

# Link Mobility Group ASA

Financial Result

First quarter 2015

## Highlights Q1 2015

### **Solid quarter**

The mobile B2B service business is traditionally experiencing a slow start of the year, this year however Link Mobility Group (LINK) can present a solid Q1 in term of both revenue and profits with revenue of MNOK 72,3 and EBITDA MNOK 8,7.

There are growing profits from all markets and most business segments with a 112 per cent increase in EBITDA at Group level (adjusted for businesses acquired in 2014).

### **Strong market position in a growing market**

In Q1 LINK sent 162,5 million SMS for its 5.500 business, NGO and public service customers. Representing an increase of 33 per cent from Q1 2014. In March 2015 alone LINK sent 61,8 million SMS, the highest number ever sent during one month.

4,8 million unique Norwegian mobile subscribers did in Q1 receive SMSs provided by LINK. Given the total Norwegian population of 5,2 million, LINK proves to have the technology and resources to assist its customers in reaching a remarkable percentage of the population.

In Q1 LINK had 39 per cent of the Norwegian A2P SMS market and 13 per cent of the Swedish A2P SMS market. The strong market position in the SMS segment together with LINK's broad spectre of other mobile services extending from LINK Dialog, LINK Payment, LINK Licence and LINK Consulting, gave LINK an unique ability to provide all essential advices and solutions to meet its customers rapid growing demands for mobile services.

The contract with The Olav Thon Group's 107 shopping centres, announced in Q4 2014, started up in Q1 making LINK the complete provider of all mobile solutions for the shopping centres' customer clubs including hosting, CRM, web solutions and marketing. The contract with Nets Norge AS, announced in Q1, strengthen LINK's position in the market for mobile payment.

### **Organizational achievements creating value**

The successful operational merge between LINK's two fully owned Norwegian subsidiaries PSWinCom AS (PSW) and LINK Mobility AS during Q1, has created Norway's by fare largest provider of mobile B2B services with an outstanding capacity to meet the growing marked in terms of its highly scalable technology, operational resources, business models and skilled employees.

New management and strengthening of the sales department of the Swedish fully owned subsidiary Link Mobility AB, lifted the Swedish business during Q1.

These most positive organizational and structural developments have given LINK the position as Scandinavia's largest provider of B2B SMS, and will contribute to further growth and profitability.

**New contracts and businesses**

In order to strengthen its present in other markets, LINK has during Q1 entered into agreement with Eniro A/S regarding the acquisition of Eniro's Danish InTouch customer portfolio.

The Norwegian business has during Q1 won severer major contracts:

- Nets Norway AS, the leading provider of payments, cards and information services has chosen LINK as its partner for mobile payment solutions for the Nordic market. Through this agreement, LINK's operator payment solutions will be made available as a payment option for merchants using Netaxept in Norway, Sweden, Denmark and Finland.
- The Storebrand Group, a leading player in the Nordic market for long-term savings and insurance, has chosen LINK as the provider of all SMS services for the Group; including hosting of short numbers and customer dialogue.
- Flytoget AS, the Airport Express Train, has chosen LINK's systems and SMS services to ensure reliable and efficient communication within its organization in order to provide punctual and good service for its travellers.
- Contracts of strategic importance have also been signed with Intrum Justitia AS, a leading credit management company, and SPN AS a company that provides credit management software to the Nordic market.

The Swedish business has during Q1 increased its customer portfolio significantly, and won several large contracts including these major international contracts:

- Clas Ohlson AB signed a global agreement with LINK for mobile communications with its 1,4 million loyalty club members in Club Clas.
- Hemtex AB signed an agreement with LINK regarding mobile communications solutions for its 1,4 million Customer Club members in Studio Hemtex.

## Financial Performance

LINK had revenue of MNOK 72,3, gross margin of MNOK 31,2 and EBITDA of MNOK 8,7 in Q1 2015, giving a gross margin ratio of 43 per cent and an EBITDA ratio of 12 per cent.

PSW was acquired 30 December 2014 and is thus not included in LINK's official financial reports for 2014. Analysis of LINK's Q1 2015 financials in terms of comparisons with previous periods will therefore have to be based on the following Consolidated Profits and Loss statement that also include PSW:

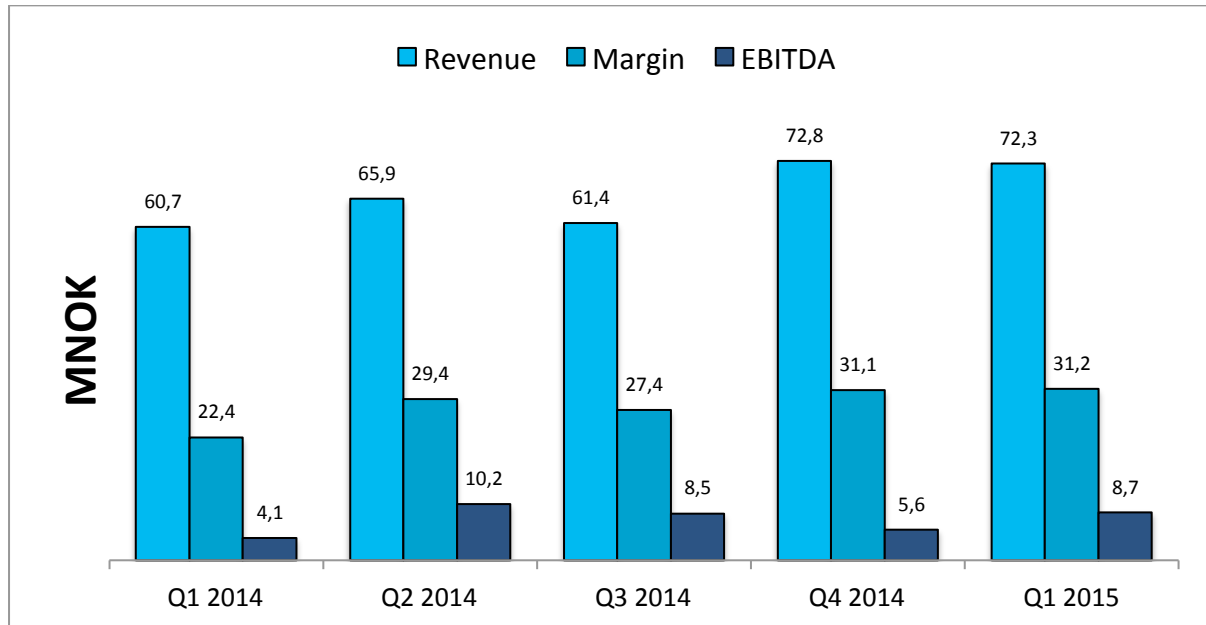
TNOK	Q1 2015	Q1 2014	Change	Δ %
Revenues	72 306	60 727	11 579	19 %
<b>Total operating revenues</b>	<b>72 306</b>	<b>60 727</b>	<b>11 579</b>	<b>19 %</b>
Cost of services rendered	41 152	38 294	2 858	7 %
Payroll	17 836	12 795	5 041	39 %
Other operating expenses	4 668	5 555	-887	-16 %
<b>Total operating expenses</b>	<b>63 655</b>	<b>56 644</b>	<b>7 011</b>	<b>12 %</b>
<b>EBITDA</b>	<b>8 650</b>	<b>4 083</b>	<b>4 567</b>	<b>112 %</b>

Compared with the financial performance in Q1 2014, the revenue increased with 19 per cent by MNOK 11,6 from MNOK 60,7 to MNOK 72,3.

Gross margin increased with MNOK 8,7 from MNOK 22,4 to MNOK 31,2. Increasing the margin ratio from 37 per cent to 43 per cent. There were stronger gross margins in the main business segments.

EBITDA increased with 112 per cent by MNOK 4,6 from MNOK 4,1 to MNOK 8,7. Giving an increase in EBITDA margin from 6,7 per cent to 12 per cent.

The figures below show the overall financial development during the period from Q1 2014 to Q1 2015, including PSW, in terms of revenue, gross margin and EBITDA.

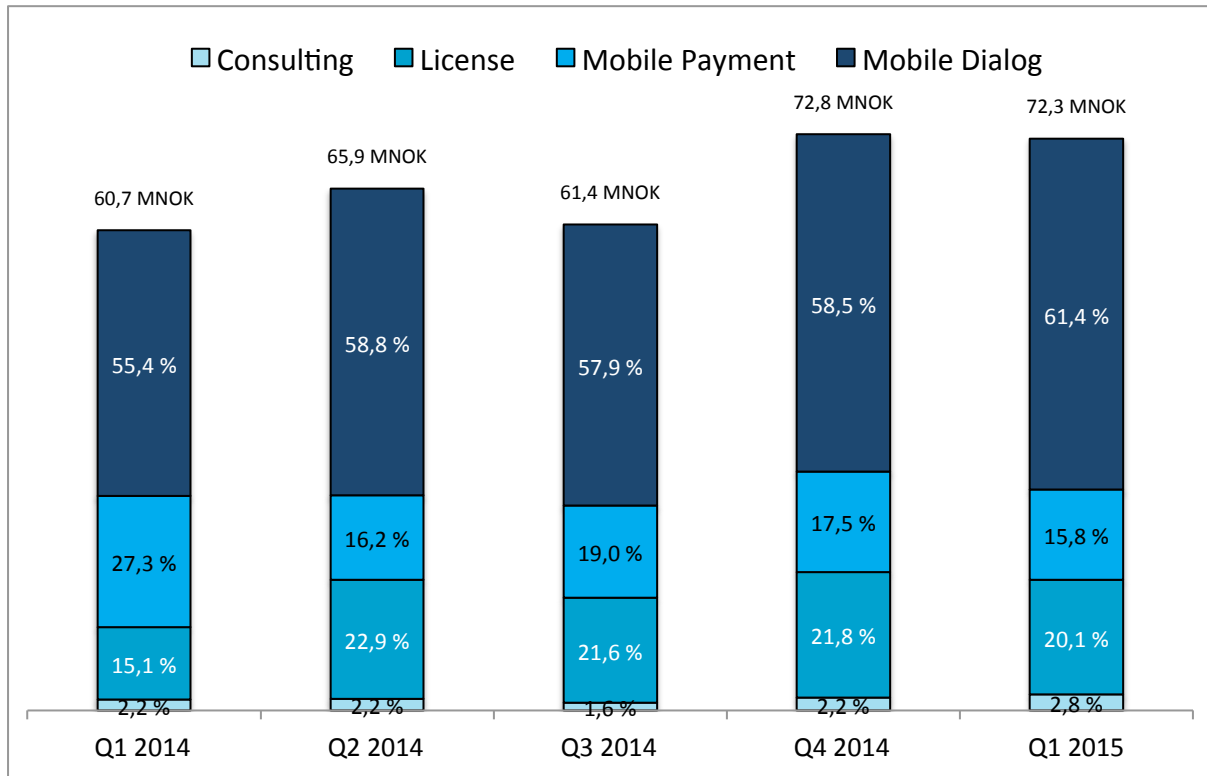


Underlying seasonal trends in the mobile B2B market, create seasonal variations in most business segments. Resulting in relatively weak Q1s and strong Q4s, as shown in the development though the four quarters of 2014.

In Q1 2015 LINK managed to have revenue and gross margin at the same levels as Q4 2014. There are no signs of significant changes in the sessional pattern of the overall market. LINK's strong performance in Q1 2015 is mainly a result of LINK's growing business.

EBITDA increased with 55 per cent from MNOK 5,6 to MNOK 8,7. Some of the increase in profits is explained by extraordinary costs booked in Q4 2014 in both LINK and PSW related to the PSW transaction.

The figures below show revenue per business segments in terms of MNOK and in terms of the percentage of LINK's total revenue during the period Q1 2014 to Q1 2015. The figures include PSW.



LINK Dialog's share of the revenue has been increasing over the last 5 quarters, and represent in Q1 2015 61,4 per cent of LINK's revenue and 47 per cent of the gross margin.

## Market conditions and outlook

LINK is, due to the general expanding market for B2B mobile services and its ability to take increasing shares of the growing market, expecting continuing growth in all business segments.

### LINK Dialog

SMS is continuing to strengthen its position as the preferred tool for B2B and B2C communication. All receivers of SMSs have actually in advance given the senders their permission to send them the SMSs, and SMSs are on average read within 4 minutes. This makes the SMS an exceptionally strong communication tool.

Previously, most SMSs delivered by LINK were related to retail marketing. Today, a large and increasing share of the SMSs are of business critical and society critical nature, such as passwords to provide for online banking, login information for various public services, notification of flight delays, notification of medical treatment, warning of emergencies etc. The strong and persistent trend among private companies, NGOs and public services of moving communication as well as other services to mobile platforms and devices, will ensure further growth in the market for B2B SMS. LINK is at present in the process of developing new dialog services.

### LINK Payment

The market for mobile payment is expected to experience a rapid growth in the coming years. LINK has the technology, business models and knowledge of handling the variety of mobile payment solutions present at the market. LINK's main focus will be on mobile payment through operator billing as it provides an efficient and easy method of payment. Our customers that have taken LINK's mobile payment solutions in use; report that when their clients or users get the choice of paying online by card or through operator billing, the majority chose operator billing. Furthermore, those choosing mobile payment through operator billing tend to have a much higher completion rate than those choosing payment by card.

The international agreement with Nets Norge AS announced 9 February 2015, will during 2015 make LINK's mobile payment solutions available for a large number of Nordic online businesses and services. FINN (Norway's largest online classified marked) that is using LINK's solutions for mobile payment for FINN Torget and FINN Motor, is running a pilot project testing the use of LINK's mobile payment solutions for their other services; including their more expensive classified.

Within hours after the earthquake in Nepal 25 April 2015, LINK managed to assist Norwegian humanitarian organizations in sending 1,7 million SMSs to 1,1 million unique mobile subscribers, giving them the possibility to help the victims of the earthquake by contribute through LINK's efficient and secure mobile payment service. LINK did also provide the mobile dialog and mobile payment solutions for the national concert arranged 10 May 2015 by Røde Kors, CARE, Flyktningshjelpen, Kirkens Nødhjelp, Redd Barna and Caritas, than was broadcasted live on NRK. Altogether, LINK has so far helped collecting MNOK 25 to the victims of the earthquake. This case proves the capacity of the LINK Dialog and Link Payment services, as well as the company's highly scalable technology.

**LINK Licence**

LINK Licence is experience solid renewal statistics. Strengthened focus on sale though existing partnership is initiated in order to improve new sales. Given the high margins, the LINK Licence business is expected to continue to deliver solid results.

**Well prepared for further developments**

As more and more B2B and B2C services and processes “go mobile”, the business will experience faster than ever changes in technology, the use of the technology and customers demands. LINK’s market position, R&D resources, organisational structures and agile business models, will enable LINK to continue to be on top of developments.

**Expanding markets – existing and new**

After have taken the position as Norway’s largest and one of Scandinavia’s leading B2B mobile provider in 2014, LINK will in 2015 continue its expansive strategy towards further growth. The Swedish business is showing very positive with considerable new sales and promising new partnership agreement. LINK is in the process of establishing business in Denmark through the acquisition of Eniro’s Danish InTouch business. Over the next years LINK will continue to grow, both in its existing markets and in new markets, through organic growth and M&As.



## Consolidated Profit and Loss

	Note	1Q 2015	1Q 2014	Year 2014
Revenues	3	72 306	35 506	161 375
<b>Total operating revenues</b>		<b>72 306</b>	<b>35 506</b>	<b>161 375</b>
Cost of services rendered	4	41 152	23 804	94 783
Payroll		17 835	7 453	38 530
Other operating expenses	7	4 668	3 468	11 609
<b>Total operating expenses</b>		<b>63 656</b>	<b>34 725</b>	<b>144 923</b>
<b>EBITDA</b>		<b>8 650</b>	<b>781</b>	<b>16 452</b>
Depreciation and amortization		3 592	1 242	6 668
<b>Operating profit</b>		<b>5 058</b>	<b>-461</b>	<b>9 784</b>
Interest income		53	1	196
Other financial income		250	0	683
Interest expenses	6,7	771	84	422
Other financial expenses	6,7	342	47	1 168
<b>Net financial items</b>		<b>-810</b>	<b>-129</b>	<b>-711</b>
<b>Profit (loss) before tax</b>		<b>4 249</b>	<b>-591</b>	<b>9 073</b>
Income tax expense		1 147	-132	1 680
Profit (loss) for the period		3 102	-459	7 393
<b>Earnings per share (NOK/Share)</b>				
Basic earnings per share		0,370	-0,059	0,882
Diluted earnings per share	5	0,384	-0,057	0,851
Exchange rate differences Group		-152	-137	44
<b>Total comprehensive income</b>		<b>2 950</b>	<b>-596</b>	<b>7 437</b>

## Consolidated Balance Sheet

	Note	31.03.2015	31.03.2014	31.12.2014
<b>Assets</b>				
<b>Non-current assets</b>				
Deferred tax assets		0	8 447	0
Intangible assets	8	128 321	47 427	130 528
Equipment and fixtures		2 341	897	2 274
<b>Total non-current assets</b>		<b>130 661</b>	<b>56 772</b>	<b>132 802</b>
Inventories		40	0	40
<b>Total inventories</b>		<b>40</b>	<b>0</b>	<b>40</b>
<b>Current assets</b>				
Trade receivables and other receivables		57 036	21 937	78 399
Cash and cash equivalents		19 629	16 171	18 488
<b>Total current assets</b>		<b>76 665</b>	<b>38 107</b>	<b>96 887</b>
<b>Total assets</b>		<b>207 366</b>	<b>94 879</b>	<b>229 729</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital		8 383	7 758	7 758
Not registered share capital		0	0	625
Share premium		67 064	49 415	50 490
Not registered share premium		0	0	16 574
Other equity		9 290	-1 693	6 341
<b>Total equity</b>		<b>84 737</b>	<b>55 480</b>	<b>81 789</b>
<b>Deferred tax</b>				
Deferred tax		3 709	0	2 670
<b>Total Deferred tax</b>		<b>3 709</b>	<b>0</b>	<b>2 670</b>
<b>Long term liabilities</b>				
Debt to Stabben AS	6	24 014	0	24 014
Debt to Eniro AS	6	8 213	16 425	10 266
Other long term liabilities	6	2 000	0	2 200
<b>Total long term liabilities</b>		<b>34 227</b>	<b>16 425</b>	<b>36 480</b>
<b>Short term liabilities</b>				
Share holder loan	6	18 500	5 000	20 000
Trade and other payables		66 084	17 783	82 531
Tax Payable		108	192	0
Other short term liabilities		0	0	6 259
<b>Total short term liabilities</b>		<b>84 692</b>	<b>22 975</b>	<b>108 791</b>
<b>Total liabilities</b>		<b>118 919</b>	<b>39 400</b>	<b>147 941</b>
<b>Total equity and liabilities</b>		<b>207 366</b>	<b>94 879</b>	<b>229 729</b>

## Statement of change in equity

	Ordinary shares	Share premium	Other equity	Total equity
<b>Balance at 31.12.2013</b>	<b>7 758</b>	<b>49 415</b>	<b>-1 097</b>	<b>56 076</b>
Profit for the year			7 393	7 393
Issue of share capital	625	16 574		17 199
Net profits purchase/sale own shares		1 075		1 075
Currency translation differences			45	45
<b>Balance at 31.12.2014</b>	<b>8 383</b>	<b>67 064</b>	<b>6 341</b>	<b>81 788</b>

	Ordinary shares	Share premium	Other equity	Total equity
<b>Balance at 31.12.2014</b>	<b>8 383</b>	<b>67 064</b>	<b>6 341</b>	<b>81 788</b>
Profit for the Q1 2015			3 102	3 102
Currency translation differences			-152	-152
<b>Balance at 31.03.2015</b>	<b>8 383</b>	<b>67 064</b>	<b>9 290</b>	<b>84 737</b>

## Consolidated Cash Flow Statement

	1Q 2015	1Q 2014	2014
<b>Cash flow from operating activities</b>			
Profit (loss) before tax	4 249	-591	9 073
Taxes paid			-876
Depreciation and amortization	3 592	1 242	6 668
Net interest in profit and loss	-810	129	711
Interest received	53		196
Interest paid	-310	-47	-602
Change in trade receivable and other receivables	21 363	31 999	-24 503
Change in trade and other payables	-21 640	-40 783	41 188
<b>Net cash flow from operating activities</b>	<b>6 497</b>	<b>-8 051</b>	<b>31 855</b>
<b>Cash flow from investing activities</b>			
Purchase of intangible assets			-55 367
Cash added with purchase of subsidiary			7 978
Purchase of tangible assets	-376	-410	-737
Purchase of intangible assets	-1 076	-33 789	-36 975
<b>Net cash flow from investing activities</b>	<b>-1 452</b>	<b>-34 199</b>	<b>-85 101</b>
<b>Cash flow from financial activities</b>			
Proceeds from borrowings		16 425	17 200
Repayment of borrowings	-3 753		-6 159
Proceeds from issuing new shares			17 199
Net profits from purchase/sale of own shares			1 076
<b>Net cash flow from financial activities</b>	<b>-3 753</b>	<b>16 425</b>	<b>29 316</b>
Foreign exchange effect on cash	-151	-137	285
Net change in cash and cash equivalents	1 141	-25 962	-23 645
Cash and cash equivalents at the beginning for the period	18 488	42 133	42 133
<b>Cash and cash equivalents at end of the period</b>	<b>19 629</b>	<b>16 171</b>	<b>18 488</b>

## Note 1 – General information

Link Mobility Group ASA is a private limited company registered in Norway. Link Mobility Group ASA is the parent company of the Link Mobility Group (Group) and owns 100 per cent of the subsidiaries Link Mobility AS, PSWinCom AS Norway, Link Mobility AB in Sweden and Link Mobility SIA in the Baltics. The Group's headquarter is located in Oslo, Norway.

The Group assists clients having mobile dialog with their customers and provides mobile payment solutions for its clients. The Group offers products and services extending from mobile dialog, mobile marketing, mobile payment, mobile CRM and mobile applications. The Groups business is classified into the following business segments; Dialog, Payment, License and Consulting.

## Note 2 – Basis for preparation / Accounting Policies

The interim financial statement for the first quarter 2015 has been prepared in accordance with IAS 34 "Interim Financial Reporting". The financial statement should be read in conjunction with the annual financial statement of the financial year 2014, which have been prepared in accordance with IFRS and the financial statement for the four quarters 2014 that have been prepared in accordance with IAS 34 "Interim Financial Reporting". The accounting policies adopted are consistent with those of the previous financial reporting.

The financial statement for the first quarter 2015 was approved by the Board of Directors 11 May 2015.

The financial statement has not been audited or reviewed by the auditors.

The Group's presentation currency is Norwegian kroner (NOK), which is also the parent company's functional currency. All amounts are stated in 1000 NOK.

### Consolidation

The consolidated financial statements show the total financial results and financial position of the parent company, Link Mobility Group ASA, and its subsidiaries Link Mobility AS, PSWinCom AS, Link Mobility AB and Link Mobility SIA that are 100 per cent owned by Link Mobility Group ASA, and are fully consolidated in the consolidated financial statement.

## Note 3 – Revenue and segment reporting

The table below shows the revenues generated, by countries and business segment.

Revenues per country	1Q 2015	1Q 2014	Year 2014
Norway	57 861	21 910	106 667
Sweden	12 455	11 098	47 703
Latvia	1 990	2 498	7 005
<b>Total</b>	<b>72 306</b>	<b>35 506</b>	<b>161 375</b>

Revenues by area of business	1Q 2015	1Q 2014	Year 2014
Dialog	44 370	17 515	80 515
Payments	11 419	12 785	42 378
Licenses	14 509	4 297	34 635
Consulting services	2 008	908	3 847
<b>Total</b>	<b>72 306</b>	<b>35 506</b>	<b>161 375</b>

## Note 4 – Cost of services rendered

Cost of services rendered relates to the cost of sales of the different segments.

	1Q 2015	1Q 2014	Year 2014
Dialog	29 736	13 241	56 890
Payments	7 836	8 705	29 432
Licenses	3 258	1 692	7 793
Consulting services	321	165	668
<b>Total</b>	<b>41 152</b>	<b>23 804</b>	<b>94 783</b>

## Note 5 – Warrants

Futurum Capital AS bought 300.000 warrants in Link Mobility Group ASA, in April 2013. The warrants were expensed as OPEX TNOK 559 in 2013. The warrants strike price was NOK 6 per share with a term of 3 years. In May 2015 Futurum Capital AS sold 100.000 of the warrant to the flowing employees in the Group:

- Johan Andersen, CEO Link Mobility Group ASA
- Siw Ødegaard, CFO Link Mobility Group ASA
- Krister Tänneryd, Managing Director, Link Mobility AB
- Fredrik Nyman, Sales Director, Link Mobility AB
- Guro Røed, Key Account Manager, Link Mobility AS

## Note 6 – Borrowings and Sellers credit

There are three long term liabilities:

- Seller's credit from Eniro Norge AS from the purchase of Intouch in March 2014, amounting to MNOK 8,2. The seller's credit bears no interest, and is to be paid in four instalments over the next four quarters.
- Seller's credit from Stabben AS from the purchase of PSWinCom AS in December 2014, amounting to MNOK 24 which is to be paid within 36 months from December 2014. The debt bears an interest of 5 per cent, and the interest are to be paid quarterly.
- A loan from Sparebanken Vest amounting to MNOK 2, that bears an interest of 5 per cent.

The short term shareholder loans are provided by Sevencs AS (MNOK 10) and Rugz AS (MNOK 8,5). The shareholder loans bear an interest of NIBOR 3M + 5 per cent.

## Note 7 – Related party transactions

The following transactions were carried out with related parties:

<b>Sales (+) and purchases (-) of goods and services (excl. VAT)</b>	<b>1Q 2015</b>	<b>1Q 2014</b>	<b>YTD 2014</b>
Crayon AS (Jens Rugseth, Rune Syversen)	-30	18	3
Complit Holding AS (Jens Rugseth, Rune Syversen)	-92	-78	-340
Futurum Capital AS (Harald Dahl)	-	-333	-539
Kvinnesiden AS (Siv Ødegaard)	-	-80	
<b>Period-end balances arising from sales/purchases (incl. VAT)</b>	<b>1Q 2015</b>	<b>1Q 2014</b>	<b>YTD 2014</b>
Crayon AS (Jens Rugseth, Rune Syversen)	-38	-	1
Complit Holding AS (Jens Rugseth, Rune Syversen)	-76	-33	-38
Futurum Capital AS (Harald Dahl)	-	-167	-
<b>Loans from related parties</b>	<b>1Q 2015</b>	<b>1Q 2014</b>	<b>YTD 2014</b>
Unsecured loan (principal loan) from Rugz AS (Jens Rugseth)	-8 500	-2 500	-10 000
Unsecured loan (principal loan) from Sevencs AS (Rune Syversen)	-10 000	-2 500	-10 000
Outstanding interests on the loan from Rugs AS (Jens Rugseth)	-353	-83	-25
Outstanding interests on the loan from Sevencs AS (Rune Syversen)	-360	-83	-28

## Note 8 – Acquisition Of Business

### PSWinCom AS

Link Mobility Group ASA aquired all shares in PSWinCom AS 30 December 2014. The enterprise value was set to MNOK 85,5 based on certain guaranteed targets. Cost of the shares after adjustments was MNOK 87,9.

### Acquisition analysis

<b>100 % of the shares PSWinCom AS</b>	<b>Amount in NOK 1 000</b>
Cash	38 279
Link Mobility Group ASA shares	25 650
Seller's credit	24 014
<b>Total</b>	<b>87 943</b>
Book value of equity	9 865
Book value of existing goodwill	0
<b>Value to distribution</b>	<b>9 865</b>
Customer contracts	26 027
Deferred tax on unrealized gains	7 027
<b>Net identifiable unrealized gains</b>	<b>19 000</b>
<b>Goodwill</b>	<b>59 079</b>

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