INDUCT GROUP – INTERIM REPORT 1H 2016

Highlights

- Consolidated Annualized Recurring Revenue (ARR) by end of 1H 2016 was NOK 7 million – up 42 % from 1H 2015.
- ARR for Healthcare by end of 1H 2016 was 4.4 million – up 132 % from 1H 2015.
- 1H 2016 lost ARR was NOK 0.43 million. Churn is expected to stay very low in 2H 2016.
- Actual 1H 2016 revenues of NOK 6.4 million if all subsidiaries were consolidated with effect from 01.01.2016. This is 56% higher than the official reported revenue where subsidiaries are partially included in 1H.
- 1H 2016 negative EBITDA of NOK 3.5 million. This is a significant improvement from negative NOK 10.8 million in 1H 2015. Accelerated sales growth is expected to improve the EBITDA in 2H 2016 and further in 1H 2017.
- Several new leading investors in 1H 2016. New and existing shareholders invested a total of NOK 34.5 million in new equity. This enables Induct to faster pursue organic and acquired growth.
- Board of Directors now includes three new members with broad industrial experience and deep domain expertise.
- Induct was the first company to be admitted to trading on Oslo Børs' marketplace Merkur Market. Induct rang the starting bell when Merkur Market opened for first day of trading on January 13, 2016.

CEO comment

Induct continues at deliver strong growth in our core markets. Many milestones have been reached during the first six months of 2016. We were the first company to list on the Merkur Market, we have raised more capital than ever before, we have many new and profiled investors, we have put together a new board of directors and Induct has positioned itself as a major player in the high potential healthcare-segment.

During the past four quarters our focus on healthcare has really begun to pay off. Inducts ARR in total was up 42 percent compared to first half of 2015, but when we look at healthcare the growth is massive 132 percent. The churn is connected to one singel contract in Brazil. This clearly shows that the growth strategy and the focused allocation of resources is proving to work.
Alf Martin Johansen, CEO of Induct

Income Statement

	30.06.2016	30.06.2015	31.12.2015
Revenues			
Sales revenue	3 327	1 320	4 219
Research Grants	750	-	956
Total Revenues	**4 077**	**1 320**	**5 175**
Operating Costs			
Cost of sale	1 237	0	2 019
Personel costs	2 483	2 113	3 800
Other operating costs	3 828	9 963	13 106
EBITDA	**-3 471**	**-10 756**	**-13 750**
Depreciation & Amortization	1 009	508	2 020
Operating result	**-4 480**	**-11 264**	**-15 770**
Financial items			
Financial income	-	-	20
Financial costs	894	651	3 702
Total Financial items	**894**	**651**	**3 722**
Net Profit before Tax	**-5 374**	**-11 915**	**-19 492**
Corporate Tax	-	-	-
Net Profit after Tax	**-5 374**	**-11 915**	**-19 492**

Income Statement per 30.06.2016 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 the acqusition was completed and Induct AS got control over the Brazilian company. The Income Statement for 1H 2015 and 2015 included Induct AS only.

Balance Sheet

	30.06.2016	30.06.2015	31.12.2015
Non-current assets			
Intangible assets	13 818	13 196	13 015
Fixed assets	2	12	7
Financial non-current assets	-	5 833	486
Total non-current assets	13 820	19 041	13 508
Current assets			
Receivables	2 325	4 854	3 132
Bank accounts	1 108	222	260
Total Current assets	3 433	5 076	3 392
Total assets	17 253	24 117	16 900
Shareholders Equity and Debt			
Paid-in capital			
Share capital	688	419	429
Share premium reserve	57 791	28 897	32 937
Total paid-in capital	58 479	29 316	33 366
Retained earnings			
Uncovered loss	-56 450	-36 983	-48 610
Total retained earnings	-56 450	-36 983	-48 610
Total shareholders equity	2 029	-7 667	-15 244
Debt			
Long-term debt	3 648	10 595	9 304
Short-term debt	11 576	21 189	22 840
Total debt	15 224	31 784	32 144
Total shareholders equity and debt	17 253	24 117	16 900

The Balance Sheet per 30.06.2015 is consolidated and include Induct AS and its subsidiaries in the US, UK and Brazil. The Balance Sheet per 30.06.2015 and 31.12.2015 includes Induct AS only.

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 technology is to increase 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, 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, research and education and private enterprises and entrepreneurship.

The company is headquartered in Oslo. There is established offices in London (UK) and Boston (USA). It is not prepared consolidated financial statements for 2015 as a result of the two subsidiaries are 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 statements for 2015 as acquisitions not formally finalized pr. 31 December 2015. The subsidiary in Brazil is consolidated from 01.04. 2016, while the other two companies were not consolidated per 30.06.2016. The Spanish subsidiary will be consolidated from Q3 2016, while the acqusition process for the Indian company is still not completed. It is expected to be completed during Q4 2016.

Future development

The company's software was commercially launched in June 2009 and has been positively received by the market. Since launch, Induct focused on building up a portfolio of clients and partners for the sale of subscriptions for the software in Norway and abroad. In 2015 Induct implemented several hospitals in Norway on its technical platform as a result of the tender with all health regions in Norway that Induct won the year before. Induct expects revenue from health care in Norway to continue to increase in future years.

The market potential is still expected to be huge, and it will probably be attractive for new operators to enter the market. The Board considers it likely that competition will be higher in the future. Many start-ups focused on software for collecting ideas, while Induct delivers a solution for the whole innovation process from idea collection, through the implementation process, reporting of value added innovations brings to the organization. The Board wishes to further position the company to be one of the few major players globally.

Inducts strategy remains firm. Based on the established organization and the identified market opportunities, the Board believes that the company's prospects are good, although there will always exist significant uncertainties in the growth phase for this kind of company that is operating in frontier industries.

Financial results

Induct Group includes Induct AS and its 100% owned subsidiaries in Induct Solutions UK Ltd. (UK) and Induct Software Inc. (US) and 99% owned Induct Tecnologia do Brasil LTDA (Brazil). 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 group’s revenue in 1H 2016 was NOK 4.1 million. Total income increases substantially due to revenue from the health care sector in Norway starting to pick up as the various hospitals are implementing Induct’s platform. In addition government grants is increased due to increased activity in 2016 after the restructuring which took place in 2015. Both subscription revenue and professional services show a healthy growth with subscription revenue amounting to NOK 1 million and professional services amounting to NOK 1,2 million in 1H 2016.

Operating costs in 1H 2016, excluding Depreciation & Amortization, shows a decrease of 37% compared to 1H 2015. This is primarily due getting full effect of the restructuring taking place during 2015 in 2016. Induct has incurred certain costs related to facilitating the private placements which has taken place during 1H 2016, and certain other one-off costs in 1H 2016 totaling NOK 3.6 million.

Profit before tax in 1H 2016 is negative with NOK 5.4 million, which is a reduction of 55% compared to NOK 11.9 million in 1H 2015.

Cash situation and funding

Originally Induct aimed for an emission related to its listing at Merkur Market in January 2016. Due to very challenging market conditions at the time, it was not possible to raise capital at that time. During the spring, Induct relaunched its plans to raise capital, which resulted in a private placement of NOK 18 million during April/May. This increase in equity took form through a private placement resulting in a cash injection of NOK 9 million and NOK 9 million in conversion of debt. The existing shareholders were thereafter invited to subscribe for shares at the same terms to maintain their share of ownership. This resulted in another NOK 5 million, mostly through injection of cash.

Some investors were not given the chance to subscribe for shares in the private placement which took place over only a few days. Induct therefore facilitated another private placement of NOK 10 million and a following repair issue of NOK 1,8 million issue towards existing shareholders.

Equity per 31 December 2015 is negative by NOK 15.2 million. So far in 2016 has Induct completed offerings totaling NOK 34.5 million. As a result, the Board finds the equity situation satisfactory.

Induct's cash balance by 30.06.2016 was NOK 1.1 million. The cash position has been further improved as the proceeds from a private placement and repair issue totaling around NOK 11.8 million has been received. The company's interest bearing debt by 30.06.2016 amounts to NOK 4.1 million, whereof NOK 2.6 million is from Innovation Norway.

Oslo, 30 September 2016

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	