

Vizrt Reports Q1 2012 Results

Positive Start to the Year

Revenues up 13% compared to Q1 2011

EBIT and Gross Margins improve significantly



Bergen, Norway, May 10, 2012. Vizrt Ltd. (Oslo Main List: VIZ)

Vizrt posted revenues of MUS\$ 31.7 for Q1 2012, up 13% compared to Q1 2011, as the company managed to carry the strong momentum from Q4 2011 into the new year. Especially Vizrt's core BG business performed well, with a 24% Y-o-Y growth. A strong improvement in the Gross Margin from 62% to 67% boosted the Company's operational performance. Compared to the previous three quarters, the general economic sentiment seems to have settled into a state of relative comfort regarding the short to mid-term outlook, which leads management to reiterate its earlier guidance of 13% organic growth and improving margins.

HIGHLIGHTS

- **Revenues:** MUS\$ 31.7, up 13% compared to MUS\$ 28.0 in Q1 2011.
- **EBIT:** MUS\$ 4.0 corresponding to a 13% margin, up 69% compared to MUS\$ 2.4 (8%) in Q1 2011.
- **EBITDA¹:** MUS\$ 5.6 corresponding to an 18% margin, up 40% compared to MUS\$ 4.0 (14%) in Q1 2011.
- **Net profit:** MUS\$ 2.1 (7%) same as Q1 2011.
- **EPS:** USD 0.03 per share, same as Q1 2011, due to financial expenses (currency impact) and higher tax expenses.
- **Cash** provided by operating activities in Q1 2012 was MUS\$ 3.4, up 42%, compared to MUS\$ 2.4 for Q1 2011.
- **Backlog** to date amounts to MUS\$ 50.0, up 25% compared to the same period LY.
- On March 14th the Company announced the closing of the second trench for the acquisition of LiberoVision. Vizrt acquired an additional 20% stake for a consideration of CHF 242,556, paid 80% in cash and 20% in Vizrt's shares. Following the second closing, Vizrt holds 80% of LiberoVision.
- On March 29th the Company paid a dividend to its shareholders. The gross amount was NOK 0.86 per ordinary share and a net amount of NOK 0.69 per share. The total dividend paid was approximately MUS\$ 10.0.

Comments and Outlook

Martin Burkhalter, Vizrt's CEO, commented on the results: "We are pleased with our Q1 performance, which was fully in line with our own expectations. Traditionally the weakest quarter of the year, we still managed to record strong improvements, both for revenues and operating results. We have witnessed no material change in the business climate, other than that we sense that businesses have gotten used to and seem less affected by uncertainty, which has been the overriding sentiment these past few quarters, and as a result are less retracted in their investment outlook. Accordingly our level of comfort regarding the short to mid-term outlook has strengthened. Our customers have continued to make investments in what they feel are their core technological needs, which we serve with our BG and MAM product lines. At the same time, large new projects in ONL are assigned a lower priority and hence capital spending in this area is still less frequent."

¹ EBITDA: Earnings before interest, tax, amortization and depreciation

“Based on the general climate, several large upcoming events, the relevance of our product offering and the strength of our organization to convert opportunities into actual sales, we reiterate our earlier guidance of 13% revenue growth and improving margins.”

Results Overview

In KUSD	Q12012	Q12011	Change in%	Q42011	Change in %
Revenue	31,708	28,001	13%	33,483	-5%
Gross Profit	21,088	17,439	21%	23,156	-9%
Gross Margin	67%	62%		69%	
EBIT	4,013	2,369	69%	7,193	-44%
EBIT Margin	13%	8%		21%	
EBITDA	5,562	3,977	40%	8,891	-37%
EBITDA-Margin	18%	14%		27%	
Net Profit (loss)	2,140	2,141	0%	6,000	-64%
Net Profit-Margin	7%	8%		18%	
EPS	0.03	0.03	0%	0.09	-67%
Backlog	50,026	40,000	25%	46,389	6%
Cash Position	68,565	59,938	14%	73,062	-6%

Vizrt Product Lines and Geographical Overview

Broadcast Graphics (BG)

BG revenues accounted for 79% of total revenues, or MUS\$ 24.9, a 24% growth Y-o-Y. Compared to Q4 2011 BG revenues were down 7%, a small decrease, considering that the first quarter of the financial year is typically much slower than the fourth quarter. BG remains the largest revenue contributor.

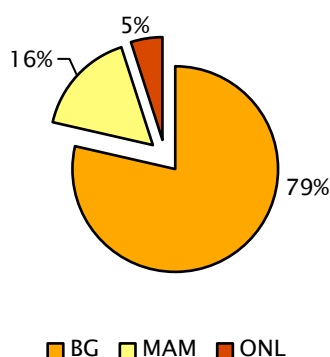
Media Asset Management (MAM)

MAM revenues, with MUS\$ 5.2, came in at the same level as Q1 2011. Compared to Q4 2011, MAM revenues were up 8%. MAM is the second largest contributor to revenues with a share in total revenues of 16% in Q1 2012.

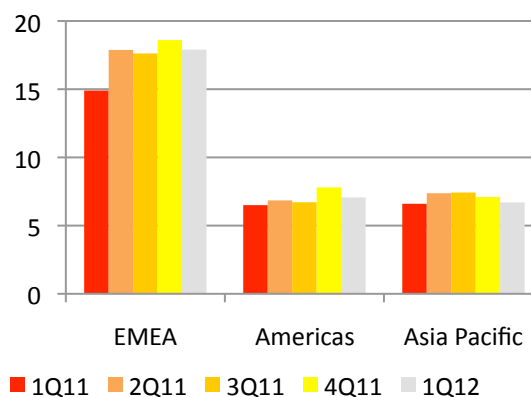
Online (ONL)

ONL revenues accounted for 5% of total revenues, or MUS\$ 1.6, compared to MUS\$ 2.6 in Q1 2011, down significantly. Compared to Q4 2011 ONL revenues were down 12%.

Q1 2012 Revenue Breakdown By Product Line



Quarterly Revenues by Regions



Geographical Overview

All regions contributed to the improved performance in Q1 2012. The strongest growth was recorded in EMEA, where revenues went up by 20% to MUSD 17.9, as compared to MUSD 14.9 for Q1 2011. Revenues in the Americas increased by 9%, from MUSD 6.5 to MUSD 7.1, and revenues in APAC were up 2%, from MUSD 6.6 to MUSD 6.7.

FINANCIALS

Gross Profit and Gross Margin

The gross margin for Q1 2012 came in at 67%, as compared to 62% for the same period LY. The improved gross margin was mainly due to improved margins for MAM. The gross profit for Q1 2012 was affected by a MUSD 0.65 amortization of intangible assets from acquisitions, compared to MUSD 0.8 for Q1 2011. Adjusted for these amortization effects, the gross margins were 69% and 65%, respectively.

Operating Expenses

Total operating expenses for Q1 2012 were MUSD 17.1, up 13% compared to the same period LY. The increase was mainly due to an increase in headcount in Vizrt and staff additions due to the LiberoVision acquisition, which took place in July 2011. Furthermore, a general salary increase implemented throughout the company in 2012, contributed to the cost increase.

Operating expenses summary

In KUSD	Q112	Q111	Q411
R&D	5,108	4,609	4,729
S&M	8,932	7,859	7,993
G&A	3,035	2,602	3,241
OPEX	17,075	15,070	15,963

Currency Effects

Adjusted for the appreciation of the USD compared to Q1 2011 versus the other main currencies Vizrt deals with (Euro, NOK, SEK), revenues would have increased by 15% as compared to the reported 13%. However, the net effect of the strengthening of the USD on earnings was negligible due to the effect on operating expenses.

Taxes

Tax on income for Q112 amounted to MUSD 1.3. The increase in taxes on income in Q112 is mainly a result of the paid out dividend in March 2012 and the adopted dividend policy.

As a result of the adopted dividend policy, by which up streaming earnings generated in the group companies for distribution by the parent company, creates an additional tax liability, the effective annual tax rate is expected to increase to a range of 25–30%. The effective tax rate may vary due to other factors as well.

Order backlog

The order backlog as of May 8, 2012, was MUSD 50.0, up 25%, compared to LY MUSD 40.0, and up 6% compared to the Q4 2011 results release date. BG backlog was at MUSD 25.0, MAM backlog at MUSD 21.0 and ONL backlog at MUSD 4.0. For BG and MAM backlog was up 8% and 80% respectively, compared to the same period LY, whereas for ONL the backlog was down 19%, comparing to the same period LY.

Balance Sheet, Cash Flow and Liquidity

Cash flow generation from operating activities in Q1 2012 was MUSD 3.4, compared to MUSD 2.4 in Q1 2011.

Vizrt has a strong financial position with no interest-bearing debt and a cash position of MUSD 68.6 as of March 31, 2012 (including MUSD 0.6 restricted cash), compared to MUSD 73.1 as of December 31, 2011 (including MUSD 0.6 restricted cash). Cash generation in Q1 2012 was MUSD 3.5 which was offset by the dividend payment, made in late March 2012. Shareholders' equity as of March 31, 2012 stood at MUSD 120.5, which is equivalent to an equity ratio² of 74%.

Organization

As of March 31, 2012, the Company had 583 employees, compared to 585 as of December 31, 2011 and 546 employees as of March 31, 2011. The increase compared to March 31, 2011 is mainly due to increased staffing in low cost countries, as well as additional employees resulting from the acquisition of LiberoVision in Q3 2011.

² Equity divided into Total liabilities and Equity

Analyst Conference

An Analyst Conference will be held at 09:30 a.m. (CET) at DNB Head Offices, **Stranden 21 in Oslo**.

Management will furthermore discuss Q1 2012 results in a conference call at 1.30 p.m. (CET) Call details are as follows:

+47 24 159585 (Norway)

+44 203 1474861 (UK)

+49 69 247501893 (Germany)

A replay of the call will be available until May 17, 2011. Please use the following dial-in-numbers:

+49 30 868757040 (Germany); +44 203 024 54 07 (UK), +1 408 9160685 (US)

passcode: 9418547#

Contacts

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SHAREHOLDER related Information

As of March 31, 2012, the Company had a total of 66,438,455 shares outstanding.

Shareholders as of March 31, 2012

Shareholder	No. of shares	% of shares
FSN Capital III *)	10,664,003	16.05%
Orkla	6,233,548	9.38%
Ferd AS Invest	6,015,630	9.05%
Odin	3,554,759	5.35%
Alfred Berg Group NO	3,518,043	5.30%
NORDEA FONDENE NORGE	3,302,029	4.97%
Holberg Fund AS	3,062,302	4.61%
Employees	2,159,073	3.25%
Directors & Officers	601,007	0.90%
Public	<u>27,328,061</u>	<u>41.14%</u>
Total	66,438,455	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
U.S. dollars in thousands (except share and per share data)

	Three months ended March 31,		Year ended December 31,
	2012	2011	2011
	Unaudited		Audited
Revenues	\$ 31,708	\$ 28,001	\$ 125,342
Cost of revenues	10,620	10,562	42,501
Gross profit	21,088	17,439	82,841
Operating expenses:			
Research and development	5,108	4,609	19,154
General and administrative	3,035	2,602	11,369
Selling and marketing	8,932	7,859	33,829
<u>Total operating expenses</u>	<u>17,075</u>	<u>15,070</u>	<u>64,352</u>
Operating income	4,013	2,369	18,489
Financial expenses (income), net	498	(349)	(1,050)
Income before taxes	3515	2,718	19,539
Taxes on income	1,311	577	3,231
Income before equity in losses of an affiliate company	2,204	2,141	16,308
Equity losses of an affiliated com- pany	64	-	339
Net income	<u>\$ 2,140</u>	<u>\$ 2,141</u>	<u>\$ 15,969</u>
Basic net income per share	<u>\$ 0.03</u>	<u>\$ 0.03</u>	<u>0.24</u>
Diluted net income per share	<u>\$ 0.03</u>	<u>\$ 0.03</u>	<u>0.24</u>
Weighted average number of sha- res used in computing basic net income per share	<u>66,170,389</u>	<u>65,540,528</u>	<u>65,817,876</u>
Weighted average number of sha- res used in computing diluted net income per share	<u>67,595,876</u>	<u>67,391,259</u>	<u>67,589,677</u>

VIZRT LTD.
CONSOLIDATED STATMENTS OF FINANCIAL POSITION

U.S. dollars in thousands

	March 31, 2012 Unaudited	December 31, 2011 Audited
ASSETS		
CURRENT ASSETS:		
Cash and short-term deposits	\$ 67,986	\$ 72,444
Restricted cash	400	165
Trade receivables, net	30,337	27,088
Other accounts receivable and prepaid expenses	2,745	2,711
Inventories	3,643	3,235
TOTAL CURRENT ASSETS	105,111	105,643
LONG-TERM RESTRICTED CASH	179	453
LONG-TERM ASSETS:		
Deferred taxes	1,049	571
Other non-current assets	2,238	2,224
	3,287	2,795
PROPERTY AND EQUIPMENT, NET	5,597	5,019
INTANGIBLE ASSETS, NET	11,017	11,409
GOODWILL	38,378	36,849
TOTAL ASSETS	\$ 163,569	\$ 162,168

VIZRT LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

U.S. dollars in thousands

	March 31, 2012	December 31, 2011
	Unaudited	Audited
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	\$ 3,658	\$ 4,302
Deferred revenues	9,879	6,709
Employees and payroll accruals	7,542	8,179
Tax accruals	11,390	10,147
Other accounts payable and accrued expenses	8,267	5,083
TOTAL CURRENT LIABILITIES	40,736	34,420
LONG-TERM LIABILITIES:		
Deferred Taxes	1,321	683
Other non- current liabilities	1,036	2,299
TOTAL LONG-TERM LIABILITIES	2,357	2,982
SHAREHOLDERS' EQUITY:		
Share capital	159	158
Additional paid-in capital	154,458	154,228
Accumulated other comprehensive loss	(347)	(3,648)
Accumulated deficit	(33,794)	(25,972)
TOTAL SHAREHOLDERS' EQUITY	120,476	124,766
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 163,569	\$ 162,168

VIZRT LTD.
CONSOLIDATED STATEMENTS OF CASH FLOW

U.S. dollars in thousands

	Three months ended March 31,		Year Ended December 31,
	2012	2011	2011
	Unaudited		Audited
Net Income	\$ 2,140	\$ 2,141	\$ 15,969
Adjustments required to reconcile net income to net cash provided by operating activities:			
Depreciation	650	583	2,288
Amortization of intangible assets	899	1,026	3,751
Changes in assets and liabilities:			
Accounts receivables and other receivables	(2,806)	(953)	1,096
Inventories	(354)	(282)	(136)
Deferred tax	38	(396)	(2,020)
Account payables and other liabilities	2,831	265	3,633
Cash flows from operating activities:	3,398	2,384	24,581
Cash flows from investing activities:	(1,044)	(648)	(8,341)
Cash flows from financing activities:	(7,814)	3	116
Effect of exchange rate changes on cash and short term deposits	1,002	719	(917)
Increase (decrease) in cash and cash equivalent	(4,458)	2,458	15,439
Cash and short-term deposits at the beginning of the period	72,444	57,005	57,005
Cash and short-term deposits at the end of the period	\$ 67,986	\$ 59,463	\$ 72,444