

APPENDIX 5: INTERIM FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2016 (IFRS)



Unified Messaging Systems AS

Condensed consolidated financial statements
for the interim period ending 30 September 2016

CONDENSED CONSOLIDATED INCOME STATEMENT

	Third quarter		First 9 months		Year
	2016	2015	2016	2015	2015
OPERATING REVENUES					
Sales revenue	26 180 853	20 762 406	71 320 639	66 081 451	87 869 587
Total operating revenues	26 180 853	20 762 406	71 320 639	66 081 451	87 869 587
OPERATING EXPENSES					
Cost of materials etc.	4 023 208	5 355 978	13 894 982	17 087 323	22 711 123
Personnel costs	10 297 008	8 780 695	35 246 721	32 471 880	44 899 890
Depreciation/amortization	5 106 094	3 814 306	14 289 538	10 642 904	14 747 098
Other operating expenses	6 559 495	6 129 129	21 056 153	17 182 768	24 316 022
Total operating expenses	25 985 804	24 080 109	84 487 394	77 384 875	106 674 133
OPERATING PROFIT/LOSS (-)	195 049	-3 317 704	-13 166 755	-11 303 424	-18 804 546
FINANCIAL INCOME AND EXPENSES					
Other financial income	552	3 447	64 353	14 120	782 679
Other financial expenses	468 500	227 013	1 162 574	749 744	2 120 245
Total net financial items	-467 947	-223 566	-1 098 221	-735 624	-1 337 566
PROFIT/LOSS (-) BEFORE TAX	-272 898	-3 541 270	-14 264 976	-12 039 048	-20 142 112
Income taxes	116 430	132 280	349 289	-7 161 957	-7 000 996
PROFIT/LOSS (-) FOR THE PERIOD	-389 327	-3 673 550	-14 614 265	-4 877 091	-13 141 116
Basic and diluted earnings per share	-0.00	-0.03	-0.11	-0.04	-0.11

CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

	Third quarter		First 9 months		Year
	2016	2015	2016	2015	2015
Profit/loss (-) for the period	-389 327	-3 673 550	-14 614 265	-4 877 091	-13 141 116
Currency translation differences	-170 689	-280 966	-777 434	-117 951	546 761
Items that may be reclassified subsequently to profit or loss	-170 689	-280 966	-777 434	-117 951	546 761
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-560 016	-3 954 516	-15 391 699	-4 995 042	-12 594 355

CONDENSED CONSOLIDATED BALANCE SHEET

	30 September 2016	31 December 2015
FIXED ASSETS		
Capitalized development costs	30 312 701	25 951 885
Technology assets	20 260 191	20 996 657
Goodwill	13 311 184	13 311 184
Operating equipment and fixtures	705 673	892 893
Non-current assets	64 589 750	61 152 618
Capitalized fulfillment costs	3 733 908	4 534 031
Other non-current assets	3 733 908	4 534 031
TOTAL NON CURRENT ASSETS	68 323 657	65 686 649
CURRENT ASSETS		
Trade debtors	7 391 889	11 750 537
Other receivables and prepayments	5 508 235	3 950 836
Total receivables and prepayments	12 900 125	15 701 373
Bank deposits and cash in hand	8 110 960	7 428 662
TOTAL CURRENT ASSETS	21 011 084	23 130 035
TOTAL ASSETS	89 334 742	88 816 684
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1 273 186	1 273 186
Other paid in capital	45 215 525	45 215 525
Total paid-in capital	46 488 712	46 488 711
Other reserves	-58 663 030	-44 029 916
TOTAL EQUITY	-12 174 318	2 458 796
LIABILITIES		
Convertible bond loan	14 247 726	13 777 771
Debt to credit institutions	0	5 000 000
Other non-current interest-bearing liabilities	96 672	150 125
Total non-current liabilities	14 344 398	18 927 896
Trade creditors	8 488 892	7 585 510
Income tax liability	0	28 681
Government charges & special taxes	1 908 933	3 477 152
Other current liabilities	53 250 695	44 024 607
Debt to credit institutions	23 516 142	12 314 043
Total current liabilities	87 164 662	67 429 992
TOTAL LIABILITIES	101 509 060	86 357 889
TOTAL EQUITY AND LIABILITIES	89 334 741	88 816 684

Oslo, 21 November 2016



Reidar Fougner
Chairman



Cecilie Grue
Board member



Ina Lunder Lønnum
Board member



Eigil Stray Spetalen
Board member



Thomas Høgebøl
Board member



Espen Gylvik
CEO

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Other paid in capital	Translation differences	Retained earnings	Total
Equity as at 31.12.2014	1 136 856	28 119 267	237 786	-32 416 114	-2 922 205
Capital increase	120 000	14 547 754	0	0	14 667 754
Translation difference	0	0	-117 951	0	-117 951
Employee share options	0	0	0	568 327	568 327
Result for the period	0	0	0	-4 877 091	-4 877 091
Equity as at 30.09.15	1 256 856	42 667 021	119 835	-36 724 878	7 318 834
Equity as at 31.12.15	1 273 186	45 215 525	784 547	-44 814 462	2 458 796
Capital increase	0	0	0	0	0
Translation difference	0	0	-777 434	0	-777 434
Employee share options	0	0	0	758 585	758 585
Result for the period	0	0	0	-14 614 265	-14 614 265
Equity as at 30.09.16	1 273 186	45 215 525	7 113	-58 670 142	-12 174 318

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	First 9 months		Year
	2016	2015	2015
Cash flow from operating activities			
Result before tax	-14 264 976	-12 039 048	-15 142 112
Paid tax	-349 289	-529 119	-529 119
Depreciation/amortization	14 289 538	10 642 904	14 747 098
Changes in trade debtors	4 358 648	5 035 297	915 755
Changes in trade creditors	903 382	-2 372 184	-595 685
Effect of currency fluctuations	0	0	913 779
Changes in other accruals items	1 340 209	8 022 179	-2 596 394
Net cash flow from operating activities	6 277 512	8 760 029	-2 286 678
Cash flow from investing activities			
Purchase of fixed assets	-23 062	-318 721	-550 433
Capitalization of development expenses	-11 719 976	-13 317 797	-17 757 063
Purchase of shares and units in other enterprises	-822	-37 964 000	-37 964 000
Net cash flow from investing activities	-11 743 860	-51 600 518	-56 271 496
Cash flow from financing activities			
Change in short term credit facility	839 423	6 150 894	7 231 948
Receipt interest bearing liabilities, incl. total convertible bond loan	5 309 223	9 937 244	24 835 810
Receipt of new equity	0	14 667 754	15 933 000
Net cash flow from financing activities	6 148 646	30 755 891	48 000 758
Effect of currency fluctuations on cash and cash equivalents	0	0	0
Net change in cash and cash equivalents	682 298	-12 084 597	-10 557 416
Cash and cash equivalents at the beginning of the period	7 428 662	17 986 078	17 986 078
Cash and cash equivalents at the end of the period	8 110 960	5 901 481	7 428 662

Notes to the condensed consolidated interim financial statements

General information

Unified Messaging Systems AS (UMS AS or the company) was incorporated on 27 November 1998 and is domiciled in Norway. UMS AS's registered office address is Innspurten 15, 0663 Oslo, Norway.

UMS Group (the Group) consists of UMS AS and its wholly owned subsidiaries UMS (Denmark) ApS, UMS Sweden AB, UMS India Pv Ltd (99.8%), UMS UK, UMS OY and Previstar Inc.

The Group is a world leader in Population Alert Systems using multiple technologies to leverage existing telecommunication infrastructures to send critical alert messages. The Group is a pioneer in the development of advanced critical messaging systems with around 20 years of professional experience and knowledge from coordinating hand in hand with UNISDR, governments and first responder groups. The Group has more real life implementations than any other entity in the world and has several patented applications that are unique in the industry for their technological and lifesaving capabilities.

These condensed consolidated interim financial statements for the period ending 30 September 2016 were approved by the Board of Directors on 21 November 2016.

These condensed consolidated interim financial statements are presented in NOK. As a result of rounding adjustments, the figures in one or more rows or columns included in the financial statements and notes may not add up to the total of that row or column.

Note 1: Statements and accounting policies

These condensed consolidated interim financial statements (interim financial statements) are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting as adopted by the EU (IAS 34). The same accounting policies and methods of computation are followed in the interim financial statements as compared with UMS Group's consolidated financial statements for 2015 prepared in accordance with IFRS and interpretations as issued by the International Standards Board and as adopted by the EU. A description of the significant accounting policies applied in preparing these condensed interim financial statements and significant judgements and estimates is included in the mentioned consolidated financial statements for 2015.

The condensed interim financial statements do not include all of the information and disclosures required by International Reporting Standards (IFRS) for a complete set of financial statements, and these condensed interim financial statements should be read in conjunction with the mentioned consolidated financial statements for 2015. These condensed consolidated interim financial statements have been subject to limited review by the auditor.

Note 2: Segments

The Group has only one segment, consistent with the reporting to the CEO and the Board. The Group has two main products and service areas

- Population Alert (PAS), where the company's software system is licensed to, and installed at the customers' premises
- Group and service Alert (Software as a Service (SaaS)), where the services are delivered by a common platform located at the Company.

With the acquisition of the Location Based Alert Services' business from CellVision in 2015, the Group also started delivering location-based services to telecom operators. With the acquisition of Previstar Inc. in 2016, the Group also offers solutions for crises management. Revenues from sale of these products and services are included in PAS and SaaS as applicable.

Revenues by products and services area	First 9 months	
	2016	2015
Population Alert	29 006 368	22 595 845
Software as a Service	42 314 271	43 485 606
Total	71 320 639	66 081 451

Revenues based on location of the selling company	First 9 months	
	2016	2015
Norway	59 773 365	58 212 338
Rest of the world	11 547 274	7 869 113
Total	71 320 639	66 081 451

The following customer represented more than 10% of total revenues

	First 9 months	
	2016	2015
Customer 1	11 364 821	10 987 060
Total	11 364 821	10 987 060

Note 3: Non-current assets

	Tangible fixed assets	Cap. Development	Technology	Goodwill	Total
Net book value at 01.01.2015	1 007 764	14 322 406	0	0	15 330 170
Additions in the period	318 721	13 317 797			13 636 518
Business combinations			27 995 543	13 311 184	41 306 727
Disposals in the period					0
Depreciation/amortization in the period	414 110	4 179 507	5 249 164		9 842 781
Currency effects					0
Net book value as at 30.09.2015	912 375	23 460 696	22 746 379	13 311 184	60 430 633
Net book value at 01.01.2016	892 893	25 951 885	20 996 657	13 311 184	61 152 618
Additions in the period	23 062	11 719 976			11 743 038
Business combinations			5 266 068	0	5 266 068
Disposals in the period					0
Depreciation/amortization in the period	214 646	7 359 160	5 915 608		13 489 414
Currency effects	4 364		-86 926		-82 561
Net book value as at 30.09.2016	705 673	30 312 701	20 260 192	13 311 184	64 589 749

Capitalized fulfilment cost 1.1.2015	5 600 861
Amortization for nine months 2015	800 123
Capitalized fulfilment cost 30.09.2015	4 800 738

Capitalized fulfilment cost 1.1.2016	4 534 031
Amortization for nine months 2016	800 123
Capitalized fulfilment cost 30.09.2016	3 733 908

The company is continuing the development of its new generation software.

	First 9 months	
Capitalization of development expenditure has affected the following line items:	2016	2015
Reduction in cost of materials etc	0	-123 236
Reduction in personnel costs	-3 325 705	-4 918 775
Reduction in other operating expenses	-8 394 271	-8 275 787
Total capitalization	-11 719 976	-13 317 797

Note 4: Business combinations

On 1 January 2015, the company acquired control of all shares in LBS Newco AS. LBS Newco AS was merged from CellVision AS, and contained CellVision AS' operations within Location Based Alert Systems. LBS Newco AS was merged with the company during the year. See note 8 to the Group's first IFRS consolidated financial statements for 2015.

On 18 March 2016, the company acquired all the shares of Previstar Inc. Previstar is headquartered in Virginia, USA, and has a subsidiary in India. Previstar has developed a crises support system, which is complementary to UMS' technology. It has operated with significant losses. The purchase price was USD 100. Previstar had some assets and liabilities. Previstar had entered into agreements with some of its creditors (primarily employees) that they will receive a part of next 12 months' earnings from the acquisition date as full and final settlement of the related liabilities. UMS has estimated the fair value of these liabilities in the purchase price allocation. UMS has further estimated that it paid for technology rights. Due to tax losses carried forward, no deferred tax has been recognized. The purchase price allocation is preliminary.

Values at the acquisition date

Net current assets	582 800
Technology rights	5 266 068
Total identifiable assets	5 848 869
Current liabilities	5 848 047
Total identifiable liabilities	5 848 047
Net identifiable assets	822
Goodwill	0
Total consideration for 100% of the shares	822
Consideration paid in cash	822
Net cash paid	822

For practical purposes, Previstar has been consolidated from 1 April 2016, and has contributed with revenues of NOK 2.5 million and a loss of NOK 1.5 million for the period ended 30 September 2016. This includes amortization of the technology rights acquired. Had Previstar been acquired, and consolidated with effect from 1 January 2016, it would have contributed with additional revenues of NOK 1.5 million and an additional loss of NOK 1.7 million.

Note 5: Borrowings

At the beginning of 2016, the overdraft facility was repaid using cash flows received from the annual subscriptions. In August 2016, a new bank overdraft facility with a limit of NOK 10 million was established with term to 1 March 2017. At 30 September 2016, NOK 8.1 million was drawn.

In May 2016, the repayment plan of the NOK 10 million bank loan was changed to monthly installments from May 2016 to October 2017.

The main shareholder has during 2016 provided additional liquidity loans to the company, in total NOK 8 million as of 30 September 2016. See also subsequent event note.

Note 6: Related parties

The Group's related parties are key management personnel and close members of the family of a person and entities that are controlled or jointly controlled by any of these. Key management personnel are defined as the Board of Directors and the CEO. The Chairman of the Board is also a related party by being the largest owner. The company also has a minor associated company.

In the beginning of 2016, NOK 300 000 was paid, primarily to the members of the Board that participate in the convertible bond, for a guarantee provided in relation to issue of the convertible bond

In 2015, Fougner Invest AS and Kristianro AS provided guarantee for the overdraft facility, and Fougner Invest AS provided guarantee for the bank loan. The guarantors shall receive a 2% guarantee premium payable by the company. At the beginning of 2016, premiums of NOK 200 000 was paid by the company for the overdraft facility, but it has still not paid the premiums for the bank loan.

The main shareholder has during 2016 provided additional liquidity loans to the company, in total NOK 8 million as of 30 September 2016. See also subsequent event note.

There were no other significant transactions, balances or guarantees with related parties for the nine months ended 30 September 2016.

Note 7: Other information

On 6 June 2016, the general meeting resolved an authorization to the Board to increase the Company's share capital. The authorization authorizes the Board to, on one or more occasions, in total to increase UMS' share capital by up to NOK 254 637 (25 463 726 shares). The authorization is valid until 6 June 2018.

There have been no issue of shares in the interim period ended 30 September 2016.

In the interim period ended 30 September 2016, 1 350 000 share options have expired. No share options have been exercised in the period. 2 350 000 share options have been issued to employees and a board member, with exercise price of 0.75 per share, and estimated total fair value at grant date of NOK 1 344 600. The number of share options outstanding was 4 310 000 at 30 September 2016.

At 30 September 2016, the Group reported negative equity. The Group has significant interest-bearing liabilities that are due to be repaid within the next twelve months, classified as current in the balance sheet. The owners of the NOK 15 million convertible bond loan may in November 2017 require redemption in cash, if they do not want to utilize the option to convert to shares. Furthermore, the company reported NOK 53 million as other current liabilities at 30 September 2016, but it should be noted that it included deferred revenue by NOK 40 million, primarily related to PAS contracts, but also prepayments in Saas contracts.

The company has since 2013 incurred significant expenditure on acquisitions and on developing its new generation software platform, which is to be used to deliver services to most of its customers. The Group has a stable customer base that pays annual license fees at the beginning of each year. The Group has also during 2016 won some new large contracts.

The company has been dependent on the shareholders providing equity, shareholders loan and guarantees for the bank borrowings. The company is dependent on being able to refinance its interest-bearing liabilities, and / or raising new equity to be able to serve its debt and complete the development of its new software. The company is actively working with alternatives for raising capital, and has no reason to doubt that it will succeed in its efforts.

Note 8: Earnings per share

	Third quarter		First 9 months		Year
	2016	2015	2016	2015	2015
Loss after tax attributable to owners of the parent company	-389 327	-3 673 550	-14 614 265	-4 877 091	-13 141 116
Weighted average number of shares (excl. treasury shares)	127 318 633	123 575 743	127 318 633	123 575 743	124 174 660
Earnings per share (NOK)	-0.00	-0.03	-0.11	-0.04	-0.11

For the nine month periods ending on 30 September 2016 and 2015, the company had employee share options outstanding. For the periods that basic earnings per share is negative, share options has an anti-dilutive effect. For the period with a profit, basic earnings per share is zero, so any dilutive effect would not affect earnings per share presented. The company issued a convertible bond loan in November 2015. The convertible bond loan also has an anti-dilutive effect. Consequently, basic and diluted earnings per share are the same.

Note 9: Subsequent events

In October and November 2016, the two largest shareholders provided additional NOK 8.4 million liquidity loan to the company, to be repaid within 31 December 2016.

In November 2016, owners of the convertible bond loan representing an amount of NOK 295 125 has utilized its right to convert its part into 393 500 shares. In November 2016, 290 000 share options were exercised.

An extraordinary general assembly held on 14 November 2016 resolved to transform the company from a private limited liability company to a public limited liability company, and to apply for listing of the shares of the company on Oslo Axess. A new Board of Directors was also elected: Reidar Fougner (Chairman), Eigil Stray Spetalen, Thomas Høgebøl, Cecilie Grue and Ina Lunder Lønnum.

To the Board of Directors of Unified Messaging Systems AS

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

We have reviewed the accompanying condensed consolidated balance sheet of Unified Messaging Systems AS as of 30 September 2016 and the related condensed consolidated income statement, condensed consolidated comprehensive income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the period then ended, and a summary of significant accounting policies and other explanatory information. Management is responsible for the preparation and presentation of this condensed consolidated financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with standards on auditing adopted by Den Norske Revisorforening, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Oslo, 21 November 2016
Deloitte AS



Stian Jilg-Scherven
State Authorised Public Accountant (Norway)