



## **Vizrt releases 2004 Nine Months Results with yet another record quarter, the eighth in a row**

Bergen, Norway, November 3, 2004, **Vizrt** Ltd. (Prime Standard: VIZ) announced its financial results for the first nine months of 2004 with yet another record revenue and bottom line results.

### **Q3 2004 highlights:**

- ✓ **Net profit of 17% at \$US 1.2M.**
- ✓ **Revenue increased by 30% to US\$ 7.3M in Q3 2004 compared to Q3 2003.**
- ✓ **EBITDA for Q3 2004 was US\$ 1.4M compared to US\$ 1.1M in Q3 2003.**
- ✓ **18 new customers signed in during Q3 2004 accounting for 26% of Q3 2004 revenue.**

Business highlights for the first nine months was the growing number of new customers joining the reputable **Vizrt** install base. This development re-confirms **Vizrt's** leading position within the industry, especially in Europe including UK, Germany and Austria. Revenue for the Europe region excelled with a 44% growth, compared to first nine months 2003.

### **Financial highlights for the nine months ended September 30, 2004**

- Consolidated revenues increased by 26% to US\$ 20.4M compared to US\$ 16.1M in the corresponding period 2003.
- Gross margin at 71% compared to 70% for the corresponding period 2003.
- Net profit increased by 55% to US\$ 3.03M compared to a net profit of US\$ 1.96M for the corresponding period in 2003.
- EBITDA (excluding taxes, interest, depreciation and deferred stock compensation) was US\$ 3.7M compared to US\$ 2.6M for the corresponding period 2003.
- Basic earnings per share for the first nine months 2004 was US\$ 0.22 compared to US\$ 0.14 for first nine months 2003.

"We are satisfied with the growth for this quarter and for the first nine months. The new customers and repeat sales to existing customers show that the market has confidence in our company and solutions. We are committed to maintain that confidence and will continue to invest in R&D to make sure we launch both new and improved solutions as we go forward. Our launch of the character generator viz|trio, is well accepted in the market and contributed 18% to Q3 revenues. Our new viz|weather system has the potential to become another market winner. The company has maintained its organic growths for several consecutive quarters and is positioned to explore additional growth opportunities." commented Mr. Bjarne Berg, President and CEO of **Vizrt**.

## Financial highlights for the three months ended September 30, 2004

- Consolidated revenues for Q3 2004 increased by 30% to US\$ 7.3M compared to US\$ 5.6M in Q3 2003 and US\$ 6.7M in Q2 2004.
- Gross margin at 71% in Q3 2004 compared to 72% in Q3 2003.
- Net profit increased by 48% to US\$ 1.2M in Q3 2004 compared to a net profit of US\$ 0.8M in Q3 2003.
- EBITDA (excluding taxes, interest, depreciation and deferred stock compensation) for Q3 2004 was US\$ 1.4M compared to US\$ 1.1M in Q3 2003.
- Basic earnings per share for Q3 2004 was US\$ 0.09 compared to US\$ 0.06 for Q3 2003.

## Financial details

### *Revenue highlights:*

- In the first nine months of 2004 **Vizrt** successfully continued leading the market with a growing presence, mainly in the European markets, reaching a revenue growth of 44% in Europe. In the Americas, the company reached a 72% revenue growth compared to the same period last year. Revenues in the Asia Pacific region is back on track in Q3 with a growth of 70% compared to the low revenue generation in Q2 2004. Total revenue growth in the first nine months of 2004 compared to the first nine months 2003 was 26%.

Geographic breakdown of revenue was:

Territories (In US\$ thousands)	9M /04	9M/03	Q3/04	Q3/03	Q2/04
<b>The Americas</b>	5,198	3,023	1,446	1,285	2,038
<b>Europe</b>	9,904	6,888	3,991	2,266	3,325
<b>Asia Pacific</b>	4,300	5,422	1,679	1,973	985
<b>Other</b>	981	812	219	97	327
<b>Total</b>	<b>\$20,383</b>	<b>\$16,145</b>	<b>\$7,335</b>	<b>\$5,621</b>	<b>\$6,675</b>

### *Gross Margin*

The gross margin for the period ended September 30, 2004, was 71% compared to 70% for the corresponding period 2003.

### *Operating Expenses*

Total operating expenses including: sales and marketing expenses (S&M), research and development expenses (R&D) and general and administrative expenses (G&A), the first nine months of 2004 amounted to US\$ 11.3M. (excluding \$165K compensation expenses). The following table represents the total operating expenses:

Expenses (In US\$ thousands)	9M/04	9M/03	Q3/04	Q3/03	Q2/04
<b>S&amp;M Expenses</b>	6,381	4,787	2,269	1,597	2,050
<b>G&amp;A Expenses</b>	1,931	2,040	630	650	601
<b>R&amp;D Expenses</b>	2,961	2,453	1,062	863	928
<b>Operating Expenses</b>	<b>\$11,273</b>	<b>\$9,280</b>	<b>\$3,961</b>	<b>\$3,110</b>	<b>\$3,579</b>

- S&M expenses increased by 33% in the first nine months of 2004 compared to the corresponding period 2003. The increase follows the company's policy of establishing presence worldwide with new representatives in new locations around

the globe. A time lap of six months usually occurs before revenues are generated in new locations. S&M expenses are at 31% to revenue for the first nine months 2004 revenue, compared to 30% for the corresponding period 2003.

- G&A expenses decreased by 5% in the first nine months 2004 compared to the corresponding period 2003. G&A expenses are at 9% to revenue for the first nine months of 2004 compared to 13% for the corresponding period 2003.
- R&D expenses increased by 21% in the first nine months 2004 compared to the first nine months 2003. The increase was mainly due to the company's policy and increased efforts to expedite R&D developments of new products, some of which were released during the last months. The new products were well received by the market, corresponding to revenue growth. R&D expenses remain at 15% to revenue.
- Total operating expenses in the first nine months 2004 increased by 21% or US\$ 2.0M compared to the first nine months 2003.

*Cash Position*

As of September 30, 2004 the company had a balance of US\$13.7M in cash and short-term deposits (including a \$US 0.4M bank credit line as a long-term loan) compared with US\$12.6M as of December 31, 2003.

*Outlook*

New technologies and emerging markets present an opportunity for all companies dealing with broadcasting. **Vizrt** identifies good opportunities in the broadcast segments during the next two years. Many stations around the world are ready to modernise and upgrade to new technology. Our goal is to increase our client base while maintaining the leading position in broadcast graphics.

About **Vizrt**:

**Vizrt** is a public company traded on the Frankfurt Prime Standard: VIZ, ISIN: IL0010838154. **Vizrt** develops, markets and supports a complete range of scalable, graphics-based software systems for the real-time creation, management and delivery of rich visual content for TV broadcast, public display, feature films and the Web. The company specializes in visualization for all platforms. Products include real time on-air 3D systems, virtual studio systems and global 3D map databases. The company's tools deliver improved workflow and productivity with a consistent high quality on-air look. The company has a strong reputation for user-friendly software, time saving template graphics linked to **Vizrt**'s own asset management and automation system. **Vizrt** systems are frequently used in News, Sports, Financial, weather and other programs where speed of graphical rendering is paramount.

For further information please refer to [www.vizrt.com](http://www.vizrt.com)

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*This press release contains forward-looking statements with respect to the business, financial condition and results of operations of Vizrt and its subsidiaries. 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.*

**VIZRT LTD.**  
**CONSOLIDATED BALANCE SHEETS**

U.S. dollars in thousands

	<u>September 30, 2004</u>	<u>December 31, 2003</u>
	<b>Unaudited</b>	
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 6,530	\$ 10,645
Short-term deposit	7,170	2,000
Trade receivables, net	5,981	3,673
Other accounts receivable and prepaid expenses	1,108	879
Inventory	<u>1,623</u>	<u>1,105</u>
<b>TOTAL CURRENT ASSETS</b>	<u>22,412</u>	<u>18,302</u>
<b>SEVERANCE PAY FUND</b>	<u>561</u>	<u>592</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>927</u>	<u>942</u>
	<u><u>\$ 23,900</u></u>	<u><u>\$ 19,836</u></u>

**VIZRT LTD.**  
**CONSOLIDATED BALANCE SHEETS**

U.S. dollars in thousands

	<u>September 30, 2004</u>	<u>December 31, 2003</u>
	Unaudited	
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term loan	\$ 375	\$ 750
Trade payables	1,653	1,691
Deferred revenues	1,397	949
Employees and payroll accruals	1,558	1,567
Other accounts payable and accrued expenses	1,259	802
<b>TOTAL CURRENT LIABILITIES</b>	<u>6,242</u>	<u>5,759</u>
LONG-TERM LIABILITIES:		
Accrued severance pay	732	783
Long term loan		188
	<u>732</u>	<u>971</u>
SHAREHOLDERS' EQUITY:		
Share capital	34	34
Additional paid-in capital	96,761	95,904
Deferred stock compensation	(177)	(130)
Accumulated other comprehensive income	408	424
Accumulated deficit	(80,100)	(83,126)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u>16,926</u>	<u>13,106</u>
	<u>\$ 23,900</u>	<u>\$ 19,836</u>

**VIZRT LTD.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS (Cost of Sales method)**

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

	Nine months ended		Three months ended		Year ended
	September 30,		September 30,		December 31,
	2004	2003	2004	2003	2003
	Unaudited		Unaudited		
Revenues	\$ 20,383	\$ 16,145	\$ 7,335	\$ 5,621	\$ 22,483
Cost of revenues	5,917	4,797	2,117	1,577	6,658
Gross profit	14,466	11,348	5,218	4,044	15,825
Operating expenses:					
Research and development, net	2,961	2,453	1,062	863	3,645
General and administrative	1,931	2,040	630	650	2,677
Selling and marketing	6,381	4,787	2,269	1,597	6,503
Compensation expenses in respect of restricted shares	165	45	29	15	60
<u>Total operating expenses</u>	<u>11,438</u>	<u>9,325</u>	<u>3,990</u>	<u>3,125</u>	<u>12,885</u>
Operating income	3,028	2,023	1,228	919	2,940
Financial income (expenses), net	60	75	10	(28)	183
Income before taxes	3,088	2,098	1,238	891	3,123
Taxes on income	62	143	(10)	47	226
Net income	<u>\$ 3,026</u>	<u>\$ 1,955</u>	<u>\$ 1,248</u>	<u>\$ 844</u>	<u>\$ 2,897</u>
Basic net income per share	<u>\$ 0.22</u>	<u>\$ 0.14</u>	<u>\$ 0.09</u>	<u>\$ 0.06</u>	<u>\$ 0.21</u>
Diluted net income per share	<u>\$ 0.19</u>	<u>\$ 0.13</u>	<u>\$ 0.08</u>	<u>\$ 0.06</u>	<u>\$ 0.19</u>
Weighted average number of shares used in computing basic net income per share	<u>14,070,997</u>	<u>13,774,03</u>	<u>14,124,463</u>	<u>13,804,862</u>	<u>13,789,251</u>
Weighted average number of shares used in computing diluted net income per share	<u>15,683,753</u>	<u>14,873,86</u>	<u>15,699,222</u>	<u>15,259,532</u>	<u>15,110,950</u>

**VIZRT LTD.**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

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

	Ordinary shares	Share capital	Additional paid-in capital	Deferred Stock compensation	Accumulated deficit	Other comprehensive income	Notes receivables	Comprehensive Income	Total shareholders' equity
Balance as of December 31, 2002	14,129,665	\$ 34	\$ 95,424	\$ (190)	\$ (86,023)	\$ 68	\$ (38)		\$ 9,275
Exercise of options	2,	-	-						-
Release of escrow shares related to the acquisition of Peak			480						480
Consideration of restricted shares							38		38
Foreign Currency Translation Adjustments						326		326	326
Unrealized gain from hedging instruments						30		30	30
Amortization of deferred stock compensation				60					60
Net Income					2,897			2,897	2,897
Total Comprehensive income								3,253	
Balance as of December 31, 2003	14,132,635	\$ 34	\$ 95,904	\$ (130)	\$ (83,126)	\$ 424	\$ -		\$ 13,106
Exercise of options, net	164,	*)	604						604
Cancellation of restricted shares granted to employees			(7)	7					-
Issuance of restricted shares to employees	61,600	*)	260	(219)					41
Foreign Currency Translation Adjustments						(23)		(23)	(23)
Net unrealized gain from hedging instruments						7		7	7
Amortization of deferred stock compensation				165					165
Net Income					3,026			3,026	3,026
								3,010	
Balance as September 30, 2004 (Unaudited)	14,365,690	\$ 34	\$ 96,761	\$ (177)	\$ (80,100)	\$ 408	\$ -		\$ 16,926

\*) Represent an amount less than \$1

	<u>Ordinary shares</u>	<u>Share capital</u>	<u>Additional paid-in capital</u>	<u>Deferred Stock compensation</u>	<u>Accumulated deficit</u>	<u>Other comprehensive income</u>	<u>Notes Receivables</u>	<u>Comprehensive Income</u>	<u>Total shareholders' equity</u>
Balance as of December 31, 2002	14,129,665	\$ 34	\$ 95,424	\$ (190)	\$ (86,023)	\$ 68	\$ (38)		\$ 9,275
Exercise of options	2,	-	-						-
Release of escrow shares related to the acquisition of Peak			480						480
Consideration of restricted shares							38		38
Foreign Currency Translation Adjustments						246		246	246
Unrealized loss from hedging instruments						5		5	5
Amortization of deferred compensation				45					45
Net Income					1,955			1,955	1,955
Balance as of September 30, 2003 (Unaudited)	<u>14,132,635</u>	<u>\$ 34</u>	<u>\$ 95,904</u>	<u>\$ (145)</u>	<u>\$ (84,068)</u>	<u>\$ 319</u>	<u>\$ -</u>	<u>2,206</u>	<u>\$ 12,044</u>

**VIZRT LTD.**  
**CONSOLIDATED STATEMENT OF CASH FLOW**  
**U.S. dollars in thousands**

	Nine months ended September 30,		Year Ended December 31,
	2004	2003	2003
	<u>unaudited</u>		
<u>Cash flows from operating activities:</u>			
Net Income	\$ 3,026	\$ 1,955	\$ 2,897
Adjustments required to reconcile net income to net cash provided by operating activities:			
Amortization of deferred compensation	165	45	60
Depreciation	502	578	855
Decrease (increase) in accounts receivable	(2,554)	675	(339)
Decrease (increase) in inventory	(539)	128	(47)
Increase (decrease) in deferred revenue	908	289	(25)
Increase (decrease) in accounts payable	(19)	131	462
Net cash provided by operating activities	<u>1,489</u>	<u>3,801</u>	<u>3,863</u>
<u>Cash flows from investing activities:</u>			
Purchase of property and equipment	(494)	(338)	(446)
Net cash used in investing activities	<u>(494)</u>	<u>(338)</u>	<u>(446)</u>
<u>Cash flows from financing activities:</u>			
Repayment of loan from bank	(563)	(375)	(562)
Exercise of stock options, net	604	-	-
Issuance of restricted shares	41	38	38
Net cash provided by (used in) financing activities	<u>82</u>	<u>(337)</u>	<u>(524)</u>
Effect of exchange rate changes on cash and short term deposits	(22)	105	163
Increase in cash and short-term deposits	1,055	3,231	3,056
Cash and short-term deposits at the beginning of the period	<u>12,645</u>	<u>9,589</u>	<u>9,589</u>
Cash and short-term deposits at the end of the period	<u>\$ 13,700</u>	<u>\$ 12,820</u>	<u>\$ 12,645</u>

**VIZRT LTD.**  
**SUPPLEMENTARY INFORMATION**

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

1. Company shares held by members of the Board of Directors of the Company:

	<u>Number of ordinary shares</u>	<u>Number of stock options (1)</u>
Yaron Sheinman	556,512	120,000
Bjarne Berg	719,992 (2)	60,000
Svein Ove Strommen	770,515	105,000
Yuval Almog	569,823	60,000
Reidar Michaelsen	767,932	60,000
Ehud Miron	8,000	60,000
Ruth Simha	-	60,000

(1) Each convertible to one ordinary share.

(2) On August 19, 2002 the Annual meeting of shareholders approved the issuance of 400,000 restricted shares to Montanus AS, which provides the Company management services through Bjarne Berg who serves as CEO of the company, in consideration of their par value. Some of these shares are subject to a vesting schedule.

2. As of September 30, 2004 the Company employed 119 employees.

3. The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB No.25"), and Interpretation No. 44 "Accounting for Certain Transactions Involving Stock Compensation" in accounting for its employee stock option plans. The following table illustrates the effect of net income and earnings per share had the Company applied the fair value recognition provisions of SFAS No. 123:

	<u>Nine months ended September 30,</u>		<u>Year ended December 31, 2003</u>
	<u>2004</u>	<u>2003</u>	
	<u>Unaudited</u>		
Net profit as reported	<u>3,026</u>	<u>1,955</u>	<u>2,897</u>
Add: Stock-based compensation expenses included in reported net income	<u>-</u>	<u>-</u>	<u>-</u>
Deduct: stock-based compensation expenses determined to be under the fair value based method	<u>224</u>	<u>424</u>	<u>550</u>
Pro forma net profit	<u>2,802</u>	<u>1,531</u>	<u>2,347</u>
Pro forma basic net profit per share	<u>0.20</u>	<u>0.11</u>	<u>0.17</u>
Pro forma diluted net profit per share	<u>0.18</u>	<u>0.10</u>	<u>0.17</u>