bottom line performance, which saw a significant improvement, not only year on year, but also quarter on quarter. It is clear that our strategic decisions and subsequent investments of the past couple of years are paying off. Our combined and integrated product offering, supported by a strong commercial regionalization strategy, have allowed us not only to increase sales to existing customers but also reach a significant number of new ones. Our products and solutions are very well received by the market and the level of trust that customers have in our ability to meet their current and future needs often leads to strategic investments and substantial follow up orders."

## Results Overview

In KUSD	Q22011	Q22010	Change in%	Q12011	Change in %
Revenue	32,098	24,245	32%	28,001	15%
Gross Profit	21,166	15,650	35%	17,349	22%
<i>Gross Margin</i>	66%	65%		62%	
EBIT	5,135	2,388	115%	2,369	117%
<i>EBIT-Margin</i>	16%	10%		8%	
EBITDA	6,421	3,892	65%	3,977	61%

<sup>1</sup> EBITDA: Earnings before interest, tax, amortization and depreciation

<b>EBITDA-Margin</b>	20%	16%		14%	
<b>Net Profit (loss)</b>	4,508	1,067	322%	2,141	111%
<b>Net Profit-Margin</b>	14%	4%		8%	
<b>EPS</b>	0.07	0.02	250%	0.03	133%
<b>Backlog</b>	49,792	37,797	32%	40,000	24%
<b>Cash Position</b>	63,874	51,350	24%	59,938	7%

## Vizrt Product Lines and Geographical Overview

### Broadcast Graphics (BG)

BG revenues in H1 2011 accounted for 73% of total revenues with MUSD 43.7, a 26% growth Y-o-Y and record 39% growth Q-o-Q. Compared to Q1 2011, BG revenues were up 18%.

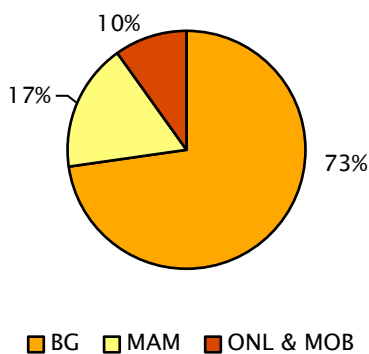
### Media Asset Management (MAM)

MAM revenues in H1 2011 accounted for 17% of total revenues with MUSD 10.4, an 11% growth Y-o-Y and 9% growth Q-o-Q. Compared to Q1 2011, MAM revenues were up 10%.

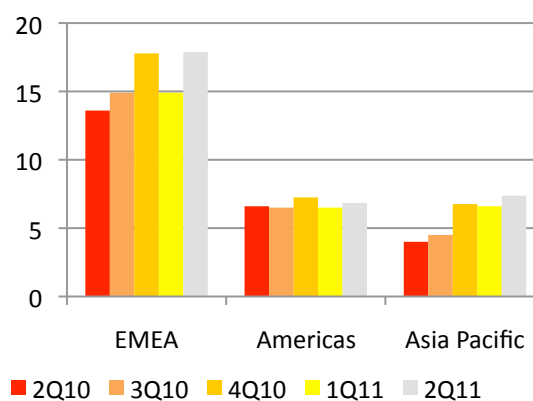
### Online & Mobile (ONL & MOB)

Of all Vizrt product lines, ONL & MOB posted the strongest growth rate, with 57% Y-o-Y, of which organic growth contributed 27%, with the remainder due to MOB, which was consolidated from Q3 2010 onwards. H1 2011 revenues came in at MUSD 5.9, compared to MUSD 3.8 in H1 2010. The strong growth for the product line included MUSD 1.1 from MOB in H1 2011. ONL & MOB accounted for 10% of total revenues in H1 2011.

### H12011 Revenue Breakdown by Product Line



### Quarterly Revenues by Regions



## Geographical Overview

All regions contributed to the improved performance as compared to H1 2010, with the strongest growth recorded in APAC, where revenues went up by 48% to MUSD 14.0, as compared to MUSD 9.4 for H1 2010. Revenues in the EMEA region were up by 22%, from MUSD 26.8 to MUSD 32.8, and revenues in the AMERICAS were up 14%, from MUSD 11.7 to MUSD 13.3.

## FINANCIALS

### Gross Profit and Gross Margin

The gross margin for H1 2011 was 64% as compared to 62% for the same period LY. The increase is mainly due to a lower HW portion in the product mix. The gross profit in H1 2011 was affected by a MUSD 1.3 amortization of intangible assets from acquisitions, compared to MUSD 1.5 in H1 2010. Adjusted for these amortization effects, the gross margin was 66%, compared to 65% LY.

The gross margin for Q2 2011 was 66%, as compared to 65% for the same period LY. The gross profit was affected by MUSD 0.5 in Q2 2011, compared to MUSD 0.7 in Q2 2010 due to amortization of intangible assets resulting from acquisitions. Adjusted for these amortization effects, the gross margin was at 68% for both periods.

### Operating Expenses

Total operating expenses in H1 2011 were MUSD 31.1, up 15% compared to the same period LY. The increase was mainly due to an increase in headcount following the Adactus acquisition, which took place in July 2010. Furthermore the ongoing implementation of the regionalization program, as well as a general salary increase implemented throughout the company in 2011 and currency effects due to volatile exchange rates have all contributed to the cost increase.

### Operating expenses summary

In KUSD	H111	H110	Q211	Q210	Q111
R&D	9,368	7,545	4,759	3,685	4,609
S&M	16,514	14,557	8,655	7,258	7,859
G&A	5,219	4,835	2,617	2,319	2,602
OPEX	<b>31,101</b>	<b>26,937</b>	<b>16,031</b>	<b>13,262</b>	<b>15,070</b>

### Order backlog

A record order backlog was achieved as of August 10, 2011 in the amount of MUSD 49.8, up 32%, compared to LY MUSD 37.8, and up 24% compared to the Q1 2011 results release date. For the first time LV backlog amounting to MUSD 3.1 is included under BG. BG backlog was at MUSD 27.0, MAM backlog at MUSD 16.4, ONL backlog at MUSD 5.0 and Mobile streaming, related to Adactus, at MUSD 1.3. For all products backlog was significantly higher than the comparable backlog for the same period LY. For BG, the backlog was up 37% compared to the same period LY, whereas for MAM and ONL&MOB the backlog was up 29% and 17%, respectively, comparing to the same period LY.

## Balance Sheet, Cash Flow and Liquidity

Cash flow generation from operating activities in H1 2011 was MUSD 5.4, compared to MUSD 3.6 in H1 2010. Net cash provided by operating activities in Q2 2011 was MUSD 3.0, compared to MUSD 1.1 in Q2 2010.

Vizrt has a strong financial position with no interest-bearing debt and a net cash position of MUSD 63.9 as of June 30, 2011 (including MUSD 0.9 restricted cash), compared to MUSD 57.5 as of December 31, 2010 (including MUSD 0.5 restricted cash). Furthermore shareholders' equity as of June 30, 2011 was MUSD 121.6, which is equivalent to an equity ratio<sup>2</sup> of 78%.

## Organization

At the end of June 30, 2011, the Company had 560 employees, compared to 519 as the end of June 30, 2010. This increase is mainly due to increased staffing in low cost countries as well as an additional 16 employees resulting from the acquisition of Adactus in Q3 2010.

## OUTLOOK

Martin Burkhalter, Vizrt CEO, stated, "Our sales are driven by our strong and continuously evolving offer to the ever changing, very dynamic media landscape – with multiplatform delivery, upgrade to HD, 3DTV and file based workflows. We are starting to see the first signals of stronger markets in both MAM and ONL&MOB, and we are taking the necessary measures to improve our performance in these segments. We have found that our ability to offer both fully integrated solutions as well as more application specific product suites is finding resonance with the market."

"So far, the fiscal and macroeconomic challenges in the public sector of some European countries and the US have not had any visible negative impact on market conditions. We do however see a growing concern related to rising public debt and signs of slower economic growth in certain regions that could, in the mid or long-term, have an impact. That said, our performance has been very strong, and the signs for the second half of 2011 are positive. We therefore expect to achieve stable growth for the second half of this year."

## Capital Markets Day

This year's Capital Market day will be held on September 9 to coincide with Vizrt's presence at IBC 2011 in Amsterdam. Management will make presentations on the current state of and future expectations for the company, following which the Vizrt stand at IBC will be visited for demonstrations. The event is managed by Schwarz Financial Communication and if you wish to attend, please contact Marc Lakmaaker via [lakmaaker@schwarzfinancial.com](mailto:lakmaaker@schwarzfinancial.com).

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<sup>2</sup> equity divided into Total liabilities and Equity

## Analyst Conference

An Analyst Conference will be held at 09:30 a.m. (CEST) at DnBNor Head Offices, **Stranden 21 in Oslo**. Investors and Analysts who are not able to attend the conference are invited to call Management directly.

The Q3 2011 results will be released on November 10, 2011.

## Contacts

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## SHAREHOLDER related Information

As of June 30, 2011, the Company had a total of 65,588,533 shares outstanding.

### Shareholders as of June 30, 2011

Shareholder	No. of shares	% of shares
FSN Capital III *)	10,664,003	16.26%
Orkla	6,503,000	9.91%
Ferd AS Invest	5,015,630	7.65%
Odin	4,074,759	6.21%
Holberg Fund AS	4,067,146	6.20%
Alfred Berg Group NO	3,978,322	6.07%
Employees	1,849,921	2.82%
Directors & Officers	593,307	0.90%
Public	<u>28,842,445</u>	<u>43.99%</u>
Total	65,588,533	100.00%

\* Company controlled by a member of the Board.

This press release contains forward-looking statements with respect to the business, financial condition and results of operations of Vizrt and its affiliates. These statements are based on the current expectations or beliefs of Vizrt's management and are subject to a number of risks and uncertainties that could cause actual results or performance of the Company to differ materially from those contemplated in such forward-looking statements. These risks and uncertainties relate to changes in technology and market requirements, the company's concentration on one industry, decline in demand for the company's products and those of its affiliates, inability to timely develop and introduce new technologies, products and applications, and loss of market share and pressure on pricing resulting from competition, which could cause the actual results or performance of the company to differ materially from those contemplated in such forward-looking statements. Vizrt undertakes no obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

**VIZRT LTD.**  
**CONSOLIDATED STATEMENTS OF INCOME**

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2011	2010	2011	2010	2010
	Unaudited		Unaudited		
Revenues	\$ 60,099	\$ 47,953	\$ 32,098	\$ 24,245	\$ 105,613
Cost of revenues	21,494	18,460	10,932	8,595	39,784
Gross profit	38,605	29,493	21,166	15,650	65,829
Operating expenses:					
Research and development	9,368	7,545	4,759	3,685	15,728
General and administrative	5,219	4,835	2,617	2,319	10,097
Selling and marketing	16,514	14,557	8,655	7,258	30,531
Write-off	-	-	-	-	3,507
<u>Total operating expenses</u>	<u>31,101</u>	<u>26,937</u>	<u>16,031</u>	<u>13,262</u>	<u>59,863</u>
Operating income	7,504	2,556	5,135	2,388	5,966
Financial expenses (income), net	(386)	1,451	(37)	996	893
Other income	-	-	-	-	1,105
Income before taxes	7,890	1,105	5,172	1,392	6,178
Taxes on income	1,089	486	512	325	1,719
Income before equity in losses of an affiliate company	6,801	619	4,660	1,067	4,459
Equity in losses of an affiliated com- pany	152	-	152	-	-
Net income	<u>\$ 6,649</u>	<u>\$ 619</u>	<u>\$ 4,508</u>	<u>\$ 1,067</u>	<u>\$ 4,459</u>
Basic net income per share	<u>\$ 0.1</u>	<u>\$ 0.01</u>	<u>\$ 0.07</u>	<u>\$ 0.02</u>	<u>\$ 0.07</u>
Diluted net income per share	<u>\$ 0.1</u>	<u>\$ 0.01</u>	<u>\$ 0.07</u>	<u>\$ 0.02</u>	<u>\$ 0.07</u>
Weighted average number of shares used in computing basic net income per share	<u>65,549,958</u>	<u>65,085,883</u>	<u>65,559,254</u>	<u>65,096,133</u>	<u>65,141,693</u>
Weighted average number of shares used in computing diluted net income per share	<u>67,385,769</u>	<u>67,081,008</u>	<u>67,380,280</u>	<u>67,031,748</u>	<u>67,083,539</u>

U.S. dollars in thousands (except share and per share data)

VIZRT LTD.

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

U.S. dollars in thousands

	June 30, 2011	December 31, 2010*
	<u>Unaudited</u>	
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 62,977	\$ 57,005
Restricted cash	312	60
Trade receivables, net	31,241	27,111
Other accounts receivable and prepaid expenses	4,592	3,588
Inventories	3,804	3,140
	<u>102,926</u>	<u>90,904</u>
<b>TOTAL CURRENT ASSETS</b>		
RESTRICTED CASH	<u>585</u>	<u>408</u>
LONG-TERM ASSETS	<u>2,763</u>	<u>3,344</u>
PROPERTY AND EQUIPMENT, NET	<u>4,344</u>	<u>4,169</u>
OTHER ASSET	<u>968</u>	<u>913</u>
INTANGIBLE ASSETS, NET	<u>11,264</u>	<u>11,966</u>
GOODWILL	<u>33,627</u>	<u>31,482</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 156,477</u></u>	<u><u>\$ 143,186</u></u>

\*Reclassified

**VIZRT LTD.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

U.S. dollars in thousands

	June 30, 2011	December 31, 2010
	<u>Unaudited</u>	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
CURRENT LIABILITIES:		
Trade payables	\$ 3,641	\$ 4,323
Deferred revenues	10,032	8,079
Employees and payroll accruals	7,323	6,103
Tax accruals	6,907	6,862
Other accounts payable and accrued expenses	3,833	4,295
<b>TOTAL CURRENT LIABILITIES</b>	<u>31,736</u>	<u>29,662</u>
LONG-TERM LIABILITIES:		
Deferred Taxes	2,483	2,978
Other non- current liabilities	609	599
	<u>3,092</u>	<u>3,577</u>
SHAREHOLDERS' EQUITY:		
Share capital	157	156
Additional paid-in capital	152,239	152,183
Accumulated other comprehensive (loss) Income	4,545	(451)
Accumulated deficit	(35,292)	(41,941)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u>121,649</u>	<u>109,947</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u><u>\$ 156,477</u></u>	<u><u>\$ 143,186</u></u>

**VIZRT LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOW**

U.S. dollars in thousands

	Six months ended		Year Ended
	June 30,		December 31,
	2011	2010	2010
	Unaudited		
Net Income	\$ 6,649	\$ 619	4,459
Adjustments required to reconcile net income to net cash provided by operating activities:			
Depreciation	1,204	1,078	2,251
Amortization of intangible assets	1,691	2,020	4,122
Write off of goodwill and impairment of an investment	-	-	3,507
Changes in assets and liabilities:			
Accounts receivables and other receivables	(3,570)	542	(3,454)
Inventories	(483)	(957)	671
Deferred tax	(718)	(789)	(913)
Revaluation gain from gaining control in Adactus	-	-	(1,138)
Account payables and other liabilities	658	1,060	3,380
Cash flows from operating activities:	5,431	3,573	12,885
Cash flows from investing activities:	(1,243)	(1,585)	(6,880)
Cash flows from financing activities:	57	6	997
Effect of exchange rate changes on cash and short term deposits	1,727	(1,195)	347
Increase in cash and short-term deposits	5,972	799	7,349
Cash and short-term deposits at the beginning of the period	57,005	49,656	49,656
Cash and short-term deposits at the end of the period	\$ 62,977	\$ 50,455	\$ 57,005