Livewire Mobile Announces Financial Results for the Quarter Ended March 31, 2011

Closes $1.65 Million in New Funding

LITTLETON, Mass., June 29, 2011 – Livewire Mobile, Inc. (otcmarkets: LVWR), a Mobile Internet leader with one of the most comprehensive one-stop digital content solutions for carriers, handset/tablet manufacturers, and media companies today announced financial results for the first quarter ended March 31, 2011. The Company also announced today that in June 2011, it closed $1.65 million in new debt funding.

Quarter Ended March 31, 2011 Results

The Company's results of operations for the quarter ended March 31, 2011 include the results of operations of Fonestarz Media Group, Ltd., acquired on December 17, 2010.

Total revenues for the first quarter of 2011 were $2.6 million, compared to $3.1 million for the fourth quarter of 2010 and $3.0 million for the first quarter of 2010. Recurring managed service revenues decreased 8% to $2.2 million, from $2.4 million, for the same period in 2010. The decrease in managed service revenues and total revenues from the same period last year was primarily due to a $1.0 million decrease due to commercial changes with a large customer effective January 1, 2011, offset by the addition of $0.9 million of managed service revenues resulting from the Company's acquisition of Fonestarz, as well as a $0.1 million decrease in the cap-ex portion of our ringback tone (RBT) business, and an expected decrease of $0.1 million in non-core handset royalty revenues. The cap-ex portion of the Company's business can result in considerable variability in quarterly revenues due to the timing of completion of cap-ex deployments.

Gross margin was 50% during the quarter ended March 31, 2011, down from the 64% during the fourth quarter of 2010, and down from 60% during the first quarter of 2010, primarily due to the decrease in managed services revenue due to commercial changes with a large customer effective January 1, 2011.

The Company had a loss from continuing operations of $(1.5) million for the first quarter of 2011, or $(0.33) per share, which included $(0.2) million, or $(0.05) per share, of restructuring expense and $0.2 million, or $0.04 per share, of rent expense reduction resulting from an office lease amendment, compared to $(0.3) million, or $(0.06) per share for the fourth quarter of 2010, and compared to $(0.3) million, or $(0.07) per share, for the first quarter of 2010.

The Company had a net loss of $(1.6) million for the first quarter of 2011, or $(0.34) per share, which included $(0.2) million, or $(0.05) per share, of restructuring expense, and $0.2 million, or $0.04 per share, of rent expense reduction resulting from an office lease amendment, compared to a net loss of $(0.2) million, or $(0.05) per share for the fourth quarter of 2010, and net loss of $(0.4) million, or $(0.10) per share, for the first quarter of 2010.

Adjusted EBITDA from continuing operations (a non-GAAP financial measure) was $(1.0) million, or $(0.22) per share, for the first quarter of 2011, compared to $0.3 million, or $0.07 per share, for the fourth quarter of 2010, and $(46,000), or $(0.01) per share, in the first quarter of 2010. A complete reconciliation between adjusted EBITDA from continuing operations and operating income/(loss) on a GAAP basis is provided in the financial tables at the end of this release.

Cash totaled $3.0 million at March 31, 2011, compared to $4.8 million at December 31, 2010. The decrease in total cash from December 31, 2010 was primarily due to the Company's first quarter net loss, resulting primarily from a commercial change with a large customer effective January 1, 2011, and changes in its working capital. In June 2011, the Company closed $1.65 million in new debt funding.

Three UK Extends New Facebook and Twitter-Friendly Music Store to More Customers

In January 2011, Three UK extended a new Facebook and Twitter-friendly music store to more of its mobile phone customers, following the success of the service on Android-based handsets. The Three music store, powered by Fonestarz, a subsidiary of Livewire Mobile, allows customers to download tracks direct to their handsets and has the option to automatically update a customer's status on Twitter and Facebook with the latest music they have purchased. The browser-based store features music from all major and leading independent record labels including Sony, Universal, Warner, EMI and Vidzone. It also comes with My Music Club, a section that provides special offers and promotions. The new music store makes it easier for customers on Three's award-winning mobile Internet network to access the latest tracks on their handsets. Customers can access the store through Three's mobile phone portal and clicking on the Three music store.

Company Enters Worldwide System Distribution and License Agreement with a Major Worldwide Telecom Equipment and Services Provider

As separately announced, the Company renewed under a global System Distribution and License Agreement its relationship with a major worldwide telecom equipment and services provider during the first quarter of 2011 that allows this partner to license and distribute worldwide the Company's new, multi-media ringback tone platform, MyCaller® 4.0.

Q2 2011 Launch of New Multi-Media RBT Managed Service

The Company launched a new, multi-media ringback tone managed service at an existing North American customer in April 2011.

Company Closes $1.65 Million In New Funding

In June 2011, the Company closed debt funding totaling $1.65 million in senior secured convertible notes with three longstanding and one more recent stockholder. The notes have a term of 18 months, bear interest at 10% per annum and are convertible into common stock at an initial conversion rate (subject to adjustment) of $2.50 per share. The notes are secured by all of the assets of the Company and contain certain operating and financial covenants applicable to the Company. The obligations under the notes are guaranteed by certain significant subsidiaries (as defined) of the Company.

Business Perspective

Matthew Stecker, CEO of Livewire Mobile, said, "Our results for the quarter-ended March 31, 2011 were in line with our expectations. We expected a decrease in our managed service revenues resulting from a commercial change that became effective January 1, 2011 with a large customer, as previously disclosed. This decrease was largely offset by revenues contributed from our Fonestarz subsidiary during the first quarter of 2011. We continue to be optimistic about our long-term pipeline generation that we believe will result from our acquisition of Fonestarz Media Group, Ltd., and our extensive mobile internet, content management, music and other service offerings."

"I am also pleased to announce that in June 2011 the Company closed $1.65 million in new debt funding from four existing stockholders. This funding will help enable the Company to continue to expand its international market presence and expand its already deep content offerings."

Use of Non-GAAP Financial Measures

In addition to reporting its financial results in accordance with generally accepted accounting principles, or GAAP, the Company has also provided in this release adjusted EBITDA from continuing operations which is a non-GAAP financial measure adjusted to exclude certain non-cash and other specified expenses. The Company believes the use of non-GAAP measures in addition to GAAP measures is an additional useful method of evaluating its results of operations. Management uses these non-GAAP financial measures when evaluating the Company's financial results, as well as for internal planning and forecasting purposes. Specifically, the Company has excluded stock-based compensation, depreciation, amortization of intangible assets, restructuring charges, interest income and expense, other income/expense, and taxes from its non-GAAP financial measures. The non-GAAP financial measures disclosed by the Company should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and the expected results calculated in accordance with GAAP and reconciliations to those expected results should be carefully evaluated. The non-GAAP financial measures used by the Company may be calculated differently from, and therefore may not be comparable to, similarly titled measures used by other companies. The Company may consider whether other significant non-recurring items that arise in the future should also be excluded in calculating the non-GAAP financial measures it uses. Reconciliations between the non-GAAP financial measures on a GAAP basis and a non-GAAP basis are provided herein, as applicable.

Net Operating Losses (NOLs) Protective Provisions

During the third quarter of 2010, the Company received shareholder approval to amend its articles of incorporation in order to protect its NOLs (the "NOL Protective Measures") and those measures are now in effect. Under the NOL Protective Measures any person, company or investment firm that wishes to become a "5% shareholder" of Livewire Mobile, Inc. must first obtain a waiver from the Company's board of directors. In addition, any person, company or investment firm that is already a "5% shareholder" of Livewire Mobile, Inc. cannot make any additional purchases of Livewire Mobile, Inc. stock without a waiver from the Company's board of directors.

Livewire Mobile, Inc. strongly urges that any stockholder contemplating owning more than 185,000 shares contact the Company before doing so.

About Livewire Mobile, Inc.

Livewire Mobile (otcmarkets: LVWR) is a Mobile Internet leader with one of the most comprehensive one-stop digital content solutions for carriers, handset and tablet manufacturers, and media companies entering the mobile content market. The Company's integrated suite of personalization services includes ringback tones, ringtones, DRM-free mobile full-track music and videos, fully integrated storefronts, extensive content, and other applications, as well as dedicated content marketing, mobile advertising solutions, and integrated storefront management and merchandising. For more information, please visit www.livewiremobile.com.

Statements other than historical facts included or referred to in this Press Release are "forward-looking statements", including forward-looking statements about our optimism about our long-term pipeline generation that we believe will result from our acquisition of Fonestarz Media Group, Ltd, that our recent funding will help enable the Company to continue to expand its international market presence and expand its already deep content offerings, and our expected total annualized cost savings of approximately $0.9 million - $1.0 million related to headcount reductions in May 2011. These statements are based on management's expectations as of the date of this document and are subject to uncertainties and changes in circumstances. Actual results may differ materially from these expectations due to risks and uncertainties including, but not limited to, our optimism about our long-term pipeline generation that we believe will result from our acquisition of Fonestarz Media Group, Ltd, that our recent funding will help enable the Company to continue to expand its international market presence and expand its already deep content offerings, and our expected total annualized cost savings of approximately $0.9 million - $1.0 million related to headcount reductions in May 2011. In addition, while management may elect to update forward-looking statements at some point in the future, management specifically disclaims any obligation to do so, even if its estimates change. Any reference to our website in this press release is not intended to incorporate the contents thereof into this press release or any other public announcement.

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LIVEWIRE MOBILE, INC.
Condensed Consolidated Balance Sheet

		March 31, 2011		December 31, 2010
		(unaudited)		
		(In thousands except per share data)		
ASSETS				
Current assets:				
Cash and cash equivalents	$	3,025	$	4,839
Accounts receivable, net of allowance for doubtful accounts of $32 and $38, respectively		1,880		1,406
Inventories, net		331		294
Prepaid expenses and other assets		359		591
Total current assets		5,595		7,130
Property and equipment, net		1,749		1,726
Goodwill		2,005		1,961
Other intangibles, net		1,515		1,524
Other assets, net		80		80
Total assets	$	10,944	$	12,421
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	$	1,434	$	1,830
Accrued expenses and other liabilities		2,354		2,477
Accrued restructuring, current portion		214		-
Capital lease obligations, current portion		342		322
Deferred revenue		1,235		1,055
Total current liabilities		5,579		5,684
Other long term liabilities		139		138
Capital lease obligations, long term portion		444		350
Total liabilities		6,162		6,172
Stockholders' equity:				
Preferred stock, $0.05 par value, 300,000 shares authorized at March 31, 2011 and December 31, 2010, no shares issued and outstanding		-		-
Common stock, $0.01 par value, 12,500,000 shares authorized at March 31, 2011 and December 31, 2010; 5,299,144 shares issued and 4,651,433 shares outstanding at March 31, 2011 and December 31, 2010.		53		53
Additional paid-in capital		434,861		434,842
Accumulated deficit		(406,843)		(405,262)
Accumulated other comprehensive loss		(4,133)		(4,228)
Treasury stock, at cost, 647,711 shares at March 31, 2011 and December 31, 2010, respectively.		(19,156)		(19,156)
Total stockholders' equity		4,782		6,249
Total liabilities and stockholders' equity	$	10,944	$	12,421

LIVEWIRE MOBILE, INC.
Consolidated Statements of Operations

	Three Months Ended March 31,	
	2011	2010
	(Unaudited) (in thousands except per share data)	
Service revenues	$ 2,602	$ 2,905
Royalty revenues	-	64
Product revenues	-	38
Total revenues	2,602	3,007
Total cost of revenues	1,306	1,205
Gross profit	1,296	1,802
	50%	60%
Operating expenses:		
Selling, general and administrative	1,682	1,082
Research and development	882	924
Restructuring and other related charges	243	-
Total operating expenses	2,807	2,006
Operating loss	(1,511)	(204)
Other expense, net	(4)	(93)
Loss from continuing operations before income taxes	(1,515)	(297)
Income tax expense	14	24
Loss from continuing operations	(1,529)	(321)
Loss from discontinued operations	(52)	(118)
Net loss	$ (1,581)	$ (439)
Loss from continuing operations per common share - basic and diluted	$ (0.33)	$ (0.07)
Net loss per common share - basic and diluted	$ (0.34)	$ (0.10)
Common shares - basic and diluted	4,651	4,613

LIVEWIRE MOBILE, INC.
Condensed Consolidated Statements of Cash Flows

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
	(Unaudited) (In thousands)	
Cash flow from operating activities:		
Net loss	$ (1,581)	$ (439)
Adjustments to reconcile net loss to cash provided by (used in) operating activities:		
Depreciation of property and equipment and amortization of managed service assets	180	133
Amortization of intangible assets	65	-
Stock-based compensation expense	19	25
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable	(456)	442
Inventories	(37)	4
Prepaid expenses and other assets	240	169
Accounts payable	(393)	346
Accrued expenses and other liabilities	(174)	(362)
Accrued restructuring	214	(65)
Deferred revenue	180	(143)
Cash provided by (used in) operating activities	(1,743)	110
Cash flow from investing activities:		
Purchases of property and equipment, managed service assets and licenses	6	(78)
Cash provided by (used in) investing activities	6	(78)
Cash flow from financing activities:		
Payment of dividend	-	(930)
Payment of capital lease obligations	(96)	(56)
Proceeds from issuance of common stock	-	71
Cash used in financing activities	(96)	(915)
Effect of exchange rate changes on cash	19	(9)
Net decrease in cash and cash equivalents	(1,814)	(892)
Cash and cash equivalents, beginning of period	4,839	7,834
Cash and cash equivalents, end of period	$ 3,025	$ 6,942
Supplemental cash flow information:		
Purchase of equipment through capital leases	$ 209	$ -

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
	(Unaudited)	
	(In thousands, except per share data)	
GAAP operating loss	$ (1,511)	$ (204)
Plus:		
Stock-based compensation	19	25
Amortization of intangibles	65	-
Depreciation	180	133
Restructuring	243	-
Non-GAAP adjusted EBITDA from continuing operations	$ (1,004)	$ (46)
GAAP operating loss per basic and diluted share:	$ (0.32)	$ (0.04)
Plus:		
Stock-based compensation	0.00	0.01
Amortization of intangibles	0.01	-
Depreciation	0.04	0.02
Restructuring	0.05	-
Non-GAAP adjusted EBITDA from continuing operations per share	$ (0.22)	$ (0.01)
Shares used in computing basic and diluted non-GAAP adjusted EBITDA from continuing operations per share	4,651	4,613

NOTES:

1) BASIS OF PRESENTATION

The condensed consolidated balance sheet as of March 31, 2011, the condensed consolidated statements of operations for the three months ended March 31, 2011 and 2010, and the condensed consolidated statements of cash flows for the three months ended March 31, 2011 and 2010 include the unaudited accounts of Livewire Mobile, Inc. and its wholly owned subsidiaries (collectively, the "Company"). The financial information included herein is unaudited. The condensed consolidated balance sheet at December 31, 2010 has been derived from, but does not include all the disclosures contained in the audited consolidated financial statements for the year ended December 31, 2010. The Company's condensed consolidated statements of operations and cash flows for the three months ended March 31, 2011 and the condensed consolidated balance sheet as of March 31, 2011 and December 31, 2010 also include the results of operations of Fonestarz Media Group, Ltd. for the period subsequent to the acquisition on December 17, 2010 through December 31, 2010, and the net liabilities acquired.

In the opinion of management, all adjustments which are necessary to present fairly the financial position, results of operations and cash flows for all interim periods presented have been made. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, management evaluates various estimates including those related to the allowance for doubtful accounts and sales returns, write-down of excess and obsolete inventories to the lower of cost or market value, income taxes, restructuring and other related charges, and accounting for acquisitions and dispositions. Management establishes these estimates based on historical experience and various assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The operating results for the three months ended March 31, 2011 and 2010 are not necessarily indicative of the operating results to be expected for any future period.

The Company encourages you to read these financial statements in conjunction with its other public disclosures.

2) ACQUISITION

On December 17, 2010, the Company's wholly-owned subsidiary, LWM Holdings, Inc. entered into a Share Purchase Agreement ("SPA") with Fonestarz Media Group, Ltd. ("Fonestarz"), whose operations are based in the United Kingdom, for a purchase price of $952,000, excluding transactions costs of $319,000. Additionally, the Company repaid approximately $1.3 million of Fonestarz liabilities at closing.

Fonestarz is a retailer of mobile entertainment content for mobile network operators. It manages digital content services, from its proprietary merchandising and delivery platform for 11 mobile operators in eight countries around the world. Fonestarz services are currently deployed with premier operators including Vodafone, Hutchison 3 and O2 in countries including the United Kingdom, Ireland, Denmark, Sweden, Austria, New Zealand, South Africa and Egypt.

In accordance with generally accepted accounting principles, the fair value of Fonestarz is allocated to Fonestarz's identifiable tangible and intangible assets and liabilities assumed based on their fair values as of the date of the completion of the transaction. The following table presents the allocation of the purchase price and the lives of the acquired intangible assets. The acquired intangible assets are amortized over their estimated useful lives using the straight-line method. Based upon a third-party valuation of intangible assets as of that date, the Company has allocated the purchase price to assets and liabilities as follows:

	Amount (in 000's)	Estimated Life (in years)
Cash and cash equivalents	$ 213	
Accounts receivable	481	
Prepaid expenses and other current assets	127	
Fixed assets	125	
Core technology	460	4.0
Content	100	3.0
Non-compete agreements	10	1.5
Customer relationships	1,002	10.0
Goodwill	2,003	
Total assets acquired	4,521	
Total liabilities assumed	3,569	
Total net assets acquired	$ 952	

3) RESTRUCTURING AND OTHER RELATED CHARGES AND ACCRUALS

In the first quarter of 2011, to reduce costs associated with excess office space, the Company amended the lease for its corporate headquarters in Littleton, MA to reduce its office space by approximately 37%, effective the earlier of April 1, 2011 or when the Company vacates the space. The Company vacated the excess space in February 2011. The Company recorded both a restructuring charge of $222,000 and a rent expense reduction of approximately $173,000 related to the elimination of a deferred rent liability associated with this exited space in the quarter ended March 31, 2011.

4) INCOME TAXES

The Company conducts business globally and, as a result, the Company or one or more of its subsidiaries files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions.

On January 1, 2007, the Company adopted accounting guidance relating to uncertainty in income taxes recognized in an enterprise's financial statements. The guidance prescribes a recognition threshold and measurement attributes for the financial statement recognition and measurement of a tax position taken in or expected to be taken in a tax return. This interpretation also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, and disclosure and transition. The Company has established a valuation allowance against net deferred tax assets in certain jurisdictions including the United States because the Company believes that it is more likely than not that the tax assets in those jurisdictions will not be realized prior to their expiration.

5) DISCONTINUED OPERATIONS

On December 5, 2008, the Company sold its NMS Communications Platforms business and certain assets and liabilities of the NMS Communications Platforms business to Dialogic Corporation. Accordingly, the operating results, including certain compliance and other administrative costs related to several foreign subsidiaries of the NMS Communication Platforms business, have been reclassified as discontinued operations in the unaudited condensed consolidated statements of operations.

6) DIVIDEND

On February 10, 2010, the Company’s Board of Directors declared a dividend of $0.20 per share of common stock for 2010. The dividend paid on March 26, 2010 to shareholders of record as of the close of business on March 12, 2010 totaled $930,000 and is reflected in the statement of cash flows for the year ended December 31, 2010.

On March 1, 2011, the Company’s board of directors voted to not approve the declaration of a cash dividend for 2011.

7) SUBSEQUENT EVENTS

In June 2011, the Company closed debt funding totaling $1.65 million in senior secured convertible notes with three longstanding and one more recent stockholder. The notes have a term of 18 months, bear interest at 10% per annum and are convertible into common stock at an initial conversion rate (subject to adjustment) of $2.50 per share. The notes are secured by all of the assets of the Company and contain certain operating and financial covenants applicable to the Company. The obligations under the notes are guaranteed by certain significant subsidiaries (as defined) of the Company.

In May 2011, the Company implemented a cost reduction plan, by reducing employee headcount, which was focused on streamlining its operations and eliminating certain costs to better position the Company to improve operating margins. The cost reduction plan resulted in employee severance-related costs of approximately $50,000. The Company expects total annualized cost savings of approximately $0.9 million - $1.0 million related to the headcount reductions.

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