

Vizrt Reports 2011 and Q4 2011 Results

New Records:

Full Year and Quarterly Revenues

Full Year and Quarterly EBIT

Strong Cash Generation



Bergen, Norway, February 17, 2012. Vizrt Ltd. (Oslo Main List: VIZ)

For 2011, the Company achieved record revenues of MUS\$ 125, a 19% increase compared to 2010. Main growth driver was the BG product line. Geographically, APAC led growth with a 38% increase compared to 2010. Vizrt posted an operating income of MUS\$ 18.5 (15% margin) FY 2011 and MUS\$ 7.2 (21% margin) in Q4 2011. Profitability improved significantly compared to 2010, including both gross margin and EBIT margin. Strong cash generation of MUS\$ 21.9 in 2011, off-set by the LiberoVision (LV) acquisition first closing pay-out of MUS\$ 6.3.

HIGHLIGHTS

- Revenues for FY2011 came in at MUS\$ 125.3, up 19% compared to FY 2010. Revenues for Q4 2011 were MUS\$ 33.5, up 5% compared to the same period LY.
- Recurring operating income¹ was MUS\$ 18.5 (15%) FY2011 and MUS\$ 7.2 (21%) for Q4 2011, compared to MUS\$ 9.5 (9%) and MUS\$ 4.2 (13%) for the same periods LY.
- EBITDA² reached MUS\$ 24.9 FY 2011 and MUS\$ 8.9 for Q4 2011, corresponding to a 20% and 27% margin respectively, compared to MUS\$ 16.1 (15%) and 6.2 (19%) for the same periods LY.
- The Company posted a net profit of MUS\$ 16.0 (13%) FY2011 and MUS\$ 6.0 (18%) for Q4 2011, compared to MUS\$ 4.5 (4%) and MUS\$ -0.2 (-1%) for the same periods LY.
- Backlog to date is MUS\$ 46.4, up 15% compared to the same period LY.
- Cash generated from operating activities FY 2011 was MUS\$ 24.6, compared to MUS\$ 12.9 FY 2010. Cash provided by operating activities in Q4 2011 was MUS\$ 12.4, compared to MUS\$ 8.3 for Q4 2010. As of December 31, 2011 the net cash position was MUS\$ 73.1, up from September 30, 2011 by MUS\$ 10.7. Cash was boosted by improved collection, with accounts receivable going down by MUS\$ 3.2, compared to Q3 2011 and DSO going down from 86 to 73.
- The board of directors is to resolve on dividend distribution in its next meeting, scheduled to be held on March 15, 2012.

Martin Burkhalter, Vizrt CEO, commented on the results: "Having achieved record revenues is of course very pleasing. This year saw investment decisions being postponed till the very end of the year, when, in our opinion, companies felt confident enough about market conditions to commit to the capital investments they had wanted to make in 2011. This resulted in an even greater than normal inflow of deals towards the very end of the quarter. This market dynamic of postponed but eventually approved investments makes us believe that companies did not expect a significant downturn in the economy in the short term, as was the case in late 2008 and much of 2009, but at the same time that decision makers were strongly guided by uncertainty and caution."

"During the quarter, we continued to improve the integration of the various product lines, which not only has made our own operations more efficient, but also enhanced the value proposition to our customers. The effect of these efforts has been strong cross selling of our BG products to existing MAM, ONL and LiberoVision customers."

¹ Excluding non cash goodwill impairments related to Escenic purchase recorded in Q4 2010 in the amount of MUS\$ 3.5

² EBITDA: Earnings before interest, tax, amortization and depreciation

“Decision making cycles for MAM and ONL transactions have lengthened, especially for the larger projects. As a consequence, results from these product lines were not as strong as those for BG. However, the launch of the latest version of our Viz Media Engine product towards the end of 2011 has created significant interest and we are seeing a growing deal volume coming through now.”

“We were very satisfied with the development of our profitability, partially explained by the strong performance of our BG business line, which carries a higher margin than our other activities. Overall, our focus on increased operational efficiency paid off with OPEX increasing at a much lower rate than our revenue growth.”

Results Overview

In KUSD	Q42011	Q42010	Change in%	Q32011	Change in %
Revenue	33,483	31,771	5%	31,760	5%
Gross Profit	23,156	20,057	15%	21,080	10%
<i>Gross Margin</i>	<i>69%</i>	<i>63%</i>		<i>66%</i>	
Recurring Operating Income	7,193	4,221	70%	3,792	90%
Recurring Operating Income–Margin	<i>21%</i>	<i>13%</i>		<i>12%</i>	
EBITDA	8,891	6,157	44%	5,628	58%
<i>EBITDA–Margin</i>	<i>27%</i>	<i>19%</i>		<i>18%</i>	
Net Profit (loss)	6,000	–193	N/A	3,320	81%
<i>Net Profit–Margin</i>	<i>18%</i>	<i>–1%</i>		<i>10%</i>	
EPS	0.09	0.00	N/A	0.05	81%
Backlog	46,389	40,225	15%	48,673	–5%
Cash Position	73,062	57,473	27%	62,374	17%

Vizrt Product Lines and Geographical Overview

Broadcast Graphics (BG)

BG revenues for FY 2011, with MUS\$ 96.2, accounted for 77% of total revenues, a 24% growth Y-o-Y and a 15% growth comparing Q4 2011 to Q4 2010. Compared to Q3 2011, BG revenues were up 4%.

Media Asset Management (MAM)

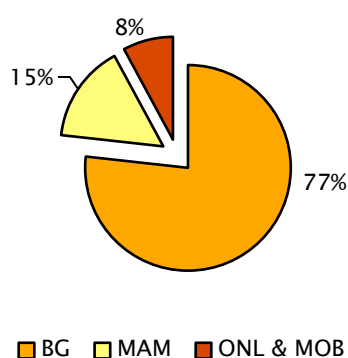
MAM revenues FY 2011 accounted for 15% of total revenues and came in at MUS\$ 19.2, a 2% decrease Y-o-Y and an 18% decrease comparing Q4 2011 to Q4 2010. Compared to Q3 2011, MAM revenues were up by 11%.

Online & Mobile (ONL & MOB)

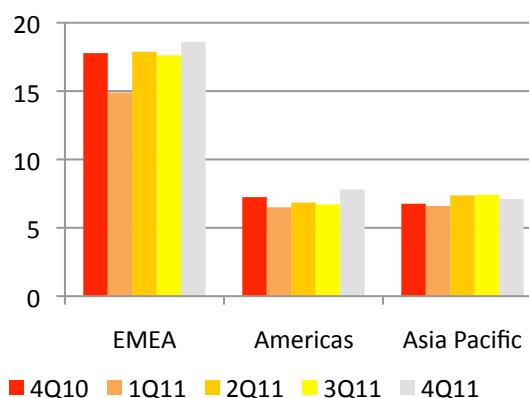
ONL & MOB revenues for FY 2011 accounted for 8% of total revenues with MUS\$ 9.9, compared to MUS\$ 8.5 for 2010, a 17% growth, of which organic growth accounted for 3%. Comparing Q4 2011 to Q4 2010, revenues for this segment decreased by 26%. Compared to Q3 2011 ONL & MOB revenues were up by 12%.

Our Mobile technology is basically a technical extension of our existing business lines (MAM, Online, BG) and it is therefore natural to include Mobile as a product into our existing business lines. Therefore, this is the last time that Vizrt will report MOB separately.

2011 Revenue Breakdown By Product Line



Quarterly Revenues by Regions



Geographical Overview

All regions contributed to the improved performance in 2011, with the strongest growth recorded in APAC, where revenues went up by 38% to MUSD 28.5, as compared to MUSD 20.1 for 2010. Revenues in the EMEA region were up by 16%, from MUSD 59.5 to MUSD 69.0, and revenues in the AMERICAS were up 9%, from MUSD 25.4 to MUSD 27.8.

FINANCIALS

Gross Profit and Gross Margin

The gross margin for 2011 was 66%, as compared to 62% for the same period LY. The increase is mainly due to changes in the product mix sold and improved margins for BG. The gross profit for 2011 was affected by a MUSD 2.8 amortization of intangible assets from acquisitions, compared to MUSD 3.2 for FY 2010. Adjusted for these amortization effects, the gross margin was 68%, compared to 65% LY.

The gross margin for Q4 2011 was 69%, as compared to 63% for the same period LY. The gross profit was affected by MUSD 0.7 in Q4 2011, compared to MUSD 0.8 in Q4 2010, in relation to the amortization of intangible assets resulting from acquisitions. Adjusted for these amortization effects, the gross margin was 71% compared to 66% for FY 2010.

Operating Expenses

Total operating expenses for FY 2011 were MUSD 64.4, up 7.5% 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, the ongoing implementation of the regionalization program, as well as a general salary increase implemented throughout the company in 2011, all contributed to the cost increase. The increase in total operating expenses was significantly below the revenue growth rate (7.5% versus 19%).

Currency Effects

Currency fluctuations in the second half of the year, especially the appreciation of the USD, neutralized the effects as reported for the first half of 2011. The net currency effect, both on OPEX and revenues, was near to neutral and of no material influence when analyzing the full year results.

Operating expenses summary

In KUSD	2011	2010	Q411	Q410	Q311
R&D	19,154	15,728	4,729	4,493	5,057
S&M	33,829	30,531	7,993	8,379	9,322
G&A	11,369	10,097	3,241	2,694	2,909
OPEX	64,352	56,356	15,963	15,836	17,288

Order backlog

The order backlog as of February 15, 2012, was MUSD46.4, up15%, compared to LY MUSD 40.2, and down 5% compared to the Q3 2011 results release date. LV backlog amounting to MUSD 2.9 is included under BG. BG backlog was at MUSD 24.8, MAM backlog at MUSD 16.6, ONL backlog at MUSD 4.7 and Mobile streaming, related to Adactus, at MUSD 0.3. For BG and MAM backlog was up 18% and 22%, respectively, com-

pared to the same period LY, whereas for ONL&MOB the backlog was down 12%, comparing to the same period LY.

Balance Sheet, Cash Flow and Liquidity

Cash flow generation from operating activities in 2011 was MUSD 24.6, compared to MUSD 12.9 in 2010. Net cash provided by operating activities in Q4 2011 was MUSD 12.4, compared to MUSD 8.2 in Q4 2010. A net cash consideration of MUSD 6.3 was paid on July 1, 2011 for the first 60% of LiberoVision shares.

Vizrt has a strong financial position with no interest-bearing debt and a net cash position of MUSD 73.1 as of December 31, 2011 (including MUSD 0.6 restricted cash), compared to MUSD 57.5 as of December 31, 2010 (including MUSD 0.5 restricted cash). Furthermore, shareholders' equity as of December 31, 2011 was MUSD 124.8, which is equivalent to an equity ratio³ of 77%.

Taxes

As communicated in 2011, Vizrt Ltd. is undergoing a tax assessment for the years 2006 through 2008. A tax assessment has been issued for the year 2006 which, even if it becomes final following the on-going appeal process initiated by the Company, will not have a material impact on the Company's consolidated financial results. No tax assessment has so far been issued for the years 2007 and 2008. Currently, the Company's management is unable to predict the outcome of the deliberations with the tax authorities on its consolidated financial results.

Organization

As of December 31, 2011, the Company had 585 employees, compared to 543 as of December 31, 2010. This increase is mainly due to increased staffing in low cost countries, as well as an additional 16 employees resulting from the acquisition of LiberoVision in Q3 2011.

Post Balance-Sheet Event

Subsequent to YE 2011 and in accordance with the terms of the SPA to acquire LiberoVision AG, the Second Closing for the purchase of 20% of LiberoVision shares was concluded and will be completed no later than March 31, 2012. Following completion, Vizrt will hold 80% of the share capital of LiberoVision.

OUTLOOK

Martin Burkhalter, Vizrt CEO, stated, "Despite the strong Q4 performance, we sense that the macro-economic environment continues to be characterized by uncertainty. We are receiving some mixed signals from the market and concerns related to public debt, uncertainties related to the EURO, and signs of lower economic growth in the Eurozone countries and the U.S., might in the mid or long-term have an adverse impact on market conditions. However, based on our strong product offering, combined with certain large events such as the Olympic Games and the European Football Championships, as well as the 2012 U.S. Presidential elections, we reiterate our outlook for 2012 of an organic revenue growth target of around 13%, with full year EBITDA improving towards our long term target of 23%."

³ Equity divided into Total liabilities and Equity

“For 2012 we will focus on organic growth through consolidation of past acquisitions, further integration between product lines and our increased sales capabilities in the regions. Due to the prevailing uncertainty, we will continue to focus strongly on controlling OPEX to protect our profitability.”

Analyst Conference

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

Management will furthermore discuss the FY 2011 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 February 24, 2011. Please use the following dial-in-numbers:

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

passcode: 9418547#

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SHAREHOLDER related Information

As of December 31, 2011, the Company had a total of 66,086,978 shares outstanding.

Shareholders as of December 31, 2011

Shareholder	No. of shares	% of shares
FSN Capital III *)	10,664,003	16.14%
Orkla	6,503,000	9.84%
Ferd AS Invest	6,015,630	9.10%
Alfred Berg Group NO	4,017,164	6.08%
Odin	3,554,759	5.38%
Holberg Fund AS	3,235,488	4.90%
NORDEA FONDENE NORGE	3,059,853	4.63%
Employees	2,105,975	3.19%
Directors & Officers	591,807	0.90%
Public	<u>26,339,299</u>	<u>39.84%</u>
Total	66,086,978	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

	Year ended December 31,		Three months ended December 31,	
	2011	2010	2011	2010
	Unaudited	Audited	Unaudited	
Revenues	\$ 125,342	\$ 105,613	\$ 33,483	\$ 31,771
Cost of revenues	42,501	39,784	10,327	11,714
Gross profit	82,841	65,829	23,156	20,057
Operating expenses:				
Research and development	19,154	15,728	4,729	4,493
General and administrative	11,369	10,097	3,241	2,964
Selling and marketing	33,829	30,531	7,993	8,379
Impairment of goodwill	-	3,507	-	3,507
<u>Total operating expenses</u>	<u>64,352</u>	<u>59,863</u>	<u>15,963</u>	<u>19,343</u>
Operating income	18,489	5,966	7,193	714
Financial income (expenses), net	1,050	(893)	742	514
Other income (expenses)	-	1,105	-	(12)
Income before taxes	19,539	6,178	7,935	212
Taxes on income	3,231	1,719	1,816	405
Income before equity in losses of an affiliate company	16,308	4,459	6,119	(193)
Equity in losses of an affiliated com- pany	339	-	119	-
Net income (loss)	<u>\$ 15,969</u>	<u>\$ 4,459</u>	<u>\$ 6,000</u>	<u>\$ (193)</u>
Basic net income per share	<u>\$ 0.24</u>	<u>\$ 0.07</u>	<u>\$ 0.09</u>	<u>\$ 0.00</u>
Diluted net income per share	<u>\$ 0.24</u>	<u>\$ 0.07</u>	<u>\$ 0.09</u>	<u>\$ 0.00</u>
Weighted average number of shares used in computing basic net income per share	<u>65,817,876</u>	<u>65,141,693</u>	<u>66,082,034</u>	<u>65,292,766</u>
Weighted average number of shares used in computing diluted net income per share	<u>67,589,677</u>	<u>67,083,539</u>	<u>67,782,400</u>	<u>65,292,766</u>



VIZRT LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
U.S. dollars in thousands

	December 31, 2011 Unaudited	December 31, 2010 Audited
ASSETS		
CURRENT ASSETS:		
Cash and short-term deposits	\$ 72,444	\$ 57,005
Restricted cash	165	60*
Trade receivables, net	27,088	27,111
Other accounts receivable and prepaid expenses	2,707	3,588
Inventories	3,235	3,140
TOTAL CURRENT ASSETS	105,639	90,904
RESTRICTED CASH	453	408*
LONG-TERM ASSETS	2,799	3,344
PROPERTY AND EQUIPMENT, NET	5,019	5,082*
INTANGIBLE ASSETS, NET	11,409	11,966
GOODWILL	36,849	31,482
TOTAL ASSETS	\$ 162,168	\$ 143,186

*Reclassified

VIZRT LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

U.S. dollars in thousands

	December 31, 2011	December 31, 2010
	Unaudited	Audited
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	\$ 4,302	\$ 4,323
Deferred revenues	6,709	8,079
Employees and payroll accruals	8,179	6,103
Tax accruals	10,147	7,337*
Other accounts payable and accrued expenses	5,083	4,295
TOTAL CURRENT LIABILITIES	34,420	29,662
LONG-TERM LIABILITIES:		
Deferred taxes	683	2,503*
Other non- current liabilities	2,299	599
	2,982	3,577
SHAREHOLDERS' EQUITY:		
Share capital	158	156
Additional paid-in capital	154,228	152,183
Accumulated other comprehensive (loss) income	(3,648)	(451)
Accumulated deficit	(25,972)	(41,941)
TOTAL SHAREHOLDERS' EQUITY	124,766	109,947
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 162,168	\$ 143,186

*Reclassified

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

	Year ended December 31,	
	2011	2010
	Unaudited	Audited
Net Income	\$ 15,969	4,459
Adjustments required to reconcile net income to net cash provided by operating activities:		
Depreciation	2,456	2,251
Amortization of intangible assets	3,751	4,122
Write off of goodwill and impairment of an investment	–	3,507
Changes in assets and liabilities:		
Accounts receivables and other receivables	655	(3,454)
Inventories	(136)	671
Deferred tax	(2,495)	(1,388)*
Revaluation gain from gaining control in Adactus	–	(1,138)
Account payables and other liabilities	4,422	3,855*
Cash flows from operating activities:	24,622	12,885
Cash flows from investing activities:	(8,340)	(6,880)
Cash flows from financing activities:	118	997
Effect of exchange rate changes on cash and short term deposits	(961)	347
Increase in cash and short-term deposits	15,439	7,349
Cash and short-term deposits at the beginning of the period	57,005	49,656
Cash and short-term deposits at the end of the period	\$ 72,444	\$ 57,005

*Reclassified