

**Vizrt Group AS reports**  
**Q2 and H1 2018 results**

**Bergen, Norway, August 22, 2018. Vizrt Group AS.**

**Vizrt today reported its financial results for the second quarter and first half of 2018.**

## **Q2 2018 HIGHLIGHTS**

- Order intake in Q2 2018 was in line with expectation, and the business continues the positive development from the previous quarter.
- Revenue growth was 21% compared to Q2 2017 adjusted for exchange rate effects.
- 2018 OPEX includes MUSD 0.5 of one-off expenses related to centralization of administrative functions compared to MUSD 1.1 in Q1 2017 which was related to the centralization of the R&D activities.
- Strong development in earnings with non-GAAP recurring (excluding one-off items) EBITDA of MUSD 10.3, corresponding to a 30% margin, an increase of 11% points compared to previous year.
- Adjusted cash flow was MUSD -1.3 compared to MUSD 3.3 in Q2 2017 mainly due to fluctuations in exchange rates. The cash flow from operating activities for 2018 is adjusted for MUSD 2.5 (MUSD 2.3 in 2017) bond interest.
- Total R&D spend was MUSD 4.9 equal to 14% of revenue. R&D expenses in the consolidated statement of income exclude MUSD 2.8 attributed to intangible assets arising from certain development projects compared to MUSD 1.1 in Q2 2017.

## **H1 2018 HIGHLIGHTS**

- First half of 2018 shows a satisfactory development in order intake and continue to show a positive trend.
- Revenue growth of 12% compared to last year adjusted for exchange rates effects.
- 2018 OPEX includes MUSD 0.9 of one-off expenses related to the centralization of the R&D activities compared to MUSD 2.7 in 2017.
- Non-GAAP recurring (excluding one-off items) EBITA was MUSD 17.6, corresponding to a 28% margin, up 11 points compared to the same period last year.
- Recurring EBITDA increased from MUSD 10.7 in 2017 to MUSD 18.7 a 75% increase.
- Adjusted cash flow from operating activities was MUSD 8.0 compared to MUSD 6.1 in 2017. The cash flow from operating activities for 2018 is adjusted for MUSD 4.7 (MUSD 4.5 in 2017) bond interest.
- Total R&D spend was MUSD 10.4 equal to 16% of revenue. R&D expenses in the consolidated statement of income exclude MUSD 5.3 (MUSD 2.6 in 2017): attributed to intangible assets arising from certain development projects.

## SELECTED FINANCIAL INFORMATION

### RESULTS OVERVIEW

<i>In USD thousands</i>	Q2 2018	Q2 2017	Change in %	Q1 2018	Change in %	H1 2018	H1 2017	Change in %
<b>Revenue</b>	<b>34 370</b>	<b>28 046</b>	23%	<b>29 464</b>	17%	<b>63 834</b>	<b>56 571</b>	13%
<b>Non-GAAP gross profit *</b>	<b>23 901</b>	<b>19 839</b>	20%	<b>21 030</b>	14%	<b>44 931</b>	<b>39 194</b>	15%
<b>Non-GAAP gross margin</b>	<b>70%</b>	<b>71%</b>		<b>71%</b>		<b>70%</b>	<b>69%</b>	
<b>Recurring EBITA **</b>	<b>9 714</b>	<b>4 776</b>	103%	<b>7 919</b>	23%	<b>17 632</b>	<b>9 761</b>	81%
<b>Recurring EBITA-margin</b>	<b>28%</b>	<b>17%</b>		<b>27%</b>		<b>28%</b>	<b>17%</b>	
<b>Recurring EBITDA **</b>	<b>10 251</b>	<b>5 245</b>	95%	<b>8 437</b>	21%	<b>18 688</b>	<b>10 726</b>	74%
<b>Recurring EBITDA-margin</b>	<b>30%</b>	<b>19%</b>		<b>29%</b>		<b>29%</b>	<b>19%</b>	
<b>Adjusted cash flow from operating activities***</b>	<b>(1 289)</b>	<b>3 327</b>	-139%	<b>9 306</b>	-114%	<b>8 017</b>	<b>6 150</b>	30%

\* Non-GAAP: Excluding amortization of intangibles relating to the acquisition of Vizrt Ltd.

\*\* Recurring measurements excluding on-off items

\*\*\* Adjusted cash flow from operating activities is adjusted for MUSD 2,2 Interest on bond in Q1 2018, MUSD 2,5 in Q2 2018 and MSUD 2,3 in Q2 2017.

### Geographic breakdown of revenues

<i>In USD thousands</i>	Q2 2018	Q2 2017	Change in %	Q1 2018	Change in %	H1 2018	H1 2017	Change in %
EMEA	14 523	12 845	13%	15 012	-3%	29 535	27 371	8%
AMECS	9 760	7 391	32%	6 302	55%	18 237	13 414	36%
APAC	10 087	7 810	29%	8 150	24%	16 062	15 786	2%
<b>Total revenues</b>	<b>34 370</b>	<b>28 046</b>	23%	<b>29 464</b>	17%	<b>63 834</b>	<b>56 571</b>	13%

Revenues in EMEA, AMECS and APAC, accounted for 42%, 28% and 29% of Q2 2018 total revenues, respectively, in Q2 2017 it was 46%, 26% and 28% respectively.

## MANAGEMENT OVERVIEW

Order Intake for the first half year was satisfactory and resulted in double digit revenue growth year over year in both the quarter and the first half year performance. The growth in the first half was mainly driven by a successful development in AMECS, but the two other regions did also show good growth in Q2 and all in all a good momentum is seen in all regions coming from general improvements in sales performance and an attractive product portfolio.

We were pleased to see the first half earnings of MUSD 18.7 at a margin of 30% resulting in a 75% increase compared to last year. The improvements come as the large number of strategic initiatives implemented

during the last 18 months are starting to show result. The changes have touched a number of areas with the objective of increased efficiency, speed and customer satisfaction.

Innovation remains a key objective to Vizrt and even with a growing revenue our investment in R&D continues remains at a high level, about 14–16% of the total revenue. The high level of investment into R&D is to ensure that we can continue to deliver innovative and robust solutions to our customers around the world, hence contribute to their success and our future growth.

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

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**VIZRT GROUP AS**  
**CONSOLIDATED STATEMENTS OF INCOME**

*In USD thousands*

	Three months ended June 30, <b>2018</b> Unaudited	Three months ended June 30, <b>2017</b> Unaudited	Six months ended June 30, <b>2018</b> Unaudited	Six months ended June 30, <b>2017</b> Unaudited	Year ended December 31, <b>2017</b> Audited
Revenue	34 370	28 046	63 834	56 571	122 216
Cost of sales	-15 012	-12 496	-27 919	-25 788	-54 641
<b>Gross profit</b>	<b>19 358</b>	<b>15 550</b>	<b>35 915</b>	<b>30 783</b>	<b>67 575</b>
Operating expenses:					
Research and development	-2 086	-4 806	-5 146	-9 170	-17 466
Selling and marketing	-9 435	-8 291	-17 875	-16 580	-34 849
General and administrative	-3 754	-3 046	-6 666	-6 013	-11 495
One-off expenses	-456	-1 054	-939	-2 709	-6 925
<b>Total operating expenses</b>	<b>-15 731</b>	<b>-17 197</b>	<b>-30 626</b>	<b>-34 472</b>	<b>-70 736</b>
<b>Operating income (loss)</b>	<b>3 627</b>	<b>-1 646</b>	<b>5 289</b>	<b>-3 690</b>	<b>-3 161</b>
Financial income (expenses)	-11 109	-4 682	-9 772	-9 663	-19 779
<b>Income (loss) before taxes</b>	<b>-7 482</b>	<b>-6 328</b>	<b>-4 483</b>	<b>-13 353</b>	<b>-22 941</b>
Taxes on income (benefit)	171	203	89	(28)	7 039
<b>Net income (loss)</b>	<b>-7 312</b>	<b>-6 125</b>	<b>-4 394</b>	<b>-13 381</b>	<b>-15 902</b>

VIZRT GROUP AS  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

*In USD thousands*

	<b>June 30, 2018</b>	<b>December 31, 2017</b>
	<b>Unaudited</b>	<b>Audited</b>
<b>Assets</b>		
<b>Non-current assets</b>		
Goodwill and intangible assets, net	225 131	231 325
Property, plant and equipment	4 704	4 947
Deferred taxes	13 131	13 242
Other non-current assets	2 713	3 365
<b>Total non-current assets</b>	<b>245 679</b>	<b>252 879</b>
<b>Current assets</b>		
Inventories	4 341	4 128
Trade and other receivables	45 222	33 400
Prepaid expenses and accrued income	10 920	8 794
Restricted cash	363	668
Cash and cash equivalents	29 613	31 811
<b>Total current assets</b>	<b>90 459</b>	<b>78 801</b>
<b>Total assets</b>	<b>336 138</b>	<b>331 680</b>

VIZRT GROUP AS  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

*In USD thousands*

	<b>June 30, 2018</b>	<b>December 31, 2017</b>
	<b>Unaudited</b>	<b>Audited</b>
<b>Equity and liabilities</b>		
<b>Equity and liabilities</b>		
Share capital	9	9
Share premium	4 922	4 922
Reserves	173 959	173 959
Accumulated other comprehensive loss	-575	1 460
Retained earnings including current year result	-94 358	-89 964
<b>Total equity</b>	<b>83 958</b>	<b>90 386</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Bond	99 103	98 706
Loans from related parties	104 046	98 151
Deferred taxes	6 237	7 456
Other non-current liabilities	4 209	4 410
<b>Total non-current liabilities</b>	<b>213 595</b>	<b>208 723</b>
<b>Current liabilities</b>		
Trade and other payables	3 367	2 791
Deferred revenues	16 978	12 631
Employees and payroll accruals	4 623	6 413
Current tax liabilities	6 153	5 333
Other account payables and accrued expenses	7 464	5 403
<b>Total current liabilities</b>	<b>38 585</b>	<b>32 571</b>
<b>Total equity and liabilities</b>	<b>336 139</b>	<b>331 680</b>

VIZRT GROUP AS  
CONSOLIDATED STATEMENTS OF CASH FLOW

In USD thousands

	Three months ended June 30, 2018 Unaudited	Three months ended June 30, 2017 Unaudited	Six months ended June 30, 2018 Unaudited	Six months ended June 30, 2017 Unaudited	Year ended December 31, 2018 Audited	Year ended December 31, 2017 Audited
<b>Cash flows from operating</b>						
Net loss	-7 312	-6 125	-4 394	-13 381	-15 653	-15 902
<b>Adjustments for:</b>						
Depreciation	609	506	1 131	954	1 929	2 960
Amortization	5 587	5 543	11 401	11 108	23 182	22 568
Financial income, net	712	5 111	2 190	9 754	18 691	19 433
Interest paid, net	-2 481	-2 200	-4 704	-4 501	-9 165	-8 808
Income tax paid	235	-726	89	-1 011	-2 675	-1 932
<b>Changes in:</b>						
Inventories	516	-123	-323	-382	1 102	5
Trade and other receivables	-10 715	-3 089	-13 974	-10 831	-7 104	-8 321
Trade and other payables	9 079	2 230	11 897	9 939	881	-6 801
<b>Net cash generated by activities</b>	<b>-3 770</b>	<b>1 127</b>	<b>3 313</b>	<b>1 649</b>	<b>14 627</b>	<b>3 202</b>
Payments for intangible assets	-3 095	-1 362	-5 336	-3 706	-4 449	-8 546
Payments for property, plant and equipment	-713	0	-1 219	0	-2 116	0
Changes in restricted cash	92	0	299	0	212	0
<b>Net cash used in investing activities</b>	<b>-3 716</b>	<b>-1 362</b>	<b>-6 256</b>	<b>-3 706</b>	<b>-4 581</b>	<b>-8 546</b>
Repayment of loan	0	0	0	-11 330	0	-11 330
<b>Net cash generated by activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-11 330</b>	<b>0</b>	<b>-11 330</b>
Effect of movements in exchange rate changes on cash held	168	477	745	779	-260	915
<b>Net change in cash and cash equivalents in the beginning of the period</b>	<b>-7 318</b>	<b>242</b>	<b>-2 198</b>	<b>-12 608</b>	<b>9 786</b>	<b>-15 759</b>
Cash and cash equivalents at the beginning of the period	36 931	34 720	31 811	47 570	31 811	47 570
<b>Cash and cash equivalents at the end of the year</b>	<b>29 613</b>	<b>34 962</b>	<b>29 613</b>	<b>34 962</b>	<b>41 597</b>	<b>31 811</b>



**VIZRT GROUP AS**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

*In USD thousands (except share data)*

	Ordinary shares	Issued capital	Share premium	Parent contribution	Accumulated other comprehensive loss	Retained earnings including current year result	Total equity
Balance at January 1, 2017	60 000	9	4 922	173 959	-1 878	-74 062	102 950
<i>Loss for the year</i>						-15 902	-15 902
<i>Other comprehensive loss</i>					3 338		3 338
Total comprehensive loss for the year					3 338	-15 902	-12 564
<b>Transactions with owners of the company</b>							
Balance at December 31, 2017	60 000	9	4 922	173 959	1 460	-89 964	90 386
Balance at January 1, 2018	60 000	9	4 922	173 959	1 460	-89 964	90 386
<i>Loss for the year</i>						-4 394	-4 394
<i>Other comprehensive income</i>					-2 035		-2 035
Total comprehensive loss for the year					-2 035	-4 394	-6 429
<b>Transactions with owners of the company</b>							
Balance at June 30, 2018	60 000	9	4 922	173 959	-575	-94 358	83 957

**VIZRT GROUP AS**  
**Notes to the financial statements**

*In USD thousands*

	Three months ended June 30, 2018 Unaudited	Three months ended June 30, 2017 Unaudited	Six months ended June 30, 2018 Unaudited	Six months ended June 30, 2017 Unaudited	Year ended December 31, 2017 Audited
<b>Financial expenses breakdown</b>					
Amortization of bond fees	-189	-174	-396	-367	-740
Exchange rate differences and other financial charges	-5 415	437	1 310	549	-11
Interest on bonds	-2 481	-2 301	-4 704	-4 501	-8 220
Fee Rolling Credit Facility	-43	-44	-86	-88	-177
Interest on intercompany loans	-2 981	-2 599	-5 896	-5 257	-10 631
<b>Total financial expenses</b>	<b>-11 109</b>	<b>-4 681</b>	<b>-9 772</b>	<b>-9 664</b>	<b>-19 779</b>

## **Vizrt Group AS**

### **RESPONSIBILITY STATEMENT**

We confirm that, to the best of our knowledge, the condensed financial statements for the period Jan 1 to June 30 2018 has been prepared in accordance with IAS 34 – Interim Financial Reporting, and give a true and fair view of the Group’s assets, liabilities, financial position and results of operations for the period. We also confirm, to the best of our knowledge, that the management overview includes a fair review of important events that have occurred during the first three months of the financial year and their impact on the financial statements, any major related parties’ transactions, and a description of the principal risks and uncertainties

Bergen, August 22, 2018

**Michael Hallén**

(Chairman of the Board of Directors and CEO)

**Esben Ravn Olesen**

(Board Member and CFO)