Interim report for the third quarter 2017

Unified Messaging Systems ASA

Third Quarter of 2017 in brief

- Revenues of NOK 26.1 million vs. NOK 26.2 million in the third quarter of 2016 – a reduction of 0.5%. The third quarter of 2016 included revenues of NOK 2.9 million related to Rigspolitiet, which were reversed in the fourth quarter of 2016.
- Recurring revenues of NOK 14.0 million vs. NOK 13.9 million in the third quarter of 2016 – an increase of 1%. The quarter's low growth is due to two contracts that have not been terminated, but where renewal is currently pending.
- EBITDA of NOK 3.4 million vs. NOK 5.3 million in the third quarter of 2016.
- NOK 9.9 million in software license revenue backlog, related to contracts where revenue recognition has not started.
- NOK 3.4 million in annual support & maintenance revenue backlog, related to contracts where revenue recognition has not started.
- The Company has previously guided to grow recurring revenue by 20% at year-end compared to year beginning. With expected delivery in the fourth quarter of contracts currently included in the revenue backlog, the company now predicts a growth of 15%.

New and expanded contracts

- The UMS subsidiary Previstar was awarded a new contract with the Indian state of West Bengal. This contract contains deliverables to the remaining 10 districts of the state. With this, UMS has sold and delivered its Crises and Management solution to all districts within West Bengal.
- The delivery to the two states won in India in partnership with the World Bank, Odisha and Andra Pradesh, has made good progress this quarter.
- SOS Alarm: Expansion to the existing national contract for new features and services. Integration with the two remaining operators has started and the progress is going well.
- The company received an expansion related to the existing national alert system in the Netherlands.
- The Norwegian National Guard signed a two-year contract to use the UMS systems to mobilize and communicate with their 45,000 soldiers. They will also use the solution to communicate directly to citizens through address based alerting and location based alerting.
- Stockholm Vatten och Avfall, Sweden's largest water company, serving 1.4 million persons in Stockholm, renewed their contract with UMS. The contract also includes an extension to the waste and recycling section of Stockholm.
- UMS continues to win new contracts for its Location Based Alerting Solution to municipalities in Norway.

Key figures

	THIRD QUARTER			YEAR TO DATE		
	2017	**2016**	**% change**	**2017**	**2016**	**% change**
Total operating revenues	26 063 327	26 180 853	0 %	73 469 599	71 320 639	3 %
- Of which recurring revenues (core services)[1]	14 002 917	13 876 944	1 %	43 070 099	39 891 229	8 %
EBITDA	3 389 238	5 301 143	-36 %	-3 280 925	1 122 783	N/A
Operating profit/loss (-) (EBIT)	-2 437 156	195 049	N/A	-20 530 538	-13 166 755	N/A
Profit/loss (-) before tax	-3 549 154	-272 899	N/A	-20 861 153	-14 264 976	N/A
Basic and diluted earnings per share	-0,02	-0,00	N/A	-0,11	-0,11	N/A
Net cash flow from operating activities	-14 265 630	-8 397 082	N/A	-11 350 253	6 277 512	N/A
Net cash flow from investing activities	-2 361 728	-3 903 764	N/A	-7 359 645	-11 743 860	N/A
Equity	21 638 896	-12 174 319	N/A	21 638 896	-12 174 319	N/A

1) Recurring revenues consist of support & maintenance in SaaS and PAS contracts. Additionally, license and deployment revenue related to the largest PAS contract is recognized as recurring revenue on a straight-line basis over the contract term.

Market development

The trend the company has seen related to an uptake in formal tenders for national projects has continued across the world during the third quarter, and it is expected that this will continue the coming years. The quarter has been used to build strategic partnerships to plan and prepare for responding to these tenders.

UMS also sees a positive shift to more hybrid model tenders that includes both location based (LBAS) and radio based (Cell Broadcast) technologies. This shift in direction is positive since the company is one of very few which has the capability to deliver these hybrid solutions.

Similarly, the company continues to see an increase in customer requests and formal tender processes for planning, resource and crisis management solutions in the US and India. The hurricanes that hit parts of the US in the third quarter have had an impact on the demand for these types of solutions. On one hand, UMS is expecting some minor delays in planned projects, but on the other hand more projects are also expected due to these circumstances. In India, the market for new projects for Incident Management solutions is continuing to grow on both state and district level.

During the quarter the company has also responded to an increased amount of formal tender processes for location based solutions for municipalities, industries and universities.

The company has continued to build partnerships and proof of concepts within the area of Big Data and analytics. UMS considers this an interesting area for growth going forward as part of the company's upcoming Safe City program.

Technology development and innovation

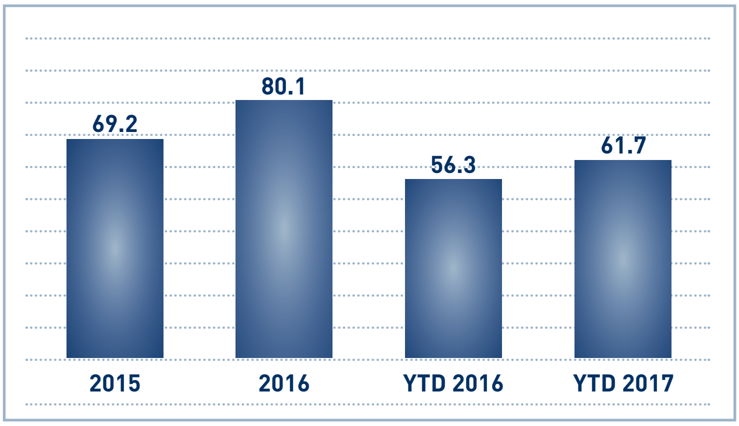
As a consequence of being in the final stage of the development of a new generation software for warning and notification, the company adjusted its strategy in 2017 and increased focus and resources to sales activities. The company announced on 13 January 2017 that it would reduce development costs, both with regards to consultants and employees. Other positions would also be affected. The total reduction in employee- and consultancy costs was estimated to NOK 15 million annually, with full effect from the third quarter of 2017.

The cost reduction process has now been completed and personnel costs have been reduced with NOK 10 million annually, of which approximately NOK 1.7 million have impacted the income statement in the third quarter. The effect would have been approximately NOK 2.5 million if the period did not include summer holidays. Consequently, the reduction in employee costs has reached the anticipated level.

Consultancy costs have not been reduced to the expected level due to a more challenging task of finalizing the first version of the new generation software solution. However, it is expected that this will be finalized in the first half of 2018. Beginning in the first quarter 2018 the company will increase the speed of transferring existing customers to the new solution.

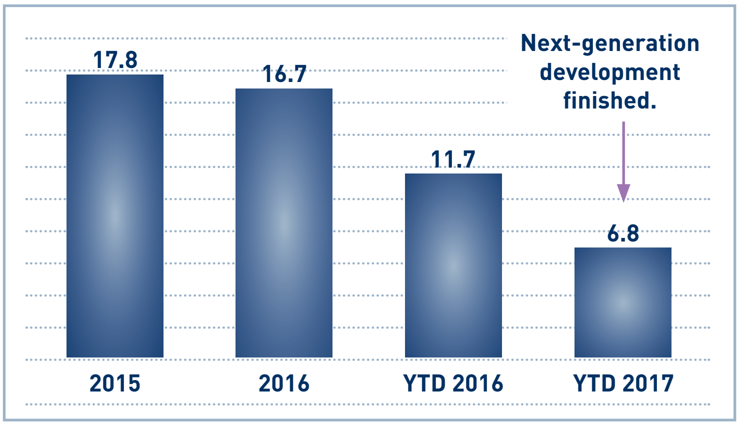
Development expenditures of approximately NOK 1.7 million were capitalized in the third quarter of 2017, down from NOK 3.9 million in the third quarter of 2016. The corresponding amounts for the first nine months 2017 was NOK 6.8 million compared to NOK 11.7 million for the first nine months 2016.

OPEX excluding D&A [1]



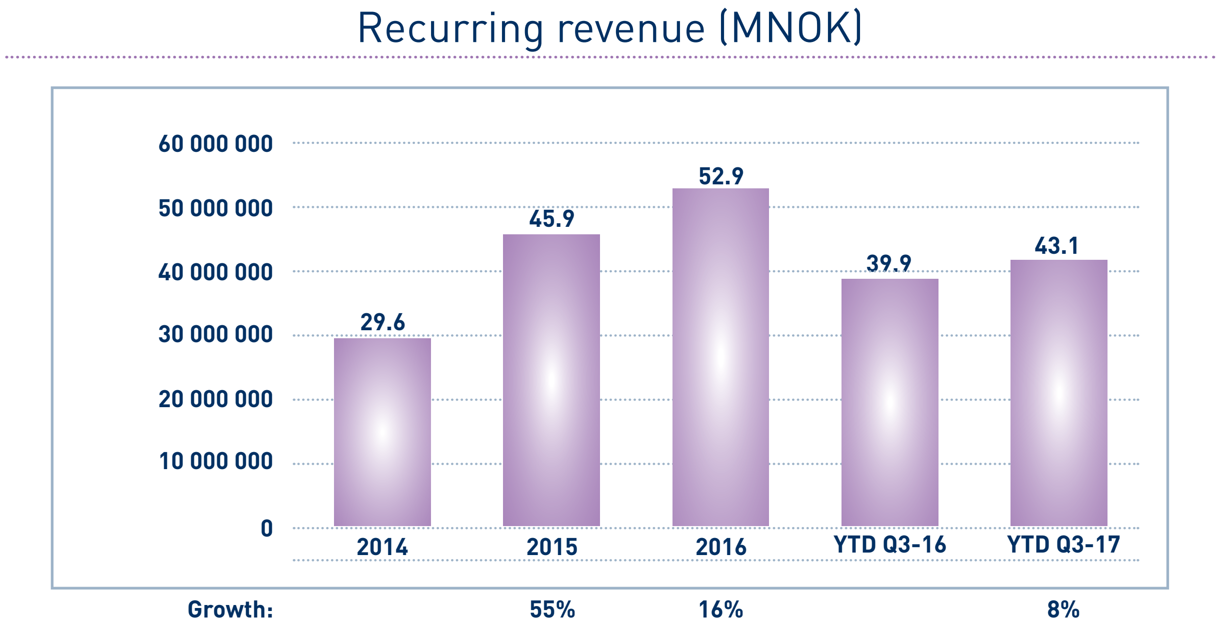
1) Operating expenses, excluding cost of materials, depreciation and amortization

CAPEX (R&D – excluding acquisitions)



Revenues and EBITDA

UMS's ambition is to primarily deliver standardized software solutions, with less focus on extensive customized solutions. To accomplish this, the company develops solutions that in their basic version, with standard modules, shall fulfill most customer requirements. During the latest years, the market for alert services has become more mature and there has been increased demand for alert services from large corporations and the public sector. The competition in the market has also increased.



RECONCILIATION RECURRING REVENUES TO TOTAL REVENUES

	THIRD QUARTER		YEAR TO DATE		YEAR
	2017	2016	2017	2016	2016
Recurring revenues	14 002 917	13 876 944	43 070 099	39 891 229	52 874 733
Non-core services	103 561	856 289	1 070 555	3 253 324	4 053 207
SMS/voice traffic	5 729 688	4 848 431	17 229 025	15 916 972	21 414 322
Other revenues	6 227 161	6 599 189	12 099 920	12 259 114	15 555 474
Total revenues	**26 063 327**	**26 180 853**	**73 469 599**	**71 320 639**	**93 897 736**

Recurring revenues consist of support & maintenance for SaaS and PAS contracts. Additionally, license and deployment revenue related to the largest PAS contract is recognized as recurring revenue on a straight-line basis over the contract term.

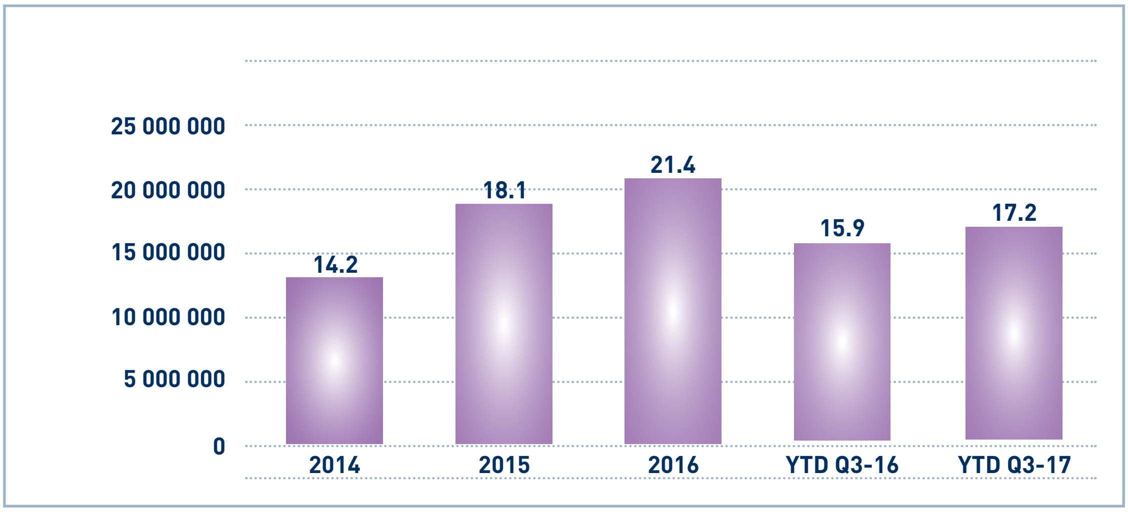
In the fourth quarter and annual report for 2016, revenue from traffic (SMS/voice) was included in recurring revenue. However, the Company considers traffic to be a consequence of a number of different factors and not a driver of value by itself. Consequently, it is now reported as a separate line item.

In 2016 revenues related to set-up/installation of a particular PAS contract had been included in recurring revenues. In the table above, MNOK 0.4 million and MNOK 1.1 million has been reclassified to "other revenues" for the third quarter and year to date 2016.

The Group has entered into PAS contracts where the licenses/systems have not been delivered and revenue not recognized as of 30 September 2017. The revenue backlog related to these contracts includes license fees of approximately NOK 9.9 million and annual support and maintenance of approximately NOK 3.4 million. The amounts are affected by currency exchange rates.

Other revenues consist primarily of one-time license fees and deployment for PAS contracts, establishment fees for new SaaS contracts, and consultancy fees for SaaS and PAS contracts. Media-related services, which are being phased out, are shown separately as non-core services in the table above.

SMS/Voice traffic (MNOK)



Growth:		28 %	18%		8 %

THE GROUP HAS TWO MAIN PRODUCTS AND SERVICE AREAS:

- **POPULATION ALERT (PAS),** where the company's software system is licensed to the customer, and installed at premises decided by the customer. 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 crisis management. Revenues from sales of these products and services are included in PAS revenues in the table below. For PAS, revenues are generated by sales of: Set-up and installation of hardware, set-up and installation of software, hardware, software licenses, maintenance, support and consultancy services. Reference is made to the Group's financial statements for 2016, note 1 "accounting principles", subsections "revenue recognition" and "significant judgements in the application of group accounting policies and accounting estimates" for further discussion of the principles used for revenue recognition.

- **GROUP AND SERVICE ALERT (SAAS - SOFTWARE AS A SERVICE),** where the services are delivered using a common platform. For SaaS, the customer may pay fees for set-up, training and access to modules (establishment fee), and an annual fee for the ongoing services. The ongoing services include support and benefit of maintenance of the chosen modules. The customer may also purchase consultancy services and traffic based on actual use. Unless terminated earlier than three months before year-end, the contract is extended for the subsequent year. Revenues from SaaS is generated by a large customer base, and is normally relatively stable from period to period, affected by new contracts and termination of existing contracts.

REVENUES BY PRODUCTS AND SERVICES AREA

	THIRD QUARTER		YEAR TO DATE		YEAR
	2017	2016	2017	2016	2016
Population Alert	11 598 241	12 897 153	28 303 855	29 006 368	34 340 610
Software as a Service	14 361 525	12 427 412	44 095 189	39 060 946	55 503 918
Non-core services	103 561	856 289	1 070 555	3 253 325	4 053 207
Total revenues	**26 063 327**	**26 180 853**	**73 469 599**	**71 320 639**	**93 897 736**

SaaS revenues have increased as most customers have chosen to renew their contracts and new customers have been added.

The PAS area is a strategic focus area, in which the Group has been able to win several important contracts over the latest years. The largest contract was signed in 2013 for a delivery in Sweden. Revenue recognition on this contract started in the second half of 2014, and the main part of revenue is recognized straight line over the minimum contract period to the first quarter of 2020. This contract contributed revenues of NOK 3.9 million in the third quarter and NOK 11.4 million for the first nine months of 2017, compared to NOK 3.8 million and NOK 11.4 million for the same periods the previous year. Previstar's revenues have been consolidated from 1 April 2016, and contributed with revenues of NOK 3.8 million in the third quarter and NOK 7.9 million for the first nine months of 2017, compared to NOK 1.2 million for the third quarter and NOK 2.4 million for the first nine months of 2016.

At 30 September 2017, the Group had received payment or issued invoices, but not recognized revenues of NOK 44.7 million (deferred revenues), of which NOK 35.3 million relates to PAS contracts. Deferred revenues at 30 September 2016 amounted to NOK 39.8 million, and NOK 36.3 million at 31 December 2016.

The Group's operating expenses are primarily affected by costs related to its sales resources, internal and external costs related to developing, maintaining and providing support related to its software, deliveries of traffic and hardware to customers as well as corporate and administrative functions.

EBITDA was NOK 3.4 million in the third quarter and negative NOK 3.3 million for the first nine months, compared to NOK 5.3 million and NOK 1.1 million for the same periods in 2016.

Depreciation and amortization

Depreciation and amortization increased by 14% to NOK 5.8 million in the third quarter of 2017 compared to the same period the previous year. The increase for the first nine months was 21% to NOK 17.2 million.

The increase is primarily due to capitalization of development expenditures. The high amounts of amortization in the periods presented in this report is a consequence of capitalization of development of the new generation software starting in 2013, and the acquisitions of technology through acquisitions in 2015 and 2016. The software and technology assets are currently amortized over four years.

Financial items

Net financial expenses of NOK 1.1 million in the third quarter of 2017 compares to net financial expenses of NOK 0.5 million in the third quarter of 2016. The increase of NOK 0.6 million primarily relates to the reversal of a currency gain recognized in the second quarter of 2017, as well as currency losses on Group internal USD receivables, partially offset by a decrease in net interest expenses due to the transition from a net debt position in 2016 to a net cash position in 2017.

For the first nine months of 2017, net financial expenses were NOK 0.3 million, an improvement of NOK 0.8 million compared to the same period in the previous year, partially due to a NOK 0.9 million gain on settlement of liabilities in Previstar in the first quarter of 2017, see note 4.

Income tax

Income taxes reported for 2017 and 2016 relates to UMS India.
The Group has significant amounts of tax reducing temporary difference for which no deferred tax assets have been recognized.

Losses for the period

Due to the development explained above, the Group reported losses in the third quarter and first nine months of 2017 and 2016. Basic and diluted earnings were consequently negative.

Cash flow

Net cash flow from operating activities was negative NOK 14.3 million in the third quarter of 2017 compared to negative NOK 8.4 million in the same period in 2016. Net cash flow from operating activities has been negatively affected by the losses for the periods presented. Increase in trade debtors contributed negatively with NOK 3.6 million in the third quarter, compared to positively NOK 6.5 million in the same period of 2016. In the third quarter of 2017 the company invoiced a large PAS contract without collecting payment, contributing to an increase in trade debtors. For the corresponding period of 2016, the company received payments related to some larger PAS contracts, contributing to a decrease in trade debtors. Furthermore, more SaaS payments were collected in the third quarter of 2016 than was the case for the corresponding period of 2017, but this only related to temporary differences and not cancellations of contracts. Changes in other accrual items contributed negatively in the third quarter both years, but less negative in the third quarter of 2017 compared to the same quarter of 2016. In the third quarter of 2017 changes in other accrual items includes payment of costs to obtain PAS contracts.

In the third quarter of 2017, a lower amount of the reported revenues was received in previous periods compared to the third quarter of 2016; consequently, changes in deferred revenues were negative NOK 2.5 million compared to NOK 6.4 million in the third quarter of 2016.

Net cash flow from operating activities was negative NOK 11.4 million in the first nine months compared to positive NOK 6.3 million in the first nine months 2016. Annual payments for SaaS support and maintenance are received in advance in the first quarter, but did not offset the negative results for the periods. Increase in trade debtors contributed negatively with NOK 7 million in the first nine months of 2017, compared to positively NOK 4.4 million in the same period of 2016. The negative contribution in 2017 primarily relates to the company invoicing PAS contracts without collecting payment, whereas the positive contribution in 2016 primarily relates to payment of PAS contracts. In the fourth quarter of 2016, the Group had a positive cash effect from postponement of payments of trade creditors, giving a negative cash effect when payments were made in the first quarter of 2017.

Net cash flow from investing activities was negative NOK 2.4 million in the third quarter and negative NOK 7.4 million for the first nine months of 2017, compared to negative NOK 3.9 million and negative NOK 11.7 million in the same periods in 2016. Cash outflows from investing activities were primarily related to capitalization of development expenditures, related to the new generation software. In the third quarter the company also capitalized some of the costs to obtain PAS contracts.

Net cash flow from financing activities was negative NOK 1.6 million in the third quarter of 2017, all of which was related to installments on int erest-bearing liabilities. In the same period in 2016, net cash flow from financing activities was positive NOK 11.5 million. Net cash flow from financing activities was positive NOK 24 million in the first nine months of 2017 compared to positive NOK 6.1 million in the same period in 2016. The company received net proceeds of NOK 58 million related to the IPO in the first quarter of 2017. Shareholders' loans of NOK 20.4 million and the credit facility of NOK 8.6 million were settled, and installment of NOK 4.9 million was paid in the first nine months of 2017.

During the third quarter of 2017, cash and cash equivalents decreased by NOK 18.7 million, but increased by NOK 5.1 million in the first nine months of 2017. At 30 September 2017, the Group reported cash and cash equivalents of NOK 14.2 million. Of this, NOK 6.2 million was held by the parent company.

Balance sheet

The total balance increased by NOK 4.8 million to NOK 95.6 million at 30 September 2017 compared to 31 December 2016.

Total non-current assets decreased because depreciation and amortization exceeded capitalization of development expenditures and costs to obtain PAS contracts in the period. Total receivables and prepayments increased by NOK 9.9 million primarily due to the company invoicing a large PAS contract, as well as an increase in prepaid expenses related to ongoing projects.

Interest-bearing liabilities decreased by NOK 33.8 million due to repayments as explained in the cash flow section above. Deferred revenue increased by NOK 8.4 million, primarily due to due to invoicing of annual SaaS support and maintenance fees in January and invoicing of the company's largest customer in March, partially offset by amounts recognized to revenue in the period.

Equity increased by NOK 36.9 million, and was positive NOK 21.6 million at 30 September 2017. The effect of the loss for the period was offset by the capital increase of net NOK 58 million related to the IPO.

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, as well as the CEO and CFO/VP. The Chairman of the Board is also a related party by being the largest owner. The company also has a minor joint venture company.

See note 15 to the consolidated financial statements for 2016 for further information on loans and guarantees provided by Board members and shareholders. In January 2017, the company repaid the NOK 20.4 million shareholders' loans, and underwriting fees related to the IPO were paid.

There were no other significant transactions with related parties in the first nine months of 2017.

Risks and uncertainties

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 company has been dependent on the shareholders providing equity, shareholders loans and guarantees for the bank borrowings. The Group has a stable customer base that pays annual support and maintenance fees at the beginning of each year. The Group has also won new PAS and SaaS contracts during the first nine months of 2017.

The alert industry is going through rapid changes and this requires UMS to constantly improve functionality and features in order to adapt to the market's needs and avoid technological obsolescence.

For discussion of other risk factors, please see the annual report for 2016.

Outlook

There continues to be clear growth both in the number of formal tender processes for national contracts, as well as an increase in the request for various SaaS solutions in Europe. Most of the new opportunities within national contracts are coming from Asia and Latin America, as well as some in Europe. The company maintains its positive view on this market.

For the planning, resource and incident management solutions, the company has established a strong position in both the US and the Indian market in 2017. The contract to deliver to all the districts in West Bengal is expected to support the company in building a solid pipeline of customer cases for these types of solutions in 2018.

Winning and delivering population alerting to two costal states in India in partnership with the World Bank has made UMS well positioned to win the next 7 costal state projects going forward.

Both Sweden and The Netherlands have asked for expansions to their existing national contracts for population alerting for the upcoming period, and integration with the mobile operators in Sweden is expected to be completed in the coming months.

The growth of the SaaS business continues with, among others, a renewed contract with Stockholm Vatten & Avfall, and with the Norwegian National Guard as a new important customer. The company expects continued sales of location based solutions to municipalities, the industrial sector and other relevant markets. Growth is expected to continue in the last quarter of the year and this will support the strategy of driving solid growth in the company's recurring revenue.

Alternative performance measures (non-IFRS financial measures)

In this report, the company use some financial measures not defined in IFRS. The company has widentified these to be the following:

- EBITDA
- Operating loss (EBIT)
- Net debt

EBITDA and EBIT are presented as sub-totals in the income statement. The company believes EBIT is relevant for investors as a measure of the operations, excluding effects of financing and income taxes. Similarly, EBITDA excludes depreciation and amortization from EBIT, and the company believes this provides an indication of how the company has performed before the effects of amortization of capitalized development expenditure, as well as amortization of technology related assets from acquisitions.

Net debt	**30 September**		**31 December**
	2017	**2016**	**2016**
Total interest-bearing liabilities	6 232 793	37 854 625	39 984 567
Less cash and cash equivalents	14 234 292	8 110 960	-9 180 549
Net debt	**-8 001 499**	**29 743 666**	**30 804 017**

1) Gross and net debt includes the carrying value of the convertible loan. Negative amount is net cash.

The company believes net debt is a figure that provides an indication of the indebtedness of the Group.

Forward looking statements

This report contains statements regarding the future in connection with the Group's growth initiatives, profit figures, outlook, strategies and objectives. In particular, the section "Outlook" contains forward-looking statements regarding the Group's expectations. All statements regarding the future are subject to inherent risks and uncertainties, and many factors can lead to actual results and developments deviating substantially from what has been expressed or implied in such statements. These factors include the risk factors relating to the Group's activities described in the annual report for 2016.

Oslo, 29 November 2017
Board of Directors

CONDENSED CONSOLIDATED INCOME STATEMENT					
	THIRD QUARTER		YEAR TO DATE		YEAR
	2017	2016	2017	2016	2016
OPERATING REVENUES					
Sales revenues	26 063 327	26 180 853	73 469 599	71 320 639	93 897 735
Total operating revenues	**26 063 327**	**26 180 853**	**73 469 599**	**71 320 639**	**93 897 735**
OPERATING EXPENSES					
Cost of materials etc	5 289 563	4 023 208	15 016 073	13 894 982	19 371 861
Personnel costs	10 968 371	10 297 008	38 658 545	35 246 721	46 242 959
Other operating expenses	6 416 155	6 559 495	23 075 906	21 056 153	33 865 007
Total operating expenses excl. Depreciation/amortization	**22 674 089**	**20 879 710**	**76 750 524**	**70 197 856**	**99 479 827**
EBITDA	**3 389 238**	**5 301 143**	**-3 280 925**	**1 122 783**	**-5 582 091**
Depreciation/amortization	5 826 394	5 106 094	17 249 613	14 289 538	19 605 435
OPERATING PROFIT/LOSS (-) (EBIT)	**-2 437 156**	**195 049**	**-20 530 538**	**-13 166 755**	**-25 187 526**
FINANCIAL INCOME AND EXPENSES					
Net currency gain/loss (-)	-947 488	-148 892	-632 022	-182 821	399 211
Other financial income	0	0	926 837	22 252	46 501
Other financial expenses	164 510	319 057	625 431	937 652	2 879 571
Total net financial items	**-1 111 998**	**-467 948**	**-330 616**	**-1 098 221**	**-2 433 858**
PROFIT/LOSS (-) BEFORE TAX	**-3 549 154**	**-272 899**	**-20 861 153**	**-14 264 976**	**-27 621 384**
Income taxes	313 773	116 430	942 957	349 289	491 253
PROFIT/LOSS (-) FOR THE PERIOD	**-3 862 927**	**-389 328**	**-21 804 110**	**-14 614 265**	**-28 112 637**
Basic and diluted earnings per share	**-0,02**	**0,00**	**-0,11**	**-0,11**	**-0,22**

CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT					
	THIRD QUARTER		YEAR TO DATE		YEAR
	2017	2016	2017	2016	2016
Profit/loss (-) for the year	**-3 862 927**	**-389 328**	**-21 804 110**	**-14 614 265**	**-28 112 637**
Currency translation differences	-245 974	-170 689	-59 710	-777 434	-380 828
Total items that may be reclassified subsequently to profit or loss	**-245 974**	**-170 689**	**-59 710**	**-777 434**	**-380 828**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**-4 108 900**	**-560 017**	**-21 863 820**	**-15 391 699**	**-28 493 465**

CONDENSED CONSOLIDATED BALANCE SHEET

		30 SEPTEMBER		31 DECEMBER
	Note	2017	2016	2016
NON CURRENT ASSETS				
Capitalized development costs	3	28 997 176	30 312 701	32 291 585
Technology assets	3	11 715 597	20 260 192	18 168 066
Goodwill	3	13 311 184	13 311 184	13 311 184
Operating equipment and fixtures	3	411 073	705 673	681 230
Total fixed and intangible assets		**54 435 030**	**64 589 749**	**64 452 065**
Capitalized fulfillment costs and costs to obtain contracts	3	3 289 060	3 733 908	3 467 200
Total other non current assets		**3 289 060**	**3 733 908**	**3 467 200**
TOTAL NON CURRENT ASSETS		**57 724 090**	**68 323 657**	**67 919 264**
CURRENT ASSETS				
Trade debtors		15 843 570	7 391 889	8 826 002
Other receivables and prepayments		7 785 159	5 508 235	4 897 735
Total receivables and prepayments		**23 628 729**	**12 900 125**	**13 723 737**
Bank deposits and cash in hand		14 234 292	8 110 960	9 180 549
TOTAL CURRENT ASSETS		**37 863 020**	**21 011 084**	**22 904 286**
TOTAL ASSETS		**95 587 110**	**89 334 741**	**90 823 550**
EQUITY AND LIABILITIES				
EQUITY				
Share capital		1 909 139	1 273 186	1 409 139
Other paid in capital		178 326 978	111 233 875	120 865 424
Total paid-in capital		**180 236 118**	**112 507 061**	**122 274 564**
Other reserves		-158 597 221	-124 681 379	-137 509 283
TOTAL EQUITY		**21 638 896**	**-12 174 319**	**-15 234 719**
LIABILITIES				
Convertible loan	5	0	14 247 726	0
Other non-current interest-bearing liabilities	5	0	96 672	76 579
Total non current liabilities		**0**	**14 344 398**	**76 579**
Trade creditors		4 771 442	8 488 892	13 315 633
Government charges & special taxes		2 302 606	1 908 933	2 386 294
Deferred revenues		44 685 762	39 814 300	36 256 315
Other current liabilities		15 955 612	13 436 395	14 115 461
Current interest-bearing liabilities	5	6 232 793	23 516 142	39 907 988
Total current liabilities		**73 948 214**	**87 164 662**	**105 981 691**
TOTAL LIABILITIES		**73 948 214**	**101 509 060**	**106 058 270**
TOTAL EQUITY AND LIABILITIES		**95 587 110**	**89 334 741**	**90 823 550**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Other paid in capital	Translation differences	Retained earnings	Total
Equity as at 31.12.15	1 273 186	111 233 875	784 547	-110 832 812	2 458 796
Capital increase	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 30.9.16	**1 273 186**	**111 233 875**	**7 113**	**-124 688 492**	**-12 174 319**

	Share capital	Other paid in capital	Translation differences	Retained earnings	Total
Equity as at 31.12.16	**1 409 139**	**120 865 424**	**403 719**	**-137 913 002**	**-15 234 719**
Capital increase	500 000	57 461 554	0	0	57 961 554
Translation difference	0	0	-59 710	0	-59 710
Employee share options	**0**	**0**	**0**	775 883	775 883
Result for the period	0	0	0	-21 804 111	-21 804 111
Equity as at 30.9.17	**1 909 139**	**178 326 978**	**344 009**	**-158 941 230**	**21 638 896**

	Share capital	Other paid in capital	Translation differences	Retained earnings	Total
Equity as at 31.12.15	**1 273 186**	**111 233 875**	**784 547**	**-110 832 812**	**2 458 796**
Capital increase exercise share options	5 600	426 900	0	0	432 500
Capital increase conversion loan	130 353	9 204 650	0	0	9 335 003
Translation difference	0	0	-380 828	0	-380 828
Employee share options	0	0	0	1 032 447	1 032 447
Result for the period	0	0	0	-28 112 637	-28 112 637
Equity as at 31.12.16	**1 409 139**	**120 865 424**	**403 719**	**-137 913 002**	**-15 234 719**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	THIRD QUARTER		YEAR TO DATE		YEAR
Cash flow from operating activities	**2017**	**2016**	**2017**	**2016**	**2016**
Result before tax	-3 549 154	-272 898	-20 861 154	-14 264 976	-27 621 384
Paid tax	-313 773	-87 749	-942 957	-349 289	-491 253
Depreciation/amortization	5 826 394	5 106 094	17 249 613	14 289 538	19 605 435
Changes in trade debtors	-3 617 731	6 454 330	-7 017 568	4 358 648	2 924 535
Changes in trade creditors	-46 495	845 994	-8 544 191	903 382	5 730 124
Non-cash expenses	317 918	413 458	953 759	1 228 540	1 605 679
Changes in deferred revenues	-10 376 795	-14 446 354	8 429 447	11 141 055	7 583 070
Changes in other accruals items	-2 505 993	-6 409 957	-617 202	-11 029 386	-8 664 273
Net cash flow from operating activities	**-14 265 630**	**-8 397 082**	**-11 350 253**	**6 277 512**	**671 931**
Cash flow from investing activities					
Purchase of fixed assets	-14 995	2 835	-45 601	-23 062	-107 045
Capitalization of development expenses	-1 724 750	-3 906 659	-6 810 882	-11 719 976	-16 672 943
Business combinations	0	60	0	-822	-822
Fulfillment cost and costs to obtain a contract	-621 983	0	-621 983	0	0
Sale of fixed assets	0	0	118 820	0	0
Net cash flow from investing activities	**-2 361 728**	**-3 903 764**	**-7 359 645**	**-11 743 860**	**-16 780 810**
Cash flow from financing activities					
Change in short term credit facility	0	8 071 371	-8 626 165	839 423	1 394 217
Installments on interest bearing liabilities	-1 584 719	-1 598 794	-25 303 485	-2 690 777	-4 289 818
Increase interest bearing liabilities	0	5 000 000	0	8 000 000	20 400 000
Increase equity	0	0	57 961 554	0	432 500
Net cash flow from financing activities	**-1 584 719**	**11 472 577**	**24 031 904**	**6 148 646**	**17 936 899**
Currency effects on cash and cash equivalents	-525 855	140 356	-268 263	0	-76 133
Net change in cash and cash equivalents	-18 737 932	-687 913	5 053 742	682 298	1 751 887
Cash and cash equivalents at the beginning of the period	32 972 223	8 798 873	9 180 549	7 428 662	7 428 662
Cash and cash equivalents at the end of the period	**14 234 291**	**8 110 960**	**14 234 291**	**8 110 960**	**9 180 549**

General information

Unified Messaging Systems ASA (UMS ASA or the company) was incorporated on 27 November 1998 and is domiciled in Norway. UMS ASA's registered office address is Innspurten 15, 0663 Oslo, Norway. The company's shares were listed on Oslo Axess on 6 January 2017.

UMS Group (the Group) consists of UMS ASA and its wholly owned subsidiaries UMS ApS, UMS AB, Unified Messaging Systems & Service Pvt. Ltd. (99.8%), UMS Ltd., UMS OY, UMS France SAS, Previstar Inc. and Previstar Pvt. Ltd. (99.8)%.

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 2017 were approved by the Board of Directors on 29 November 2017.

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

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 2016, 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, significant judgements and estimates and a description of new standards and interpretations not yet adopted, is included in the mentioned consolidated financial statements for 2016.

The condensed interim financial statements do not include all the information and disclosures required by International Reporting Standards (IFRS) for a complete set of financial statements, and therefore these condensed interim financial statements should be read in conjunction with the mentioned consolidated financial statements for 2016. These condensed consolidated interim financial statements have not been audited or subject to limited review by the auditor.

NOTE 2

Segments, revenues

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 (SAAS - SOFTWARE AS A SERVICE),** where the services are delivered using a common platform.

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.

In the table below, some non-core media-related services, which are being phased out are shown separately.

	THIRD QUARTER		YEAR TO DATE		YEAR
REVENUES BY PRODUCTS AND SERVICES AREA	2017	2016	2017	2016	2016
Population Alert	11 598 241	12 897 153	28 303 855	29 006 368	34 340 610
Software as a Service	14 361 525	12 427 412	44 095 189	39 060 946	55 503 918
Non-core services	103 561	856 289	1 070 555	3 253 325	4 053 207
Total revenues	**26 063 327**	**26 180 853**	**73 469 599**	**71 320 639**	**93 897 736**

The following customer represented more than 10% of total revenues

	THIRD QUARTER		YEAR TO DATE		YEAR
	2017	2016	2017	2016	2016
Customer 1	3 929 110	3 813 359	11 366 644	11 364 822	15 083 588
Total	3 929 110	3 813 359	11 366 644	11 364 822	15 083 588

NOTE 3

Non-current assets

FIXED AND INTANGIBLE ASSETS

	Tangible fixed assets	Capitalized Development	Technology	Goodwill	Total
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		5 266 068
Disposals in the period					0
Depreciation/amortization in the period [1)]	214 646	7 359 160	5 915 608		13 489 414
Currency effects	4 364		-86 926		-82 561
Net book value as at 30.9.2016	**705 673**	**30 312 701**	**20 260 192**	**13 311 184**	**64 589 749**
Net book value at 31.12.2016	**681 230**	**32 291 585**	**18 168 066**	**13 311 184**	**64 452 065**
Additions in the period	45 601	6 810 882			6 856 482
Business combinations					0
Disposals in the period	138 680				138 680
Depreciation/amortization in the period [1)]	167 639	10 105 290	6 176 562		16 449 490
Currency effects	-9 439		-275 907		-285 346
Net book value as at 30.9.2017	**411 073**	**28 997 177**	**11 715 597**	**13 311 184**	**54 435 030**

Capitalized fulfillment costs represent costs incurred in fulfilling contracts with customers that relates to unsatisfied or partially unsatisfied performance obligations. These costs are capitalized and amortized over the expected contract periods. In the third quarter of 2017, sales commission costs of NOK 0.6 million related to obtaining PAS contracts have been capitalized as cost to obtain contracts.

The total costs of obtaining contracts are allocated to the different performance obligations based on their relative values. The part that relates to a performance obligation expected to be satisfied over more than a year, including expected renewals, is reported as non-current asset (as presented in the table below) and amortized over the expected period. Costs that will be expensed over less than one year is reported as deferred expenses, and is expensed as part of the original nature of expense (e.g. personnel expenses).

Capitalized fullfilment cost and costs to obtain contracts 1.1.2016	**4 534 031**
Amortization 2016 [1)]	1 066 831
Capitalized fullfilment cost and costs to obtain contracts 31.12.2016	**3 467 200**

Capitalized fullfilment cost and costs to obtain contracts 1.1.2016	**4 534 031**
Amortization 9 months 2016 [1)]	800 123
Capitalized fullfilment cost and costs to obtain contracts 30.9.2016	**3 733 908**

Capitalized fullfilment cost and costs to obtain contracts 31.12.2016	**3 467 200**
Addition costs to obtain contracts	621 983
Amortization 9 months 2017 1)	800 123
Capitalized fullfilment cost and costs to obtain contracts 30.9.2017	**3 289 060**

1) Total depreciation and amortization in the income statement is the sum of depreciation/amortization of fixed and intangible assets and amortization of capitalized fulfillment costs and costs to obtain contracts.

The company is continuing the development of its new generation software. Capitalization of development expenditure has affected the following line items in the income statement:

	THIRD QUARTER		**FIRST NINE MONTHS**	
	2017	**2016**	**2017**	**2016**
Reduction in personnel costs	786 926	1 108 568	3 552 571	3 325 705
Reduction in other operating expenses	937 824	2 798 090	3 258 311	8 394 271
Total capitalization	**1 724 750**	**3 906 659**	**6 810 882**	**11 719 976**

NOTE 4
Business combinations

There have been no business combinations so far in 2017.

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 crisis management system, which is complementary to UMS' technology. The purchase price was USD 100. For practical purposes, profit and loss from Previstar has been consolidated from 1 April 2016. Amounts from the preliminary purchase price allocation at that time has been included in the balance sheet at 31 March and 30 June 2016. Some amounts in the purchase price allocation were adjusted at 31 December 2016, primarily a reduction to technology assets and net current liabilities by approximately NOK 0.4 million, without changes to the reported amounts for the previous quarters in 2016.

Previstar contributed with revenues of NOK 7.2 million and a loss of NOK 0.9 million for the period 1 April to 31 December 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 1.4 million and an additional loss of NOK 1 million. There were no significant transaction costs related to the acquisition.

Previstar had entered into agreements with some of its creditors (employees) that they would receive a part of 12 months' earnings from the acquisition date as full and final settlement of the related liabilities. This was resolved in the first quarter of 2017, with no payments to settle the liabilities. In the consolidated financial statements for UMS, this contributed to a finance income in the first quarter of 2017 of NOK 0.9 million.

See note 8 to the consolidated financial statements for 2016 for further information.

NOTE 5
Borrowings

	30 September		31 December
Interest-bearing liabilities	**2017**	**2016**	**2016**
Convertible loan	5 193 875	14 247 726	5 016 000
Bank loan	1 038 917	7 362 676	5 783 728
Bank overdrafts	0	8 071 371	8 626 165
Shareholders' loans	0	8 000 000	20 400 000
Other interest-bearing liabilities	0	172 852	158 674
Total interest-bearing liabilities	**6 232 793**	**37 854 625**	**39 984 567**
Current interest-bearing liabilities	6 232 793	37 757 953	39 907 988
Non-current interest-bearing liabilities	0	96 672	76 579
Total interest-bearing liabilities	**6 232 793**	**37 854 625**	**39 984 567**

The bank overdrafts and the shareholders' loans were repaid in January 2017 using parts of the proceeds from the share issue.

In the fourth quarter of 2015, shareholders contributed with a convertible loan of NOK 15 million. The convertible loan has an interest rate of 5% per annum and can be repaid at the discretion of the company. Each lender has the right to convert to shares in November 2016 and November 2017 at a price of NOK 0.75 per share, but cannot require repayment in cash before November 2017, provided the loan terms are complied with. The company has no right to require conversion to shares. The convertible loan is subordinated all other existing debt. At the end of 2016, a part of the loan was converted into 13,035,305 shares. At 30 September 2017, potential remaining shares to be issued if converted in full in November 2017 are 6,964,695 shares. Reference is also made to note 9: subsequent events.

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, as well as the CEO and the CFO/VP. The Chairman of the Board is also a related party by being the largest owner. The company also has a minor joint venture company.

See note 15 to the consolidated financial statements for 2016 for further information on loans and guarantees provided by Board members and shareholders. In January 2017, the NOK 20.4 million shareholders' loans were repaid by the company, and underwriting fees were paid. There were no other significant transactions with related parties in the first nine months of 2017.

NOTE 7

Other information

The company's share capital at 30 September 2017 was NOK 1,909,139 divided into 190,913,938 shares, each with a par value of NOK 0.01. At 6 January 2017, 50 million shares were issued at NOK 1.25 per share, and the company was listed on Oslo Axess. The company received gross NOK 62.5 million, and equity was increased by net NOK 58 million after deducting incremental costs related to the share issue.

THE 10 LARGEST SHAREHOLDERS AT 30 SEPTEMBER 2017:

Name	Shares	Ownership Interest	Position in UMS ASA
FOUGNER INVEST AS	47 050 013	24,64 %	Chairman of the Board
KRISTIANRO AS	19 588 734	10,26 %	Board member
VERDIPAPIRFONDET ALFRED BERG AKTIV	11 622 266	6,09 %	
BERNT AS	8 122 480	4,25 %	
GEVERAN TRADING CO LTD	7 068 396	3,70 %	
SINCO AS	6 449 289	3,38 %	
JAG AS	4 143 871	2,17 %	
CAMACA AS	4 084 465	2,14 %	
THABO ENERGY AS	4 000 000	2,10 %	
TRELLEVIKA INVEST AS	3 176 024	1,66 %	Chairman of the Board
HARALD M. NISSEN-LIE JR. - DØDSBO	2 502 240	1,31 %	
PYTHAGOR AS	2 409 150	1,26 %	
KIMO INVEST AS	2 347 487	1,23 %	CFO & VP
NORDNET BANK AB	2 290 360	1,20 %	
NORDNET LIVSFORSIKRING AS	1 972 378	1,03 %	
Subtotal	**126 827 153**	**66,43 %**	
Others	**64 086 785**	**33,57 %**	
Total	**190 913 938**	**100,00 %**	

300,000 share options were forfeited in the first nine months of 2017, leaving 3,240,000 share options outstanding at 30 September 2017, with exercise price of 0.75 per share. In addition, the Board of Directors resolved in June 2017 to issue a total of 800,000 share options to key employees in the company's Indian subsidiary. The options were not formally signed at 30 September 2017, and are not included in the share options outstanding. The 800,000 share options will have an exercise price of NOK 1.25 per share, exercisable with 30% between 1 and 18 October 2018 and 70% between 1 and 18 October 2019 and will expire at the end of the exercise periods. Reference is also made to note 9: Subsequent events.

NOTE 8

Earnings per share

	THIRD QUARTER		YEAR TO DATE		YEAR
Ordinary	**2017**	**2016**	**2017**	**2016**	**2016**
Loss after tax attributable to owners of the parent company	-3 862 927	-389 328	-21 804 110	-14 614 265	-28 112 637
Weighted average number of shares (excl. treasury shares)	190 913 938	127 318 633	189 815 037	127 318 633	129 003 546
Earnings per share (NOK)	-0.02	-0.00	-0.11	-0.11	-0.22

In 2017 and 2016, the company had employee share options outstanding. For the periods that basic earnings per share is negative, share options have an anti-dilutive effect. The company issued a convertible loan in November 2015, and this loan also has an anti-dilutive effect. Consequently, basic and diluted earnings per share are the same.

NOTE 9

Subsequent events

After the reporting period ended on 30 September 2017 and up to the date these condensed consolidated financial statements have been approved for issue, the following events have been identified that require disclosure:

Lenders participating in the convertible loan had the right to convert their loans to shares in November 2017. NOK 3.2 million of the loan will be converted into shares in the fourth quarter and NOK 2.0 million will be repaid to the lenders.

A total of 1,585,000 employee shares options could be exercised in October 2017. Of these, 505,000 options have been exercised.

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