

Vizrt Group AS Reports H1 and Q2 2015 Results

Bergen, Norway, August 31, 2015. Vizrt Group AS.

Vizrt today reported its financial results for the second quarter of 2015 and the first six months of 2015.

BUSINESS OVERVIEW

On March 19, 2015, Vizrt Group AS (formerly "Aksjeselskapet av 17. Oktober 2014 AS") ("the Company") through its wholly owned subsidiary, Vizrt AG (formerly "24 October Holding AG") signed a Share Purchase Agreement (the "SPA") with Vizrt Ltd. and its shareholders to purchase all issued and outstanding share capital of Vizrt Ltd. for a consideration of MNOK 2,538.5 (MUSD 313.9).

On March 13, 2015 the Company issued Bonds ("the Bonds") amounts to MUSD 113.3. The Bonds are securities which give the bondholders right to interest during the tenor of the Bonds and repayment of principal on the dates set forth in the bond agreement.

The Bonds are the senior liabilities of the issuer and only subordinated to claims preferred by law. The summary below describes the principal terms of the Bonds. Certain terms and conditions described below are subject to important limitations and exceptions. The bond agreement contains the complete terms and conditions of the Bonds.

- The nominal interest rate is three months LIBOR plus a margin of 7.125% which is equal to the yield for the bondholders.
- Interest accrues as of the issue date of the Bonds (13 March, 2015) and is payable quarterly in arrears on 30 March, 30 June, 30 September and 30 December each year (subject to adjustment of business days if the interest payment date falls on a date which is not a business day).
- The maturity date of the Bonds is 13 March 2021.
- The representative of the bondholders is Nordic Trustee ASA.

In order to finance the merger consideration payable in connection with the acquisition of Vizrt Ltd. MUSD 178.3 was contributed to the shareholders' equity by the parent company Vizrt Group Holding AS (formerly "Aksjeselskapet av 16. Oktober 2014 AS"). The necessary additional fund was provided by unsecured inter-company loans.

FINANCIAL OVERVIEW

The financial statements of the Company consolidate the financial statements of Vizrt Ltd. and its operational results from the date of acquisition, March 19, 2015.

The main differences between the financial statements of Vizrt Group AS and Vizrt Ltd. are driven from the following:

- Provisional purchase price allocation for the acquisition of Vizrt Ltd.
- Financing of the acquisitions (bond and intercompany group's loans).
- Consolidation starting from the acquisition date (March 19, 2015).

The Vizrt Ltd. report is accompanied to this report to provide relevant operational analysis and comparison to last year figures. The Vizrt Ltd. report includes Non-GAAP measurements as detailed hereunder. A comparison between the Q2 2015 statements of income of Vizrt Group AS and Vizrt Ltd. is included in the notes.

VIZRT LTD Q2 2015 FINANCIAL HIGHLIGHTS

- Quarterly revenue of MUSD 32.1, down 12% compared to Q2 2014 (down 6% on a dollar neutral basis).
- Recurring EBITDA* of MUSD 7.6, corresponding to a 24% margin, down 5% compared to MUSD 7.9 (22%) in Q2 2014. Recurring EBITDA* margin, improved by 2 percentage points compared to Q2 2014.
- Cash generation from operating activities of MUSD 0.9, down 77% compared to adjusted** MUSD 4.1 in Q2 2014.
- The increase in margins is mainly due to revenue mix, increase in support revenue, favorable currency environment and ceasing to amortize intangible assets***.
- Taxes on income mainly comprised of MUSD 26.2 related to the settlement reached with the Israeli tax authorities in respect of the liquidation of Vizrt Ltd. which is expected to be formally finalized around 2015 yearend. The settlement consideration was paid in August 2015.

VIZRT LTD FINANCIAL REVIEW Q2 AND H1 2015

RESULTS OVERVIEW (INCLUDING NON-GAAP MEASUREMENTS)-

In KUSD	Q2 2015	Q2 2014	Change in %	Q1 2015	Change in %	H1 2015	H1 2014	Change in %
Revenue	32,086	36,388	-12%	31,531	2%	63,617	70,111	-9%
Gross Profit	23,041	24,765	-7%	20,996	10%	44,037	47,915	-8%
<i>Gross Margin</i>	72%	68%		67%		69%	68%	
EBIT	5,995	6,644	-10%	1,564	283%	7,559	12,639	-40%
<i>EBIT-Margin</i>	19%	18%		5%		12%	18%	
Recurring EBIT*	7,063	6,644	6%	5,218	35%	12,281	12,639	-3%
<i>Recurring EBIT-Margin</i>	22%	18%		17%		19%	18%	
EBITDA	6,489	7,996		2,700		9,189	15,010	
<i>EBITDA-Margin</i>	20%	22%		9%		14%	21%	
Recurring EBITDA*	7,557	7,996	-5%	6,355	19%	13,912	15,010	-7%
<i>Recurring EBITDA Margin</i>	24%	22%		20%		22%	21%	
Cash flow from operating activities	945	(13,863)	-107%	(902)	-205%	43	(4,885)	-101%
Adjusted cash flow from operating activities**	945	4,105	-77%	2,752	-66%	3,697	13,083	-72%

* Q2 2015 and Q1 2015 recurring EBIT and recurring EBITDA (above and hereunder) exclude one-off transaction's costs related to the merger and restructuring costs of MUSD 1.1 and MUSD 3.7, respectively.

** Q2 2014 adjusted cash flow from operating activities excludes MUSD 18.0 taxes on income paid on June 30, 2014 as part of the settlement with the Israeli tax authorities. The similar Q1 2015 measurement excludes MUSD 3.7 one-off merger's transaction fee.

*** Following the acquisition of Vizrt Ltd. by Nordic Capital on March 19, 2015, a new Purchase Price Allocation (PPA) was established for the acquiring entity. Vizrt Ltd. stopped amortizing intangible assets derived from former acquisitions it has done before it was acquired. The Q1 2015 and Q2 2014 amortization of intangible assets was MUSD 0.6 and MUSD 0.8, respectively, included in COGS and selling and marketing costs.

For convenience purposes the goodwill and intangible assets are presented in the June 30, 2015 balance sheet based on Non-GAAP measurement in their value as of March 19, 2015 (the acquisition date).

Vizrt Ltd. Geographic breakdown of revenues

In KUSD	Q2 2015	Q2 2014	Change in %	Q1 2015	Change in %	H1 2015	H1 2014	Change in %
EMEA	15,675	17,695	-11%	14,542	8%	30,217	33,755	-10%
AMECS	9,716	8,986	8%	7,790	25%	17,506	18,056	-3%
APAC	6,695	9,707	-31%	9,199	-27%	15,894	18,300	-13%
Revenues	32,086	36,388	-12%	31,531	2%	63,617	70,111	-9%

Revenues in EMEA, AMECS and APAC, accounted for 49%, 30% and 21% of Q2 2015 total revenues, respectively, as compared to 49%, 25% and 27% respectively, in Q2 2014.

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.

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VIZRT GROUP AS
CONSOLIDATED STATEMENTS OF INCOME

U.S. dollars in thousands

	Three months ended June 30, <u>2015</u> <u>Unaudited</u>	Six months ended June 30, <u>2015</u> <u>Unaudited</u>	Year ended December 31, <u>2014</u> <u>Audited</u>
Revenues	\$30,595	\$42,581	\$ -
Cost of revenues	<u>13,538</u>	<u>17,685</u>	<u>-</u>
Gross profit	<u>17,057</u>	<u>24,896</u>	<u>-</u>
Operating expenses:			
Research and development	5,198	5,848	-
General and administrative	2,851	3,120	-
Selling and marketing	11,396	12,601	-
One-off transaction fees	<u>1,310</u>	<u>1,334</u>	<u>-</u>
<u>Total operating expenses</u>	<u>20,755</u>	<u>22,903</u>	<u>-</u>
Operating income (loss)	(3,698)	1,993	-
Financial expenses, net	<u>(4,926)</u>	<u>(6,219)</u>	<u>(3)</u>
Loss before taxes	(8,624)	(4,226)	(3)
Taxes on income	<u>75</u>	<u>970</u>	<u>-</u>
Net loss	<u>(\$8,699)</u>	<u>(\$5,196)</u>	<u>(\$3)</u>

VIZRT GROUP AS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

U.S. dollars in thousands

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
	<u>Unaudited</u>	<u>Audited</u>
ASSETS		
CURRENT ASSETS:		
Cash and short-term deposits	\$57,873	\$105
Restricted cash	196	-
Trade receivables, net	30,969	-
Other accounts receivable and prepaid expenses	4,486	-
Inventories	5,540	-
TOTAL CURRENT ASSETS	<u>99,064</u>	<u>105</u>
NON-CURRENT ASSETS:		
Deferred taxes	2,774	-
Other non-current assets	1,220	-
TOTAL NON-CURRENT ASSETS	<u>3,994</u>	<u>-</u>
PROPERTY AND EQUIPMENT, NET	<u>4,382</u>	<u>-</u>
GOODWILL AND INTANGIBLE ASSETS, NET	<u>282,271</u>	<u>-</u>
TOTAL ASSETS	<u>\$389,711</u>	<u>\$105</u>

VIZRT GROUP AS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

U.S. dollars in thousands

	June 30, 2015	December 31, 2014
	Unaudited	Audited
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short term loans	\$2,537	\$ -
Trade payables	4,200	-
Deferred revenues	8,621	-
Employees and payroll accruals	4,843	-
Tax accruals	30,802	-
Other accounts payable and accrued expenses	6,988	-
TOTAL CURRENT LIABILITIES	57,991	-
NON-CURRENT LIABILITIES:		
Deferred Taxes	15,196	-
Other non- current liabilities	3,913	-
Bond	108,184	-
Loan from related party, net	30,268	103
TOTAL NON-CURRENT LIABILITIES	157,561	103
SHAREHOLDERS' EQUITY:		
Share capital	9	5
Additional paid-in capital	4,922	-
Grand parent contribution	173,959	-
Accumulated other comprehensive loss	468	-
Accumulated deficit	(5,199)	(3)
TOTAL SHAREHOLDERS' EQUITY	174,159	2
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$389,711	\$105

VIZRT GROUP AS
CONSOLIDATED STATEMENTS OF CASH FLOW

U.S. dollars in thousands

	Three months Ended June 30, 2015 <u>Unaudited</u>	Six months Ended June 30, 2015 <u>Unaudited</u>	Year Ended December 31, 2014 <u>Audited</u>
Net Loss	(\$8,699)	(\$5,196)	(\$3)
Adjustments required to reconcile net income to net cash provided by operating activities:			
Depreciation and loss from disposal of property and equipment	509	588	-
Amortization of intangible assets	7,962	9,106	-
Amortization of debenture discount and issuance costs	167	211	-
Financial income, net	1,991	1,991	-
Changes in assets and liabilities:			
Accounts receivable and other receivables	(1,752)	(12,666)	-
Inventories	(155)	2,933	-
Deferred tax	(1,266)	(1,606)	-
Accounts payable and other liabilities	1,091	4,690	103
Cash flows from (used in) operating activities:	<u>(152)</u>	<u>51</u>	<u>100</u>
Cash flows from (used in) investing activities:	<u>(496)</u>	<u>(258,646)</u>	<u>5</u>
Cash flows from financing activities:	<u>779</u>	<u>315,989</u>	<u>-</u>
Effect of exchange rate changes on cash and short term deposits	<u>374</u>	<u>374</u>	<u>-</u>
Increase in cash and cash equivalent	505	57,768	105
Cash and short-term deposits at the beginning of the period	<u>57,368</u>	<u>105</u>	<u>-</u>
Cash and short-term deposits at the end of the period from continuing operations	<u>\$57,873</u>	<u>\$57,873</u>	<u>\$105</u>

VIZRT GROUP AS
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

U.S. dollars in thousands

	Ordinary shares	Share capital	Additional paid-in capital	Other reserve	Accumulated other comprehensive loss	Accumulated deficit	Total Equity
Balance as of January 1, 2014	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Issuance of shares	30,000	5	-	-	-	-	5
Net income	-	-	-	-	-	(3)	(3)
Balance as of December 31, 2014	30,000	5	-	-	-	(3)	2
Net income	-	-	-	-	-	(5,196)	(5,196)
Other comprehensive income	-	-	-	-	468	-	468
Total comprehensive income	-	-	-	-	468	(5,196)	(4,728)
Investment on account of shares*	30,000	4	4,922	-	-	-	4,926
Contribution from controlling shareholder	-	-	-	173,959	-	-	173,959
Balance as of June 30, 2015	60,000	\$ 9	\$ 4,922	\$ 173,959	\$ 468	\$ (5,199)	\$ 174,159

* On March 17, 2015 the par value of the shares was increased from NOK 100 to NOK 200 per share.

VIZRT GROUP AS
Notes to the financial statements

U.S. dollars in thousands

	<u>Q2 2015</u>
<u>Financial expenses breakdown</u>	
Amortization of bond fees	211
Merger related financing fees	1,868
Exchange rate differences	(1,402)
Interest on bonds	2,507
Interest on RCF	45
Interest on intercompany loans	1,696
Total Financial exp. (income)	<u>4,926</u>

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

U.S. dollars in thousands

Q2 2015 Statement of income comparison- Vizrt Group AS - Vizrt Ltd.

	<u>Vizrt Group AS</u>	<u>Vizrt Ltd.</u>	<u>Difference</u>	<u>Explanation</u>
Revenues	\$30,595	\$32,086	(1,491)	Deferred revenue associated with the PPA amortization
Cost of revenues	<u>13,538</u>	<u>9,045</u>	<u>4,493</u>	Intangible assets amortization
Gross profit	<u>17,057</u>	<u>23,041</u>	<u>(5,984)</u>	
Operating expenses:				
Research and development	5,198	5,198	-	
Selling and marketing	11,396	7,929	3,467	Intangible assets amortization
General and administrative	2,851	2,851	-	
One-off transaction fees	<u>1,310</u>	<u>1,068</u>	<u>242</u>	
<u>Total operating expenses</u>	<u>20,755</u>	<u>17,046</u>	<u>3,709</u>	
Operating income	(3,698)	5,995	(9,693)	
Financial expenses	<u>(4,926)</u>	<u>(801)</u>	<u>(4,125)</u>	Financing of Vizrt Ltd acquisition
Income before taxes	(8,624)	5,194	(13,818)	
Taxes on income	<u>75</u>	<u>28,313</u>	<u>(28,238)</u>	Mainly MUS\$ 26.2 related to the Vizrt Ltd liquidation
Net loss	<u>(\$8,699)</u>	<u>(\$23,119)</u>	<u>\$14,420</u>	

Vizrt Group AS RESPONSIBILITY STATEMENT

We confirm that, to the best of our knowledge, the condensed financial statements for the first half of 2015 which have been prepared in accordance with IAS 34 Interim Financial Reporting give a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations for the period. We also confirm to the best of our knowledge that the financial review includes a fair review of important events that have occurred during the first half of 2015 and their impact on the financial statements, any major related parties transactions, and a description of the principal risks and uncertainties for the remaining six months of the financial year.

Bergen, August 31, 2015

Kim Gulstad
(Chairman of the Board of Directors)

Henrik Bakken
(Board Member and CEO)

Vizrt Ltd. H1 and Q2 2015 Financial Statements

VIZRT LTD
CONSOLIDATED STATEMENTS OF INCOME

U.S. dollars in thousands

	Three months ended June 30,		Six months ended June 30,		Year ended December 31,
	2015	2014	2015	2014	2014
	Unaudited		Unaudited		Audited
<u>Continuing Operations</u>					
Revenues	\$32,086	\$36,388	\$63,617	\$70,111	\$141,534
Cost of revenues	9,045	11,623	19,580	22,196	42,695
Gross profit	23,041	24,765	44,037	47,915	98,839
Operating expenses:					
Research and development	5,198	5,779	10,441	11,288	22,466
Selling and marketing	7,929	9,152	15,704	17,747	35,255
General and administrative	2,851	3,190	5,611	6,241	13,384
One-off transaction fees	1,068	-	4,722	-	-
Total operating expenses	17,046	18,121	36,478	35,276	71,105
Operating income	5,995	6,644	7,559	12,639	27,734
Financial expenses	(801)	(204)	(1,271)	(48)	(898)
Income before taxes	5,194	6,440	6,288	12,591	26,836
Taxes on income	28,313	5,211	23,424	6,281	10,877
Net income (loss) from continuing operations	(\$23,119)	\$1,229	(\$17,136)	\$6,310	\$15,959
<u>Discontinued Operations</u>					
Net loss from discontinued operations	-	-	-	409	409
Net income (loss)	(\$23,119)	\$1,229	(\$17,136)	\$5,901	\$15,550

VIZRT LTD
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

U.S. dollars in thousands

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
	<u>Unaudited</u>	<u>Audited</u>
ASSETS		
CURRENT ASSETS:		
Cash and short-term deposits	\$56,529	\$57,653
Restricted cash	196	214
Trade receivables, net	30,969	28,695
Other accounts receivable and prepaid expenses	4,500	4,785
Inventories	5,540	3,458
TOTAL CURRENT ASSETS	<u>97,734</u>	<u>94,805</u>
NON-CURRENT ASSETS:		
Deferred taxes	2,250	1,742
Other non-current assets	1,191	1,149
TOTAL NON-CURRENT ASSETS	<u>3,441</u>	<u>2,891</u>
PROPERTY AND EQUIPMENT, NET	<u>4,382</u>	<u>4,694</u>
INTANGIBLE ASSETS, NET	<u>6,704</u>	<u>7,743</u>
GOODWILL	<u>29,953</u>	<u>31,581</u>
TOTAL ASSETS	<u>\$142,214</u>	<u>\$141,714</u>

VIZRT LTD
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

U.S. dollars in thousands

	June 30, 2015	December 31, 2014
	Unaudited	Audited
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	\$4,200	\$5,088
Deferred revenues	11,783	10,095
Employees and payroll accruals	4,843	8,029
Tax accruals	30,802	3,619
Other accounts payable and accrued expenses	5,970	5,528
TOTAL CURRENT LIABILITIES	57,598	32,359
NON-CURRENT LIABILITIES:		
Deferred Taxes	2,043	7,564
Other non- current liabilities	3,913	3,996
TOTAL NON-CURRENT LIABILITIES	5,956	11,560
SHAREHOLDERS' EQUITY:		
Share capital	163	163
Additional paid-in capital	157,193	157,193
Accumulated other comprehensive loss	(10,679)	(8,680)
Accumulated deficit	(68,017)	(50,881)
TOTAL SHAREHOLDERS' EQUITY	78,660	97,795
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$142,214	\$141,714

VIZRT LTD
CONSOLIDATED STATEMENTS OF CASH FLOW

U.S. dollars in thousands

	Three months Ended June 30,		Six months Ended June 30,		Year Ended December 31,
	2015 Unaudited	2014 Unaudited	2015 Unaudited	2014 Unaudited	2014 Audited
Net Income	(\$23,119)	\$1,229	(\$17,136)	\$5,901	\$15,550
Adjustments required to reconcile net income to net cash provided by operating activities:					
Depreciation and loss from disposal of property and equipment	509	585	1,065	1,111	2,148
Share of loss of an associate	-	-	-	409	409
Amortization of intangible assets	-	795	576	1,289	2,609
Changes in assets and liabilities:					
Accounts receivable and other receivables	(1,741)	(4,109)	(3,504)	(4,315)	(947)
Inventories	(155)	19	(2,252)	(330)	673
Deferred tax	(253)	1,993	(6,840)	1,552	3,037
Accounts payable and other liabilities	25,704	(14,375)	28,134	(10,502)	(6,126)
Cash flows from operating activities:	945	(13,863)	43	(4,885)	17,353
Cash flows used in investing activities:	(423)	(816)	(848)	(15,789)	(17,078)
Cash flows used in financing activities:	-	(279)	-	(3,235)	(2,034)
Effect of exchange rate changes on cash and short term deposits	372	(54)	(319)	(131)	(1,454)
Decrease in cash and cash equivalent	894	(15,012)	(1,124)	(24,040)	(3,213)
Cash and short-term deposits at the beginning of the period	55,635	51,838	57,653	60,866	60,866
Cash and short-term deposits at the end of the period from continuing operations	\$56,529	\$36,826	\$56,529	\$36,826	\$57,653