



# Half-Year Report 2011

Myriad Group AG

Deep Expertise | Unrivalled Portfolio | Global Presence |

**myriad™**

# Global leader in mobile software and services

Myriad is a global leader in mobile technology with software in over 2.2 billion mobile devices and operations covering four continents

## “Powered by Myriad”

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## Facts & figures H1 2011

### Revenue USD 35.1m

USD 57.9m in HY10

### Gross profit<sup>1</sup> USD 25.7m

USD 40.7m in HY10

### EBITDA<sup>2</sup> USD 7.3m

USD 12.6m in HY10

### EBIT USD (3.3)m

USD 0.3m in HY10

### EBIT without exceptional charges USD 0.4m

USD 0.3m in HY10

### Net result USD (4.6)m

USD 0.1m in HY10

### EPS USD (0.09)

USD 0.00 in HY10

### Operating cash flow USD (13.8)m

USD (8.1)m in HY10

### Cash & cash equivalents<sup>3</sup> USD 16.4m

USD 21.9m at Jun 30, 2010

### Shareholders' equity USD 63.4m

USD 86.8m at Jun 30, 2010

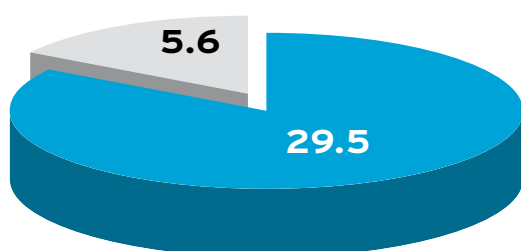
### Equity ratio: 49.1%

60.3% at Jun 30, 2010

### Total headcount at Jun 30, 2011: 481

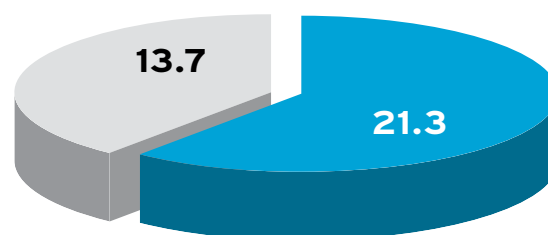
698 at Jun 30, 2010

H1 2011 Revenue per segment  
(million USD)



■ Device Solutions Division  
■ Mobile Services Division

H1 2011 Revenue by type  
(million USD)



■ Licence  
■ Service

Footnote

1. Gross profit before amortisation and impairment
2. EBITDA before restructuring charges and exceptional legal costs related to IP
3. Including short-term investments and marketable securities

## Dear shareholders,

We are pleased to report Myriad's business performance in the first half of 2011 has been robust in a challenging global trading environment. The Group generated revenue of USD 35.1 million and EBITDA (pre-restructuring and exceptional legal costs) of USD 7.3 million.

The Executive management team has focussed the business on 4 key operational activities. First, to retain and develop our existing customer accounts; second, to secure new blue-chip customers; third, to continue investment in game changing innovation and last, to continue the aggressive drive to reduce operating costs. Through the hard work and effort of Myriad's management and employees, we have made excellent progress on all these fronts.

### Strengthening Relationships

We have commenced the rollout of Myriad Mobile Social Network Services across Latin America with Telefónica. Deployment has been slower than we had initially expected, reflecting the extended time taken to perfect this ground breaking service - bundling into mainstream consumer tariffs. We are pleased to say that these technical challenges have now been resolved and we are confident that the expertise gained will enhance Myriad's ability to secure new customer accounts, as well as increasing the speed of future deployments.

During the trial launch period to consumer segments in Latin America, we have seen that 60% of customers activating the service subsequently migrated to a paid subscription. Following these strong initial results, we are working closely with Telefónica to make the service available across the region, with a view to having all 13 operations live in 2011. As the service builds up traction in the market, we expect modest revenue contribution in 2011, building strongly in 2012 as the combined impact of 13 full-scale deployments comes to bear.

We continue to strengthen our relationships with Tier 1 Carriers & OEMs - Softbank, Telefónica, Orange, Cisco, Samsung, Sony Ericsson, LG & HTC - have all continued to select Myriad as their partner of choice for market leading mobile solutions.

### Signing New Customers

We consistently impress leading brands with the technical expertise and proven solutions we provide. In addition to being selected by Qualcomm to support their mobile platform, we have also achieved a succession of wins with Tier 1 customers to deliver our core-operating software to the Connected Home segment: powering set-top boxes and blu-Ray players.

### Investing in Innovation

Our significant, early investment in Social Media and Android is starting to build a strong pipeline for the future. Two products of particular note are Myriad Updates and Myriad Alien Dalvik.

We believe Myriad Updates has the potential to power the next 700m mobile social network users. Presenting an entry-level social network experience that does not require a data plan, Updates is a recognised solution for carriers to quickly deploy and give customers their first taste of the mobile Internet and participate in the social phenomenon.

Equally groundbreaking is Myriad Alien Dalvik, which has generated significant industry interest since its launch. This software allows Android applications to run on any device, letting service providers offer consumers access to a growing catalogue of applications. We have gained early traction with leading players in the Connected Car and Connected Home sectors.

### Half-year financial results in brief

Revenue for the first half of 2011 amounted to USD 35.1 million. The decline compared to the corresponding period in 2010 is entirely due to the early termination of the contract with Sagem Wireless (in September 2010). On a like-for-like comparison (excluding Sagem Wireless revenues), we grew our core revenue by a solid 7%.

EBITDA (before restructuring and exceptional legal costs related to IP ownership rights) amounted to USD 7.3 million, reflecting an EBITDA margin of 20.7%. EBIT without the exceptional items came to USD 0.4 million in the first half of 2011. The net result was a loss of USD 4.6 million (USD 0.9 million excluding the exceptional items).

Our cash balance as of 30 June 2011 amounted to USD 16.4 million. The balance sheet structure continued to be solid with shareholders' equity of USD 63.4 million and an equity ratio of 49.1%. Our cash reserves were further boosted in September 2011 through the receipt of USD 12 million relating to a legal settlement of the dispute with Openwave Systems Inc.


### Managing Costs

As well as securing new business to grow revenues we have continued to reduce our operational costs, removing a further USD 3.7 million from our annualised cost base in addition to the USD 23 million removed last year. This has been achieved through a number of initiatives, notably the continued migration of R&D investment to our China facility in conjunction with the closure of non-core sites. We continue to consolidate our back office functions to drive a lowest cost to operate culture across the company.

The first half of 2011 was a testing period for the company, but we continue to innovate and invest in people so we provide our customers with ground-breaking technology and world-class support. Over the past year, we have established a solid foundation from which to grow the business, in particular: our long-term relationships with Tier 1 brands in telecoms and consumer equipment, plus our success in turning innovation into long-term revenue lines. The second half of 2011 will be a critical period when we expect to complete deployment of our Mobile Social Network services under the Telefónica agreement and to see the first revenue contribution from these services. There are also a number of other key innovations completing their field trials that we expect will lead to the development of long-term growth opportunities for the business.

On behalf of the Board of Directors and the Management team, we would like to thank you, our investors, for your continued support during a time of significant change. Myriad is focussed on delivering its existing deployments and to accelerate new business wins, armed with a strong pipeline of both opportunity and innovation.

Sincerely,



Loek van den Boog  
Chairman



Simon Wilkinson  
CEO

# Financial overview

| in USD'000  | HY 2011<br>IFRS | HY 2010<br>IFRS |
|---|-----------------|-----------------|
| Revenue   | <b>35,066</b>   | 57,890          |
| Gross profit <sup>1</sup>   | <b>25,691</b>   | 40,735          |
| Gross margin in %   | <b>73.3%</b>    | 70.4%           |
| EBITDA before restructuring charges and exceptional legal costs related to IP | <b>7,257</b>    | 12,595          |
| EBITDA margin in %  | <b>20.7%</b>    | 21.8%           |
| EBITDA  | <b>3,574</b>    | 12,595          |
| EBIT without exceptional charges  | <b>401</b>      | 276             |
| EBIT  | <b>(3,282)</b>  | 276             |
| Net result  | <b>(4,552)</b>  | 62              |
| Operating cash flow   | <b>(13,793)</b> | (8,056)         |
| Cash balance <sup>2</sup>   | <b>16,401</b>   | 21,934          |
| Shareholders' equity  | <b>63,381</b>   | 86,841          |
| Equity ratio in %   | <b>49.1%</b>    | 60.3%           |
| Market capitalisation (CHF'000)   | <b>182,529</b>  | 213,181         |

#### Footnote

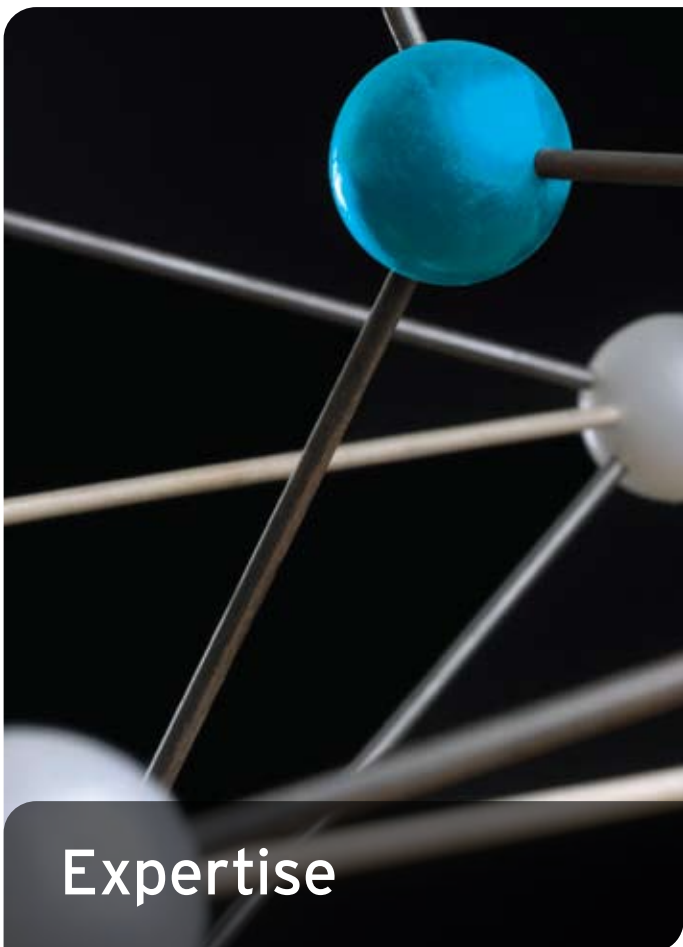
1. Gross profit before amortisation and impairment
2. Cash and cash equivalents including short-term investments and marketable securities



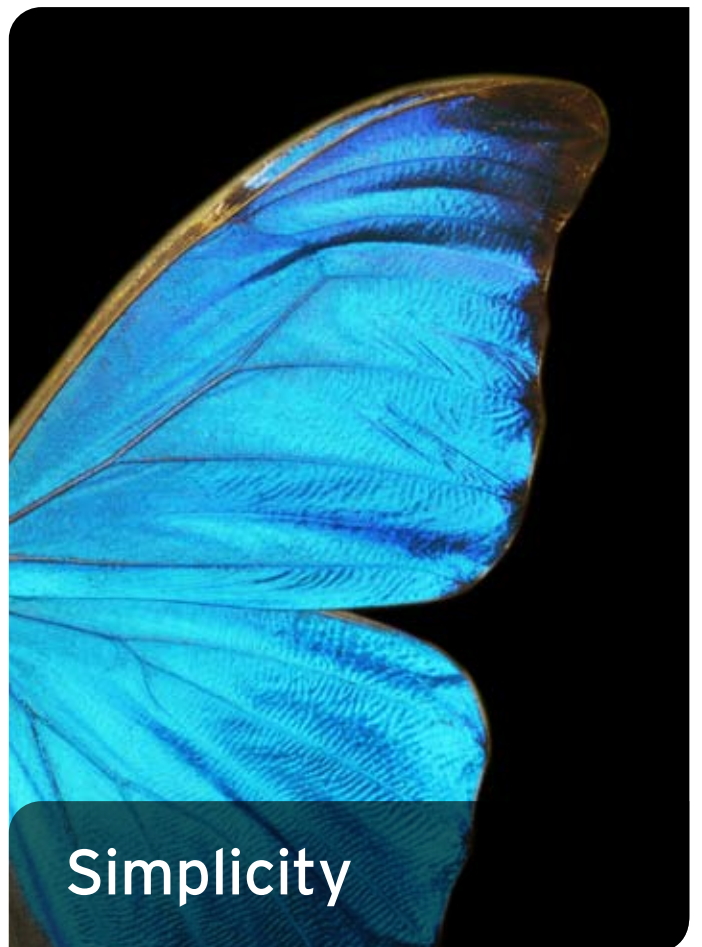
**Empowerment**



**Integrity**



**Expertise**



**Simplicity**

**Interim consolidated  
financial statements  
for the six months ended  
30 June 2011**

# Interim consolidated income statement

## Myriad Group AG

| USD'000, except for per share information                                | Six months ended 30 June (unaudited) |                |                 |
|--|--------------------------------------|----------------|-----------------|
|  | Note                                 | 2011           | 2010            |
| Licence revenue  |                                      | 21,334         | 38,130          |
| Service revenue  |                                      | 13,732         | 19,760          |
| <b>Total revenue</b>   |                                      | <b>35,066</b>  | <b>57,890</b>   |
| Cost of licence revenue  |                                      | (129)          | (1,889)         |
| Cost of service revenue  |                                      | (9,246)        | (15,266)        |
| <b>Total cost of revenue</b>   |                                      | <b>(9,375)</b> | <b>(17,155)</b> |
| <b>Gross profit before amortisation and impairment</b>                   |                                      | <b>25,691</b>  | <b>40,735</b>   |
| Amortisation of intangible assets  |                                      | (6,229)        | (11,860)        |
| <b>Gross profit</b>  |                                      | <b>19,462</b>  | <b>28,875</b>   |
| Research and development, net of capitalised costs                       |                                      | (7,510)        | (16,647)        |
| Sales and marketing  |                                      | (5,525)        | (6,596)         |
| Doubtful debt expense  |                                      | (163)          | (20)            |
| General and administrative   |                                      | (6,478)        | (8,475)         |
| Other income and expenses  |                                      | 615            | 3,139           |
| Restructuring and integration costs                                      | 5                                    | (2,439)        | -               |
| Exceptional legal costs  | 12                                   | (1,244)        | -               |
| <b>(Loss)/profit from operations</b>                                     |                                      | <b>(3,282)</b> | <b>276</b>      |
| Finance income   |                                      | -              | -               |
| Finance costs  |                                      | (1,550)        | (143)           |
| <b>(Loss)/profit before income tax</b>                                   |                                      | <b>(4,832)</b> | <b>133</b>      |
| Income tax income/(expense)  |                                      | 280            | (71)            |
| <b>(Loss)/profit for the period attributable to owners of the parent</b> |                                      | <b>(4,552)</b> | <b>62</b>       |
| Average number of shares   |                                      | 48,671,092     | 46,120,151      |
| Basic and diluted (loss)/earnings per share (USD)                        | 6                                    | (0.09)         | 0.00            |

These interim consolidated financial statements should be read in conjunction with the accompanying notes.

# Interim consolidated statement of comprehensive income

## Myriad Group AG

| USD'000  | Six months ended 30 June<br>(unaudited) |                 |
|--|---|-----------------|
|  | 2011                                    | 2010            |
| <b>(Loss)/profit for the period</b>  | <b>(4,552)</b>                          | <b>62</b>       |
| <b>Other comprehensive income:</b>   |   |                 |
| Exchange differences on translating foreign operations                                       | <b>4,979</b>                            | (12,135)        |
| <b>Other comprehensive income/(loss) for the period</b>                                      | <b>4,979</b>                            | (12,135)        |
| <b>Total comprehensive income/(loss) for the period attributable to owners of the parent</b> | <b>427</b>                              | <b>(12,073)</b> |

These interim consolidated financial statements should be read in conjunction with the accompanying notes.

# Interim consolidated balance sheet

## Myriad Group AG

| USD'000  | Note | At<br>30 June<br>2011<br>(unaudited) | At<br>31 December<br>2010<br>(audited) |
|--|------|--------------------------------------|--|
| <b>ASSETS</b>  |      |                                      |  |
| <b>Non-current assets</b>                                |      |                                      |  |
| Furniture and equipment                                  |      | 2,766                                | 2,587                                  |
| Intangible assets  | 7    | 62,016                               | 60,038                                 |
| Long-term investments and other financial assets         |      | 1,939                                | 1,551                                  |
| Deferred tax asset                                       |      | 232                                  | 228                                    |
|  |      | <b>66,953</b>                        | <b>64,404</b>                          |
| <b>Current assets</b>                                    |      |                                      |  |
| Inventories  |      | 215                                  | 406                                    |
| Trade and other receivables                              |      | 45,391                               | 30,218                                 |
| Cash and cash equivalents                                |      | 16,401                               | 33,737                                 |
|  |      | <b>62,007</b>                        | <b>64,361</b>                          |
| <b>TOTAL ASSETS</b>                                      |      | <b>128,960</b>                       | <b>128,765</b>                         |
| <b>EQUITY AND LIABILITIES</b>                            |      |                                      |  |
| <b>Equity attributable to owners of the parent</b>       |      |                                      |  |
| Share capital  | 8    | 5,796                                | 5,210                                  |
| Share premium  |      | 195,530                              | 175,794                                |
| Cumulative change in fair value of financial assets      |      | 36                                   | 36                                     |
| Cumulative translation adjustment                        |      | (50,594)                             | (36,495)                               |
| Accumulated losses                                       |      | (87,387)                             | (82,565)                               |
| <b>Total equity attributable to owners of the parent</b> |      | <b>63,381</b>                        | <b>61,980</b>                          |
| <b>Liabilities</b>                                       |      |                                      |  |
| <b>Non-current liabilities</b>                           |      |                                      |  |
| Loans and borrowings                                     | 9    | 2,687                                | 2,320                                  |
| Trade and other payables                                 |      | 1,373                                | 717                                    |
| Pension liabilities                                      |      | 294                                  | 607                                    |
| Deferred tax   |      | 8,111                                | 8,339                                  |
|  |      | <b>12,465</b>                        | <b>11,983</b>                          |
| <b>Current liabilities</b>                               |      |                                      |  |
| Loans and borrowings                                     | 9    | 126                                  | 933                                    |
| Trade and other payables                                 |      | 42,819                               | 40,451                                 |
| Current income tax liabilities                           |      | 1,573                                | 1,087                                  |
| Advances received  |      | 1,009                                | 2,064                                  |
| Deferred revenue   |      | 7,587                                | 10,267                                 |
|  |      | <b>53,114</b>                        | <b>54,802</b>                          |
| <b>Total liabilities</b>                                 |      | <b>65,579</b>                        | <b>66,785</b>                          |
| <b>TOTAL EQUITY AND LIABILITIES</b>                      |      | <b>128,960</b>                       | <b>128,765</b>                         |

These interim consolidated financial statements should be read in conjunction with the accompanying notes.

# Interim consolidated statement of changes in equity (unaudited)

## Myriad Group AG

| USD'000  | Attributable to equity holders of the parent company |                 |   |                                   |                    |                 |
|--|--|-----------------|---|-----------------------------------|--------------------|-----------------|
|  | Share capital  | Share premium   | Changes in fair value of financial assets | Cumulative translation adjustment | Accumulated losses | Total equity    |
| Balance at 1 January 2010  | 4,259  | 194,412         | 36  | (18,957)                          | (83,190)           | 96,560          |
| <b>Total comprehensive profit/(loss) for the six months</b>        | <b>(269)</b>   | <b>(7,516)</b>  | -   | <b>(4,350)</b>                    | <b>62</b>          | <b>(12,073)</b> |
| Offsetting of accumulated losses against share premium             | -  | (37,413)        | -   | -                                 | 37,413             | -               |
| Shares issued in connection with business combinations             | 411  | 1,275           | -   | -                                 | -                  | 1,686           |
| Stock option expenses  | -  | 668             | -   | -                                 | -                  | 668             |
| <b>Total transactions with owners</b>                              | <b>411</b>   | <b>(35,470)</b> | -   | -                                 | <b>37,413</b>      | <b>2,354</b>    |
| <b>Balance at 30 June 2010</b>                                     | <b>4,401</b>   | <b>151,426</b>  | <b>36</b>                                 | <b>(23,307)</b>                   | <b>(45,715)</b>    | <b>86,841</b>   |
| Balance at 1 January 2011  | 5,210  | 175,794         | 36  | (36,495)                          | (82,565)           | 61,980          |
| <b>Total comprehensive profit/(loss) for the six months</b>        | <b>559</b>   | <b>18,789</b>   | -   | <b>(14,369)</b>                   | <b>(4,552)</b>     | <b>427</b>      |
| Recycle cumulative translation adjustment on liquidated subsidiary | -  | -               | -   | 270                               | (270)              | -               |
| Share capital issued   | 27   | 644             | -   | -                                 | -                  | 671             |
| Stock option expenses  | -  | 303             | -   | -                                 | -                  | 303             |
| <b>Total transactions with owners</b>                              | <b>27</b>  | <b>947</b>      | -   | -                                 | -                  | <b>974</b>      |
| <b>Balance at 30 June 2011</b>                                     | <b>5,796</b>   | <b>195,530</b>  | <b>36</b>                                 | <b>(50,594)</b>                   | <b>(87,387)</b>    | <b>63,381</b>   |

These interim consolidated financial statements should be read in conjunction with the accompanying notes.

# Interim consolidated statement of cash flows

## Myriad Group AG

| USD'000   | Six months ended 30 June<br>(unaudited) |                 |                |
|---|---|-----------------|----------------|
|   | Note                                    | 2011            | 2010           |
| <b>Cash flows from operating activities</b>                       |   |                 |                |
| (Loss)/profit for the period                                      |   | (4,552)         | 62             |
| Adjustments for:  |   |                 |                |
| Depreciation  |   | 627             | 459            |
| Amortisation  |   | 6,229           | 11,860         |
| Non-cash stock option expense                                     |   | 303             | 668            |
| Increase/(decrease) of employee benefits                          |   | (314)           | (98)           |
| Increase of doubtful debt reserve                                 |   | 163             | 20             |
| Inventory provisions  |   | 69              | -              |
| Other non cash operating income                                   |   | (406)           | -              |
| Profit on disposal of furniture and equipment                     |   | -               | (17)           |
| Finance income and costs  |   | 1,550           | 143            |
| Income tax (credit)/expense                                       |   | (280)           | 71             |
|   |   | <b>3,389</b>    | <b>13,168</b>  |
| Increase in trade and other receivables                           |   | (18,310)        | (13,999)       |
| Decrease/(increase) in inventories                                |   | 122             | (168)          |
| Increase in trade and other payables                              |   | 1,275           | 5,012          |
| Decrease in deferred revenue and customer advances                |   | (3,735)         | (11,976)       |
| Income taxes received/(paid)                                      |   | 3,466           | (93)           |
| <b>Net cash used by operating activities</b>                      |   | <b>(13,793)</b> | <b>(8,056)</b> |
| <b>Cash flows from investing activities</b>                       |   |                 |                |
| Purchases of furniture and equipment                              |   | (378)           | (503)          |
| Purchases of intangible assets                                    |   | (470)           | (511)          |
| Capitalised development costs                                     |   | (2,395)         | (2,926)        |
| Proceeds from sale of furniture and equipment                     |   | -               | 32             |
| Decrease in short-term investments and marketable securities      |   | -               | 3,526          |
| Increase in financial assets                                      |   | (388)           | (30)           |
| Interest received   |   | -               | 7              |
| <b>Net cash generated/(used) from investing activities</b>        |   | <b>(3,631)</b>  | <b>(405)</b>   |
| <b>Cash flows from financing activities</b>                       |   |                 |                |
| Repayment of borrowings   |   | (933)           | (928)          |
| Proceeds from issue of share capital                              |   | 671             | -              |
| Interest paid   |   | (234)           | (209)          |
| <b>Net cash used in financing activities</b>                      |   | <b>(496)</b>    | <b>(1,137)</b> |
| <b>Net decrease in cash and cash equivalents</b>                  |   | <b>(17,920)</b> | <b>(9,598)</b> |
| Cash and cash equivalents at beginning of period                  |   | 33,737          | 33,235         |
| Effect of exchange rate fluctuations on cash and cash equivalents |   | 584             | (2,501)        |
| <b>Cash and cash equivalents at end of period</b>                 |   | <b>16,401</b>   | <b>21,136</b>  |

These interim consolidated financial statements should be read in conjunction with the accompanying notes.

# Selected notes to the condensed interim consolidated financial statements

## Myriad Group AG

### 1 General information

The Myriad Group ('Myriad' or 'the Group') consists of Myriad Group AG ('the Company'), a company incorporated in Zurich, Switzerland, and its consolidated subsidiaries. The subsidiaries are consistent with those disclosed in the consolidated financial statements for the previous year ended 31 December 2010.

Myriad Group AG (ticker: MYRN) shares are quoted on the SIX Swiss Exchange (SIX).

The interim consolidated financial statements are presented in US Dollars (USD), rounded to the nearest thousand.

### 2 Basis of preparation of interim report

The interim consolidated financial statements for the six months ended 30 June 2011 were prepared in accordance with IAS 34, Interim Financial Reporting. They should be read in conjunction with the consolidated financial statements for the previous year ended 31 December 2010, which were prepared in accordance with International Financial Reporting Standards.

### 3 Accounting policies and estimates

Except as described below, the accounting policies applied are consistent with those described on pages 34-40 of the Annual Report and Financial Statements for the year ended 31 December 2010.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following standards, amendments and interpretations became effective for the first time for the financial year beginning 1 January 2011 but either have no material impact or are not relevant to the Group:

IAS 24 (Revised) - "Related party disclosures"

IAS 32 (Amendment) - "Financial instruments presentation" on classification of rights issues

IFRIC 14 (Amendment) - "Prepayments of a minimum funding requirement"

IFRIC 19 - "Extinguishing financial liabilities with equity instruments"

There are also a number of changes to accounting standards as a result of the annual improvements to IFRSs 2010, mainly effective for the financial year beginning 1 January 2011. These had no material impact on the Group.

In preparing these Half Year Condensed Financial Statements the significant estimates and judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2010.

### Seasonality of operations

Management believes that Myriad Group is not exposed to significant seasonal or cyclical variations in its operations.

### 4 Segment information

Management has determined that the operating segments based on the reports reviewed by the Board of Directors (the Group's chief operating decision maker) that are used to make strategic decisions are as follows:

a) Device Solutions Division: includes activities of the embedded software platforms and middleware including browser, messaging and Jbed Java Virtual Machine clients and related services.

b) Mobile Services Division: the Group provides mobile operators with network service platforms and software for mass market phones including the extensive service portfolio in the Unstructured Supplementary Service Data (USSD) business and the Xumii social messaging platform.

# Selected notes to the condensed interim consolidated financial statements continued

## 4 Segment information continued

Segment information is as follows:

| USD'000                                | Device Solutions Division |                 | Mobile Services Division |                 | Total Myriad Group |                 |
|--|---------------------------|-----------------|--------------------------|-----------------|--------------------|-----------------|
|  | Six months 2011           | Six months 2010 | Six months 2011          | Six months 2010 | Six months 2011    | Six months 2010 |
| Licence revenue                        | 20,022                    | 36,476          | 1,312                    | 1,654           | 21,334             | 38,130          |
| Service revenue                        | 9,494                     | 16,129          | 4,238                    | 3,631           | 13,732             | 19,760          |
| Total revenue                          | 29,516                    | 52,605          | 5,550                    | 5,285           | 35,066             | 57,890          |
| <b>EBITDA<sup>1</sup></b>              | <b>6,902</b>              | <b>16,723</b>   | <b>(3,328)</b>           | <b>(4,128)</b>  | <b>3,574</b>       | <b>12,595</b>   |
| Amortisation                           |                           |                 |                          |                 | (6,229)            | (11,860)        |
| Depreciation                           |                           |                 |                          |                 | (627)              | (459)           |
| <b>(Loss)/profit from operations</b>   |                           |                 |                          |                 | <b>(3,282)</b>     | <b>276</b>      |
| Finance income                         |                           |                 |                          |                 | -                  | -               |
| Finance costs                          |                           |                 |                          |                 | (1,550)            | (143)           |
| <b>(Loss)/profit before income tax</b> |                           |                 |                          |                 | <b>(4,832)</b>     | <b>133</b>      |

(1) EBITDA is earnings before interest, tax, depreciation and amortization

The Group has not disclosed segmental information in respect of segment assets as this information is not provided to the chief operating decision maker.

## 5 Restructuring and integration costs

Restructuring costs of USD 2,439,000 incurred in the six months to 30 June 2011 relate to the continued efforts by Management to reduce costs including consolidation of back office functions through site closures and bringing IT functions in house. The costs also include compensation for employees made redundant.

There were no restructuring and integration costs in the period to 30 June 2010.

## 6 Earnings per share

The basic earnings per share is calculated by dividing the net loss of USD 4,552,000 (30 June 2010: net profit of USD 62,000) attributable to the owners of the parent company by 48,671,092 weighted average number of shares issued and outstanding during the period under review (2010: 46,120,151).

## 7 Intangible assets

Intangible assets include goodwill and fair valued intangible assets arising on business combinations and capitalized development costs. The movement in intangible assets includes amortization charges of USD 6,229,000 and translation adjustments arising on the revaluation of Euro denominated goodwill and intangible assets.

There were no impairment costs in the six months ended 30 June 2011 (30 June 2010: USD nil). There were no changes in the discount and growth rate disclosed in the 2010 consolidated financial statements.

## Capitalisation of development costs

The Group expenses development costs incurred in the preliminary project stage until specific criteria are met. Thereafter development costs are capitalised as intangible assets until the product is released to customers, at which time capitalisation ceases and costs are amortised on a straight-line basis over the estimated life of the product (3 years). The total amount of development cost capitalised during the six months ended 30 June 2011 amounted to USD 2,395,000 (30 June 2010: USD 2,926,000).

## Selected notes to the interim condensed consolidated financial statements continued

### 8 Share capital

During the six months ended 30 June 2011 and 2010, no dividends were paid out. The movements in issued share capital for the six months ended 30 June 2011 and 30 June 2010 were as follows:

|  | 2011              |                       | 2010              |                       |
|--|-------------------|-----------------------|-------------------|-----------------------|
|  | Number of shares  | Share capital USD'000 | Number of shares  | Share capital USD'000 |
| Issued capital at 1 January                                | <b>48,560,611</b> | <b>5,210</b>          | 44,192,137        | 4,259                 |
| Shares issued in connection with business combinations     | -                 | -                     | 4,368,474         | 411                   |
| Share capital issued on exercise of employee stock options | <b>243,914</b>    | <b>27</b>             | -                 | -                     |
| Translation adjustment                                     | -                 | <b>559</b>            | -                 | (269)                 |
| <b>Issued capital at 30 June</b>                           | <b>48,804,525</b> | <b>5,796</b>          | <b>48,560,611</b> | <b>4,401</b>          |
| <b>Thereof treasury shares</b>                             | <b>20</b>         | -                     | <b>20</b>         | -                     |
| Authorised share capital at 30 June                        | -                 | -                     | 5,269             | 5                     |
| Conditional share capital at 30 June                       | <b>4,231,678</b>  | <b>503</b>            | 4,475,592         | 406                   |

#### Shares issued through exercise of employee stock options

During the six months ended 30 June 2011, 243,914 (30 June 2010: nil) employee stock options were exercised resulting in net proceeds to the Company of USD 671,000 (2010: USD nil).

#### Shares issued in connection with business combinations

In March 2010 the Company increased its share capital out of the authorised share capital by 4,368,474 shares in connection with the acquisition of Purple Labs SA (subsequently renamed Myriad France SAS), for the settlement of the remaining part of the earn-out portion.

#### Stock option plans

The following table details the movements in outstanding employee stock options from 1 January until 30 June:

| '000                           | Six months ended 30 June |              |
|--------------------------------|--------------------------|--------------|
|                                | 2011                     | 2010         |
| At 1 January                   | <b>3,600</b>             | 2,702        |
| Granted                        | <b>50</b>                | 366          |
| Exercised                      | <b>(244)</b>             | -            |
| Lapsed                         | <b>(250)</b>             | (432)        |
| <b>At 30 June</b>              | <b>3,156</b>             | <b>2,636</b> |
| Thereof vested and exercisable | <b>1,482</b>             | 1,010        |

The amount of stock options expense recognised in the six months ended 30 June 2011 is USD 303,000 (30 June 2010: USD 668,000).

# Selected notes to the interim condensed consolidated financial statements continued

## 8 Share capital continued

### Authorised share capital

At 30 June 2011, the authorised share capital is nil.

### Conditional share capital

Of the conditional capital of CHF 423,167.80 (4,231,678 shares of CHF 0.10 each) as at 30 June 2011, CHF 352,667.60 is reserved for the exercise of stock option rights which may be granted to members of the Board of Directors ("Board"), employees of the Group as well as members of an Advisory Board (not established) under Group stock option plan(s) as approved by the Board. The subscription rights of the shareholders with respect to these shares are excluded.

The remaining CHF 70,500.20 of the conditional capital was reserved for the exercise of conversion rights which were granted to investors in Myriad's convertible bonds. The remaining value of the convertible bonds was redeemed in 2010.

## 9 Loans and borrowings

| USD'000                    | At 30 June<br>2011<br>(unaudited) | At 31 December<br>2010<br>(audited) |
|----------------------------|-----------------------------------|-------------------------------------|
| Short-term loan            | -                                 | 933                                 |
| Repayable government loans | 2,494                             | 2,308                               |
| Finance lease liabilities  | 319                               | 12                                  |
|                            | <b>2,813</b>                      | <b>3,253</b>                        |
| Of which:                  |                                   |                                     |
| Current                    | 126                               | 933                                 |
| Non-current                | 2,687                             | 2,320                               |
|                            | <b>2,813</b>                      | <b>3,253</b>                        |

### Short-term loan

The short-term loan was fully repaid during 2011. It was denominated in USD, bore interest at a rate of 11.5% (2010: 11.5%) and was repayable in monthly instalments.

### Repayable government loans

Myriad France participates in a French R&D programme under which it receives financing from the French Government that would be repayable if the resulting technology were successfully commercialised, and is therefore shown as a repayable loan. Repayable government loans are not discounted due to uncertainty in respect of the repayment period. They are carried at the value of the original proceeds.

## Selected notes to the interim condensed consolidated financial statements continued

### 10 Guarantees, pledges in favour of third parties, contingent liabilities and significant termination contracts

The Group's companies may grant guarantees in the normal course of business. At 30 June 2011, performance guarantees and tender bonds had been issued to customers and prospects by the Mobile Services Division totalling USD 1,077,000 (30 June 2010: USD 8,709). All such bank guarantees were secured by liens in amounts equal to the guaranteed amounts on marketable security accounts held at the issuing banks.

Further, to cover the limits of the company credit cards of Myriad Group AG, the amount of USD nil (2010: USD 27,000) is pledged in favour of UBS AG as at 30 June 2011.

Following the termination of the SAGEM Wireless contracts, Myriad has embarked on restructuring the Myriad France SAS business and has incurred costs relating to the ongoing employment and establishment costs for a number of staff. Under the terms of the settlement agreement SAGEM Wireless was committed to provide employment for these people either directly or within the wider SAFRAN group of companies, and to reimburse the establishment costs, or pay redundancy costs if redeployment is not possible. This agreement was also signed by SAGEM Telecommunications and FCPR Sofinnova Capital VI, represented by Sofinnova Partners, in support of SAGEM Wireless as shareholders. Sagem Wireless (renamed MobiWire) filed for insolvency in the French courts on 31 March 2011. As result of MobiWire going into administration Myriad Group will now seek legal redress against the Mobiwire shareholders. Based on legal advice provided to Myriad France SAS and the assessment of the contractual agreements the Board and Management believe that Myriad is able to recover the costs from the SAGEM Wireless shareholders, who were signatories to the settlement agreement, and who should be held liable for any breach of that agreement by their affiliated company. At the balance sheet date a total of Euro 9,380,000 (USD 13,600,000) was outstanding under this agreement, this is included within trade and other receivables.

Myriad France SAS, SAGEM Wireless, SAFRAN and Sofinnova Partners are currently contesting a writ from the Myriad France SAS Works Council and Employees for additional compensation in connection with the restructuring plan. Myriad Management continue to consider that a negative outcome of the claims is remote.

The Board and Management are not aware of any other significant commitments or contingent liabilities which have not been disclosed in these interim consolidated financial statements.

### 11 Related party transactions

Related parties are members of the Executive Management Team, the Board of Directors and close family members of the aforementioned parties, and shareholders holding in excess of 20% of the share capital, as well as entities under these parties' control.

There were no transactions with related parties during the six months ended 30 June 2011 (30 June 2010: none). Sofinnova Partners, who held in excess of 20% of the share capital during 2010 (30 June 2011: below 5%), are signatories to the SAGEM Wireless settlement agreement referred to in note 10.

### 12 Events after the reporting period

In September 2011 Myriad received USD 12,000,000 in settlement of a legal case relating to Intellectual Property ownership rights from Openwave Systems Inc. Legal costs incurred in relation to this have been disclosed separately as they are both material in size and not related to recurring operating activities.

The Board of Directors authorised these interim consolidated financial statements on 6 September 2011 for issue on 7 September 2011.



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#### About Myriad

Myriad Group AG is a global leader in mobile technology and has shipped over 3.8 billion software applications in more than 2.2 billion mobile phones. Its comprehensive portfolio includes browsers, messaging, Java, social networking, user interfaces and middleware for all types of mobile phones, from ultra-low cost handsets to advanced smartphones.

The company provides both individual components and complete solutions, which enable handset manufacturers and operators to deliver amazing experiences on mobile phones. Myriad also develops USSD-based customer self-care platforms that deliver over 10 billion messages a year to 220 million mobile users across more than 35 mobile operators worldwide.

Myriad was created from the combination of industry leading companies, Esmertec and Purple Labs. It operates worldwide, with offices in Switzerland, France, UK, USA, Mexico, China, South Korea, Taiwan, Japan and Australia. Headquartered in Zurich Switzerland, Myriad is listed on the SIX Swiss Exchange (SIX Symbol: MYRN). For more information, visit [www.myriadgroup.com](http://www.myriadgroup.com)