

INDUCT

INTERIM REPORT – Q1 2017

Highlights

- Annualized Recurring Revenue (ARR) on a consolidated basis by end of Q1 2017 was NOK 7.75 million – up 68% from Q1 2016. Due to delay in signature of KS agreement, municipality contract signing are four months delayed
- Q1 2017 lost ARR was zero, and churn is expected to stay very low
- Q1 2017 revenue of NOK 3.4 million compared to NOK 1.5 million for Q1 2016
- Q1 2017 negative EBITDA of NOK 3.4 million, which is about equal to the negative EBITDA for Q1 2016. Induct has during 2017 significantly increased the sales pipeline
- Induct completed a private placement towards existing shareholders and new investors of NOK 15 million in Q1 2017. Cash forecast shows break even in Q4 2017 as planned

CEO comment

The first three months of 2017 have continued with determined execution on our company strategy. With the strategic partnership with KS (association of Norwegian Municipalities) finally signed, we expect to increase the number of Municipalities on the platform.

Induct's ARR was up 68% compared to Q1 of 2016. Our focus on connecting networks like health and municipalities is creating a strong offering to our customers. At the end of May, healthcare organizations and authorities from four countries will meet in Barcelona to define how great solutions from these countries will be shared and implemented across these countries.

We have seen a significant interest from private enterprises during Q1 and we expect higher increase in revenues within this segment during 2017.

Alf Martin Johansen, CEO of Induct

Income Statement

| | Unaudited Q1 2017 | Unaudited Q1 2016 | Unaudited FY 2016 | Audited FY 2015 |
|-----------------------------------|----------------------|----------------------|----------------------|--------------------|
| Revenues | | | | |
| Sales revenue | 3 013 | 1 476 | 9 653 | 4 219 |
| Research Grants | 370 | - | - | 956 |
| Total Revenues | 3 383 | 1 476 | 9 653 | 5 175 |
| Operating Costs | | | | |
| Cost of sales | 1 278 | 103 | 3 891 | 2 019 |
| Personnel costs | 4 504 | 1 600 | 6 057 | 3 800 |
| Depreciation & Amortization | 698 | 505 | 2 723 | 2 020 |
| Other operating costs | 1 044 | 3 224 | 7 878 | 13 106 |
| Total Operating Costs | 7 524 | 5 432 | 20 549 | 20 945 |
| Operating result | -4 141 | -3 956 | -10 896 | -15 770 |
| Financial items | | | | |
| Financial income | 10 | 3 | 43 | 20 |
| Financial costs | 310 | 515 | 1 293 | 3 743 |
| Total Financial items | -300 | -512 | -1 250 | - 3 722 |
| Net Profit before Taxation | -4 441 | -4 468 | -12 146 | -19 492 |
| Corporate Tax | 2 | - | - | - |
| Net Profit after Taxation | -4 443 | -4 468 | -12 146 | -19 492 |
| EBITDA | -3 443 | -3 451 | -8 173 | -13 750 |

Income Statement per Q1 2017 includes Induct AS and its subsidiaries in the US, UK, Brazil and Spain. Income Statement per Q1 2016 includes Induct AS and its subsidiaries in the UK and US, which has not been previously reported.

Income Statement for 2016 is consolidated and includes Induct AS and its subsidiaries in the US and UK from 01.01.2016. The subsidiary in Brazil is included from 01.04.2016 when Induct AS got control over the Brazilian company. The subsidiary in Spain is included from 01.07.2016 when Induct got control over the Spanish subsidiary. Induct R&D in Spain is included since the formation of the company in Q3 2016.

Income Statement for 2015 includes Induct AS only.

Balance sheet

| | Unaudited Q1 2017 | Unaudited Q1 2016 | Unaudited 31.12.2016 | Audited 31.12.2015 |
|--|----------------------|----------------------|-------------------------|-----------------------|
| Non-current assets | | | | |
| Intangible assets | 12 395 | 14 320 | 12 301 | 13 015 |
| Fixed assets | 273 | 4 | 219 | 7 |
| Financial non-current assets | - | - | - | 486 |
| Total non-current assets | 12 668 | 14 324 | 12 520 | 13 508 |
| Current assets | | | | |
| Receivables | 6 317 | 3 773 | 4 946 | 3 132 |
| Bank accounts | 11 632 | 317 | 2 700 | 260 |
| Total Current assets | 17 949 | 4 090 | 7 646 | 3 392 |
| Total assets | 30 617 | 18 414 | 20 166 | 16 900 |
| Shareholders Equity and Debt | | | | |
| Paid-in capital | | | | |
| Share capital | 819 | 458 | 749 | 429 |
| Share premium reserve | 80 248 | 35 896 | 69 212 | 32 937 |
| Total paid-in capital | 81 067 | 36 354 | 69 961 | 33 366 |
| Retained earnings | | | | |
| Uncovered loss | -61 939 | -54 884 | -60 448 | -48 610 |
| Total retained earnings | -61 939 | -54 884 | -60 448 | -48 610 |
| Total shareholder's equity | 19 128 | -18 530 | 9 513 | -15 244 |
| Debt | | | | |
| Long-term debt | 3 261 | 9 206 | 4 032 | 9 304 |
| Short-term debt | 8 228 | 27 738 | 6 621 | 22 840 |
| Total debt | 11 489 | 36 944 | 10 653 | 32 144 |
| Total shareholder's equity and debt | 30 617 | 18 414 | 20 166 | 16 900 |

The Balance Sheet for Q1 2017 is consolidated and includes Induct AS and its subsidiaries in the US, UK, Brazil and Spain.

The Balance Sheet for Q1 2016 is consolidated and includes Induct AS and its subsidiaries in the US and UK.

The Balance Sheet per 31.12.2016 is consolidated and include Induct AS and its subsidiaries in the US, UK, Brazil, Spain and Spain R&D.

The Balance Sheet per 31.12.2015 includes Induct AS only.

Number of shares

| | |
|--|-----------|
| Number of issued shares per 31.12.2016 | 7 493 321 |
| Private Placement February 2017 | 698,142 |
| Number of issued shares per 31.03.2017 | 8 191 463 |
| Number of issued share options 1) | 280 000 |
| Pending share issue – acquisitions 2) | 331 000 |
| Number of shares – fully diluted | 8 802 463 |

1) The strike price for the issued share options is NOK 20 per share option.

2) Pending share issue relates to the acquisition of subsidiaries in Brazil, Spain and India and is expected to take place in 2017.

In addition to the 331,000 shares mentioned above, the purchase agreements include a performance based earn-out element, with a total cap of an additional 1.1 million shares based on aggressive growth performance over a 3-year period from the acquisition date. No shares are earned as of 31.03.2017.

Operational review

Induct AS was established in 2007 and offers a web-based platform for individuals and organizations to increase the efficiency of utilization of knowledge and experience. An example of the use of Induct's technology is to increase the innovation capacity and capabilities in organizations. This applies both within the private and public sector, as well as nationally and internationally. The platform and different products are marketed under the brand name Induct.

Induct's software is unique in enabling organizations and individuals to connect via networks to collaborate and to share high impact innovations. In healthcare for example, this enables reduced spending and improved social impact through better patient experience and reduced waiting time. Due to recent market breakthroughs, Induct's platform is now positioned to become the de facto industry standard for connecting

healthcare providers in ecosystems to improve efficiency in global healthcare. Other sectors include municipalities and government, education, private enterprises and humanitarian sector.

The company is headquartered in Oslo. There are established offices in London (UK) and Boston (USA), Sao Paulo (Brazil) and Barcelona (Spain). There has not been prepared consolidated financial statement for 2015 as a result of that the two subsidiaries existing in 2015 (UK and US) were considered immaterial for consolidation.

In addition, Induct purchased existing companies in Sao Paulo (Brazil), Bangalore (India) and Barcelona (Spain). These companies are not included in the financial statement for 2015 as the acquisitions were not formally finalized per 31 December 2015. The subsidiary in Brazil is consolidated from 01.04. 2016, while the subsidiary in Spain is consolidated from 01.07.2016. The acquisition process for the Indian company is expected to be completed during 2017.

Future development

The company's software was commercially launched in June 2009 and has been positively received by the market. Since launch, Induct has focused on building innovation communities for organizations and connecting them in network for sharing content. Our long-term goal has been to build an infrastructure, where we can help organizations to facilitate innovation eco-systems, whether they are large enterprises connecting to their collaboration partners, or node organizations in networks. This infrastructure is now being materialized, and we are currently working with a few existing node networks to deliver this infrastructure. This is an exciting development, and opens for a whole range of future networked business models.

The market potential is expected to be huge, and it will probably be attractive for new operators to enter the market. However, Induct is still in pole position to deliver our infrastructure to these existing “non-digital” networks. We will communicate more regarding this development in Q3 2017.

The Board of Directors believes that the company's prospects are good, although there will always exist uncertainties in the growth phase for a company who are disrupting current practice.

Financial results

Induct Group includes Induct AS and its 100% owned subsidiaries in Induct Solutions UK Ltd. (UK) and Induct Software Inc. (US), 99% owned Induct Tecnologia do Brasil LTDA (Brazil), 100% of Induct SEA S.L (Spain) and 100% of Induct R&D S.L (Spain). The Brazilian subsidiary is included with effect from 01.04.2016 when Induct formally took over the shares in the company and thereby gained control. The Spanish subsidiary is included with effect from 01.07.2016 when Induct formally took over the shares in the company and thereby gained control. Induct R&D is included since the formation of the company. The shares for the acquisitions of the subsidiaries in Brazil, Spain and India have not yet been issued, which will increase the number of shares by 331,000.

The group's revenue in Q1 2017 amounts to NOK 3.0 million excluding expected government grant (Skattefunn), which is an increase of 100% compared to Q1 2016. The main reason for the increase is revenue from the health care sector in Norway continuing to pick up as various hospitals are implementing Induct's platform. Both subscription revenue and professional services show a healthy growth with subscription revenue amounting to NOK 1.0 million and professional services amounting to NOK 2.0 million in Q1 2017.

Operating costs in Q1 2017 show an increase of 39% compared to Q1 2016 due to gearing up of sales activities and implementation processes for customers. Induct has also incurred certain costs related to facilitating the private placement which took place during Q1 2017.

Profit before tax in Q1 2017 is negative with NOK -4.4 million, compared to NOK -4.5 million in Q1 2016.

The Balance Sheet reflects increased activity. Intangible assets consist primarily of capitalized R&D costs, and shows a slight increase. The booked equity amounts to NOK 19.1 million by the end of Q1 2017. The company's interest bearing debt by end of Q1 2017 amounts to NOK 3.3 million, whereof NOK 2.4 million is from Innovation Norway. Included in short-term debt is NOK 1.6 million in deferred revenue relating to the subscription contracts, and which is therefore not payable for Induct.

Cash situation and funding

In February Induct completed a private placement of NOK 15 million in cash, which strengthens Induct's financial resources for future growth.

Induct has a cash balance of NOK 11.6 million by end of Q1 2017. Given that Induct reaches its sales targets, the current funding will last until Induct becomes cash positive. In

case revenue is falling behind, the Board will make sure the necessary actions are taken to reduce costs. The Board therefore finds the cash situation satisfactory.

Induct's cash balance by 31.12.2016 was NOK 2.7 million. The cash position has been further improved as the proceeds from a private placement of NOK 15 million has been received. The Board will continuously assess the company's need for additional capital and will take action when deemed necessary to implement the approved strategic plan.

Oslo, 15 May 2017

Even Nordstrøm
(sign.)
Chairman

J. Robin Waaler
(sign.)
Board Member

Audun W. Iversen
(sign.)
Board Member

Øivind Magnussen
(sign.)
Board Member

Alf Martin Johansen
(sign.)
CEO / Board Member