

INDUCT

INTERIM REPORT – Q2 2017

Highlights

- Annualized Recurring Revenue (ARR) on a consolidated basis by end of H1 2017 was NOK 8.35 million – up 30% from H1 2016.
- Increase in ARR from Q1 2017 to Q2 2017 was 7.7%.
- Q2 2017 revenue of NOK 3.0 million compared to NOK 1.6 million in Q2 2016.
- Induct has during 2017 significantly increased the sales pipeline.
- YTD 2017 lost ARR was zero, and churn is expected to stay very low.
- Q2 2017 negative EBITDA of NOK -0.6 million compared a negative EBITDA for Q2 2016 of -0.8 million.
- Board of Directors has two new experienced Directors, including the Chairman position, strengthening us within international software sales.
- Increased sales capacity in H1 is expected to generate new sales going forward.
- On August 6th 2017, Induct received confirmation on a NOK 2.7 million grant from the Norwegian Research Council (Skattefunn) for our 2017 development initiatives, payable in 2018.

CEO comment

During the first six months of 2017, Induct has increased sales capacity, and it has resulted in a strong growth in our mature pipeline, and we expect this to contribute to reach our sales targets in 2017.

Induct's ARR was up 30% compared to H1 of 2016. Our focus on connecting networks like health and municipalities is creating a strong offering to our customers. In May, healthcare organizations and authorities from four countries met in Barcelona to define how great solutions from these countries will be shared and implemented across these countries. After the meeting, they all signed an agreement to collaborate across the countries.

We have seen a significant interest from private enterprises during Q2 and we expect higher increase in revenues within this segment during 2017.

Induct has been nominated by Oslo Stock Exchange for the "Rising Star" category amongst European Small and Mid-Cap Awards for 2017. The Awards process is managed by European Issuers, the Federation of European Securities Exchanges (FESE) and the European Commission.

Alf Martin Johansen, CEO of Induct

Income Statement

	Unaudited Q2 2017	Unaudited Q2 2016	Unaudited YTD Q2 2017	Unaudited YTD Q2 2016	Audited FY 2016
Revenues					
Sales revenue	3 053	1 642	5 881	3 118	6 809
Research Grants	980	-	1 350	-	-
Total Revenues	4 033	1 642	7 231	3 118	6 809
Operating Costs					
Cost of sales	1 047	957	2 159	1 060	2 124
Personnel costs	1 550	857	5 968	2 457	3 796
Depreciation & Amortization	483	504	1 181	1 009	2 115
Other operating costs	2 014	604	3 193	3 828	8 767
Total Operating Costs	5 094	2 922	12 501	8 354	16 802
Operating result	-1 061	-1 280	-5 270	-5 236	-9 993
Financial items					
Financial income	-	-3	10	-	41
Financial costs	45	379	220	894	1 266
Total Financial items	-45	-382	-210	-894	-1 225
Net Profit before Taxation	-1 106	-1 662	-5 480	-6 130	-11 218
Corporate Tax	-	-	-	-	99
Net Profit after Taxation	-1 106	-1 662	-5 480	-6 130	-11 317
EBITDA	-578	-776	-4 089	-4 227	-7 878

Income Statement per Q2 2017 includes Induct AS and its subsidiaries in the US, UK and Spain. Income Statement for 2016 includes Induct AS and its subsidiaries in the US and UK from 01.01.2016. 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.

The subsidiary in Brazil has been excluded from consolidation due to uncertainty regarding the future structure of Induct's operations in Brazil.

Research grant of NOK 0.75 million in Q2 2016 has been removed for comparable reasons since Induct did not get Skattefunn for 2016.

Balance sheet

	Unaudited 30.06.2017	Unaudited 30.06.2016	Audited 31.12.2016
Non-current assets			
Intangible assets	13 042	13 818	12 159
Fixed assets	287	2	216
Financial non-current assets	-	-	484
Total non-current assets	13 329	13 820	12 859
Current assets			
Receivables	6 738	1 521	2 906
Bank accounts	5 502	1 009	2 394
Total Current assets	12 240	2 530	5 300
Total assets	25 569	16 350	18 159
Shareholders Equity and Debt			
Paid-in capital			
Share capital	819	688	749
Own shares	-	-	-18
Share premium reserve	80 653	57 774	66 775
Total paid-in capital	81 472	58 462	67 506
Retained earnings			
Uncovered loss	-65 924	-57 323	-60 428
Total retained earnings	-65 924	-57 323	-60 428
Total shareholder's equity	15 548	1 139	7 078
Debt			
Long-term debt	2 938	3 648	3 851
Short-term debt	7 083	11 563	7 230
Total debt	10 021	15 211	11 081
Total shareholder's equity and debt	25 569	16 350	18 159

The Balance Sheet for Q2 2017 is consolidated and includes Induct AS and its subsidiaries in the US, UK and Spain.

The Balance Sheet for Q2 2016 is consolidated and includes Induct AS and its subsidiaries in the US and the UK.

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

The subsidiary in Brazil has been excluded due to uncertainty regarding the company.

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 30.06.2017	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 30.06.2017.

About Induct

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.

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.

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.

Operational review

Induct has further strengthened its position in the Healthcare sector with four new contracts during H1 2017. Hospitals use Induct software to support their innovation and improvements initiatives and to connect in the digital Induct network to share high impact innovations. This unique network now includes over half of Norwegian health institutions (Helseforetak). In May Induct hosted a meeting of healthcare organizations and authorities from four countries in Barcelona to define how great solutions from these countries will be shared and implemented across these countries.

The Municipality sector in Norway has confirmed a large need for Induct's software. We strongly believe that our experience in building healthcare networks can be leveraged to achieve this. Our efforts to enter this sector was launched in Q1 and have focused on creating a common portal for municipalities to register and search for implemented innovation and improvements initiatives across Norway. The Association for Norwegian Municipalities (KS) has signed an agreement with Induct to ensure adoption and use of the platform. The contract was signed a few months later than anticipated and has delayed our market entry accordingly. However, the platform was launched at a national innovation event for municipalities in June (www.kominn.no). We are currently in dialogue with several of these municipalities to upgrade to a paid Induct solution to support project implementation, collaboration and citizen dialogue.

In parallel Induct has increased our sales efforts in the Enterprise sector. We have continued to sign important contracts in this sector, including Norgesgruppen (retail) and Statoil (oil and gas – pilot) in Norway. After a public tender process, Induct also won an important contract with Brønnøysundregistrene (The Brønnøysund Register Centre). In Spain, we have signed with Gaeso (financial) and Sorigue (construction) and in Brazil with

Algar Telecom (upselling existing agreement) and Votorantim (industrial). With increased sales capacity recently in place, our sales efforts is further strengthened going forward.

Future development

Gartner Group has updated their market overview and guide for the Innovation Management space, and Induct is mentioned amongst the vendors in the market.

Induct will launch an upgraded platform by end of this year. We have worked on this upgrade for several years, and it will support our existing clients in an even better way, in addition to supporting networks and eco-systems.

Based on our experience in building Healthcare and Municipality networks, we expect to onboard 3 networks by end of the year.

The enterprise sector will continue to grow revenue based on the many high profile reference clients that signed with us during H1.

The Board of Directors finds that the outlook for Induct continues to be strong. However, there will always be uncertainties in the growth phase of a company which is 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), 100% of Induct SEA S.L (Spain) and 100% of Induct R&D S.L (Spain). 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 Q2 2017 amounts to NOK 3.1 million excluding expected government grant (Skattefunn), which is an increase of 86% compared to Q2 2016. The main reasons for the increase is revenue from the health care sector in Norway continuing to pick up as various hospitals are implementing Induct's platform and consolidating the Spanish sales subsidiary. In addition, we are also beginning to see results of the increased focus on the corporate sector in Norway due to delayed sales results regarding the municipalities segment. Both subscription revenue and professional services show a healthy growth with subscription revenue amounting to NOK 1.3 million and professional services amounting to NOK 1.8 million in Q2 2017.

Operating costs in Q2 2017 show an increase of 74% compared to Q2 2016 due to gearing up of sales activities and implementation processes for customers.

Profit before tax in Q2 2017 is negative with NOK -1.1 million, compared to NOK -1.7 million in Q2 2016.

The booked equity amounts to NOK 15.5 million by the end of Q2 2017. The company's interest bearing debt by end of Q2 2017 amounts to NOK 2.9 million, whereof NOK 2.2 million is from Innovation Norway.

Included in short-term debt is NOK 2.2 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 5.5 million by end of Q2 2017. Given that Induct reaches its sales targets, the current funding will last until Induct becomes cash positive. The Board will continuously assess the company's need for additional capital and will take action if deemed necessary to implement the approved strategic plan.

Oslo, 14 August 2017

Bjørn Gabrielsen
(sign.)
Chairman

J. Robin Waaler
(sign.)
Board Member

Ingvild Myhre
(sign.)
Board Member

Øivind Magnussen
(sign.)
Board Member

Alf Martin Johansen
(sign.)
CEO / Board Member