



**Vizrt Group AS**  
**Quarterly report**  
**March 31, 2015**

# Vizrt Group AS Reports Q1 2015 Results

## 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).

The results of operations of Vizrt Ltd. were included in the consolidated statement of income from the date of acquisition, March 19, 2015.

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 unsecure intercompany loans.

**Vizrt Group AS**  
**Consolidated statement of Financial position**  
**U.S. Dollars in Thousands**

	<u>March 31,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
	<u>Unaudited</u>	<u>Unaudited</u>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and short-term deposits	\$57,368	\$105
Restricted cash	138	-
Trade receivables, net	29,744	-
Other accounts receivable and prepaid expenses	5,069	-
Inventories	5,353	-
<b>TOTAL CURRENT ASSETS</b>	<u>97,672</u>	<u>105</u>
NON-CURRENT ASSETS:		
Deferred taxes	1,794	-
Other non-current assets	1,211	-
<b>TOTAL NON-CURRENT ASSETS</b>	<u>3,005</u>	<u>-</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>4,425</u>	<u>-</u>
<b>GOODWILL AND INTANGIBLE ASSETS, NET</b>	<u>315,560</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$420,662</u></u>	<u><u>\$105</u></u>

**Vizrt Group AS**  
**Consolidated statement of Financial position**  
**U.S. Dollars in Thousands**

	<b>March 31, 2015</b>	<b>December 31, 2014</b>
	<b>Unaudited</b>	<b>Unaudited</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
CURRENT LIABILITIES:		
Trade payables	\$7,371	\$ -
Deferred revenues	10,896	-
Employees and payroll accruals	4,263	-
Tax accruals	4,341	-
Other accounts payable and accrued expenses	7,928	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>34,799</b>	<b>-</b>
NON-CURRENT LIABILITIES:		
Deferred Taxes	63,256	-
Other non- current liabilities	3,747	-
Debenture, net	108,018	-
Loan from related party, net	28,454	103
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>203,475</b>	<b>103</b>
SHAREHOLDERS' EQUITY:		
Share capital	9	5
Additional paid-in capital	4,922	-
Other reserve	173,959	-
Accumulated other comprehensive loss	-	-
Accumulated deficit	3,498	(3)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>182,388</b>	<b>2</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$420,662</b>	<b>\$105</b>

**Vizrt Group AS**  
**Consolidated statement of Income**  
**U.S. Dollars in Thousands**

	<b>Three months ended</b> <b>March 31,</b> <hr/> <b>2015</b> <hr/> <b>Unaudited</b> <hr/>	<b>Year ended</b> <b>December 31,</b> <hr/> <b>2014</b> <hr/> <b>Unaudited</b> <hr/>
Revenues	\$11,986	\$ -
Cost of revenues	<u>4,147</u>	<u>-</u>
Gross profit	<u>7,839</u>	<u>-</u>
Operating expenses:		
Research and development	652	-
General and administrative	269	-
Selling and marketing	1,205	-
One-off transaction fees	<u>24</u>	<u>-</u>
<u>Total operating expenses</u>	<u>2,150</u>	<u>-</u>
Operating income	5,689	-
Financial income (expenses)	<u>(1,293)</u>	<u>(3)</u>
Income before taxes	4,396	(3)
Taxes on income	<u>895</u>	<u>-</u>
Net income (loss)	<u><u>\$3,501</u></u>	<u><u>(\$3)</u></u>

**Vizrt Group AS**  
**Consolidated statement of cash flow**  
**U.S. Dollars in Thousands**

	<b>Three months ended</b> <b>Ended</b> <b>March 31,</b> <b>2015</b> <hr/> <b>Unaudited</b> <hr/>
Net Income	\$3,501
Adjustments required to reconcile net income to net cash provided by operating activities:	
Depreciation and loss from disposal of property and equipment	79
Amortization of intangible assets	1,144
Amortization of debenture discount and issuance costs	44
Changes in assets and liabilities:	
Accounts receivable and other receivables	(10,914)
Inventories	3,088
Deferred tax	(340)
Accounts payable and other liabilities	3,601
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Cash flows from operating activities:	203
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Cash flows used in investing activities:	(258,150)
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Cash flows from financing activities:	315,210
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Effect of exchange rate changes on cash and short term deposits	-
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Decrease in cash and cash equivalent	57,263
Cash and short-term deposits at the beginning of the period	105
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Cash and short-term deposits at the end of the period	\$57,368
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**Vizrt Group AS**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

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

	Ordinary shares	Share capital	Additional paid- in capital	Other reserve	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	-	-	-	-	3,501	3,501
Investment on account of shares*	30,000	4	4,922	-	-	4,926
Contribution from controlling shareholder	-	-	-	173,959	-	173,959
Balance as of March 31, 2015	<u>60,000</u>	<u>\$ 9</u>	<u>\$ 4,922</u>	<u>\$ 173,959</u>	<u>\$ 3,498</u>	<u>\$ 182,388</u>

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



**Appendix**  
**Vizrt Ltd.**  
**Quarterly report**  
**March 31, 2015**



# Vizrt Ltd Reports Q1 2015 Results

This appendix is enclosed to provide meaningful data of the operational results of Vizrt Ltd. for the full first quarter of 2015.

## Results Overview

### FIRST QUARTER 2015 HIGHLIGHTS

§ Quarterly revenues of MUSD 31.5, down 7% compared to Q1 2014.

§ Recurring EBITDA\* of MUSD 6.4, corresponding to a 20% margin, down 9% compared to MUSD 7.0 (21%) in Q1 2014.

§ Adjusted\* cash generation from operating activities of MUSD 2.8, down 69% compared to MUSD 9.0 in Q1 2014.

§ The decrease in margins is mainly due to reduced revenue and lower portion of products revenue compared to the relevant former periods. The margins' decrease was offset by a favorable currency environment.

§ A change in the Company's dividend policy resulted in MUSD 6.5 elimination of deferred tax liabilities against reduction of taxes on income.

### SELECTED FINANCIAL INFORMATION (INCLUDING NON GAAP DATA)

In KUSD	Q1 2015	Q1 2014	Change in %	Q4 2014	Change in %
Revenue	31,531	33,723	-7%	36,229	-13%
Gross Profit	20,996	23,150	-9%	25,763	-19%
Gross Margin	67%	69%		71%	
EBIT	1,564	5,995	-74%	7,870	-80%
EBIT-Margin	5%	18%		22%	
Recurring EBIT*	5,218	5,995	-13%	8,528	-39%
Recurring EBIT-Margin	17%	18%		24%	
EBITDA	2,702	7,014		8,975	
EBITDA-Margin	9%	21%		25%	
Recurring EBITDA*	6,355	7,014	-9%	9,633	-34%
Recurring EBITDA Margin	20%	21%		27%	
Cash flow from operating activities	(902)	8,978	-110%	7,277	-112%
Adjusted cash flow from operating activities*	2,752	8,978	-69%	7,277	-62%

\* Adjustment of recurring EBIT, EBITDA and cash flow (above and hereunder) exclude transaction costs related to the merger of MUSD 3.7 and MUSD 0.7 recorded in Q1 2015 and Q4 2014, respectively.

**Vizrt LTD****Consolidated statement of Financial position**

U.S. Dollars in Thousands

	<b>March 31, 2015</b>	<b>December 31, 2014</b>
	<b>Unaudited</b>	<b>Audited</b>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and short-term deposits	\$55,635	\$57,653
Restricted cash	211	214
Trade receivables, net	29,744	28,695
Other accounts receivable and prepaid expenses	5,068	4,785
Inventories	5,353	3,458
<b>TOTAL CURRENT ASSETS</b>	<b>96,011</b>	<b>94,805</b>
NON-CURRENT ASSETS:		
Deferred taxes	1,794	1,742
Other non-current assets	1,211	1,149
<b>TOTAL NON-CURRENT ASSETS</b>	<b>3,005</b>	<b>2,891</b>
PROPERTY AND EQUIPMENT, NET	4,425	4,694
INTANGIBLE ASSETS, NET	6,704	7,743
GOODWILL	29,953	31,581
<b>TOTAL ASSETS</b>	<b>\$140,098</b>	<b>\$141,714</b>

**Vizrt LTD****Consolidated statement of Financial position**

U.S. Dollars in Thousands

	<b>March 31, 2015</b>	<b>December 31, 2014</b>
	<b>Unaudited</b>	<b>Audited</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
CURRENT LIABILITIES:		
Trade payables	\$7,371	\$5,088
Deferred revenues	10,896	10,095
Employees and payroll accruals	4,263	8,029
Tax accruals	4,341	3,619
Other accounts payable and accrued expenses	6,452	5,528
<b>TOTAL CURRENT LIABILITIES</b>	<b>33,323</b>	<b>32,359</b>
NON-CURRENT LIABILITIES:		
Deferred Taxes	1,724	7,564
Other non- current liabilities	3,747	3,996
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>5,471</b>	<b>11,560</b>
SHAREHOLDERS' EQUITY:		
Share capital	163	163
Additional paid-in capital	157,193	157,193
Accumulated other comprehensive loss	(11,154)	(8,680)
Accumulated deficit	(44,898)	(50,881)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>101,304</b>	<b>97,795</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$140,098</b>	<b>\$141,714</b>

**Vizrt LTD**  
**Consolidated statement of Income**  
**U.S. Dollars in Thousands**

	<b>Three months ended</b>		<b>Year ended</b>
	<b>March 31,</b>		<b>December 31,</b>
	<b>2015</b>	<b>2014</b>	<b>2014</b>
	<b>Unaudited</b>		<b>Audited</b>
<b><u>Continuing Operations</u></b>			
Revenues	\$31,531	\$33,723	\$141,534
Cost of revenues	<u>10,535</u>	<u>10,573</u>	<u>42,695</u>
Gross profit	<u>20,996</u>	<u>23,150</u>	<u>98,839</u>
Operating expenses:			
Research and development	5,243	5,509	22,466
General and administrative	2,760	3,051	13,384
Selling and marketing	7,775	8,595	35,255
One-off transaction fees	<u>3,654</u>	<u>-</u>	<u>-</u>
<u>Total</u> operating expenses	<u>19,432</u>	<u>17,155</u>	<u>71,105</u>
Operating income	1,564	5,995	27,734
Financial income (expenses)	<u>(470)</u>	<u>156</u>	<u>(898)</u>
Income before taxes	1,094	6,151	26,836
Taxes on income	<u>(4,889)</u>	<u>1,070</u>	<u>10,877</u>
Net income (loss) from continuing operations	<u>\$5,983</u>	<u>\$5,081</u>	<u>\$15,959</u>
<b><u>Discontinued Operations</u></b>			
Net loss from discontinued operations	<u>-</u>	<u>409</u>	<u>409</u>
Net income (loss)	<u>\$5,983</u>	<u>\$4,672</u>	<u>\$15,550</u>

**Vizrt LTD****Consolidated statement of cash flow**

U.S. Dollars in Thousands

	Three months ended		Year Ended
	March 31,		December 31,
	2015	2014	2014
	Unaudited		Audited
Net Income	\$5,983	\$4,672	\$15,550
Adjustments required to reconcile net income to net cash provided by operating activities:			
Depreciation and loss from disposal of property and equipment	556	526	2,148
Share of loss of an associate	-	409	409
Amortization of intangible assets	576	494	2,609
Changes in assets and liabilities:			
Accounts receivable and other receivables	(1,763)	(206)	(947)
Inventories	(2,097)	(349)	673
Deferred tax	(6,587)	(441)	3,037
Accounts payable and other liabilities	2,430	3,873	(6,126)
Cash flows from operating activities:	(902)	8,978	17,353
Cash flows used in investing activities:	(425)	(14,973)	(17,078)
Cash flows used in financing activities:	-	(2,956)	(2,034)
Effect of exchange rate changes on cash and short term deposits	(691)	(77)	(1,454)
Decrease in cash and cash equivalent	(2,018)	(9,028)	(3,213)
Cash and short-term deposits at the beginning of the period	57,653	60,866	60,866
Cash and short-term deposits at the end of the period from continuing operations	\$55,635	\$51,838	\$57,653