

“FINANCIAL ARRANGEMENTS ENABLE THE GROWTH STRATEGY IMPLEMENTATION; THE TRANSITION IN THE FINNISH OPERATIONS CONTINUED”

M-Brain Oy, Semi-annual Report 1-6 2014

January – June 2014:

- Revenue EUR 9,502 (January 1 – June 30, 2013: 9,928) thousand – decrease of 4.3% from the corresponding period in 2013
- EBITDA EUR 895 (January 1 - June 30, 2013: 1,278) thousand – decrease of 30% from the corresponding period in 2013
- Balance sheet total as of June 30, 2014 EUR 32,901 (as of June 30, 2013: 16,963) thousand

Key figures (unaudited)

M-Brain Group (IFRS)	1-6.2014	1-6.2013	1-12.2013
Revenue 000Eur	9 502	9 928	19 785
EBITDA	895	1 278	2 669
EBITDA % of revenue	9,4 %	12,9 %	13,5 %
Operating profit 000Eur	516	900	1 937
Operating profit % of revenue	5,4 %	9,1 %	9,8 %
Profit for the period 000Eur	301	638	1 213
Profit for the period % of revenue	3,2 %	6,4 %	6,1 %
Total assets 000Eur	32 901	16 963	16 509
Return on equity (ROE), %	2,9 %	9,5 %	17,2 %
Equity ratio, %	41,6 %	46,6 %	51,9 %
Personnel (FTE)	298	305	302

EXECUTIVE CHAIRMAN KIM NYBERG'S COMMENTS

M-Brain is a European based information services company with offices in seven countries. Our services are based on a unique combination of our own proprietary big data technology and human intelligence. We offer media and business intelligence solutions, analytics and consultation services, as well as online intelligence tools and technology to bring true insight into our clients' business environment. Our solutions and services are tailored to serve varying business needs regardless of function, industry type or language barriers.

M-Brain's industry is undergoing a drastic renewal phase driven by the rapid increase in especially social media related information and the overall globalization. As the globalization of companies continues its growth, the provider of information solutions has to be able to respond to the challenges brought about by these two developments. In future, success oriented companies operating in M-Brain's field of business will have to be able to act fast and provide their clients with such relevant information for their business operations that can be converted into knowledge and thereby growth.

The pressures on M-Brain's revenue have mainly been due to the challenging economic situation in Finland and the impact of the media revolution on the traditional media monitoring services. A total of 60% of the decline in revenue in Finland is due to the gradual decrease in the traditional clipping business. Forty

percent of the decline is due to a decrease in the average purchases within certain client groups in the transfer from the purchase of services to the use of tools.

In the second quarter, M-Brain started adjustment and efficiency enhancement measures in services production. Their annual effect will show gradually in H2, during which the cost effect is estimated at about EUR 300 thousand.

During the review period, M-Brain significantly strengthened its financial position: the balance sheet total doubled from the corresponding period in 2013 and was EUR 32,901 thousand (as of June 30, 2013: 16,962) thousand at the end of the review period. A bond of EUR 15 million issued by the Company was listed on First North Bond Market Finland. As part of the financial arrangements, the Company successfully implemented a share issue in which a total of 2,622 new shares were subscribed for. The Company stated that it would use the funds acquired in the bond issue for new company acquisitions.

The H1 cash flow was weakened by the non-recurring costs of about EUR 400 thousand related to the financial arrangements and by the reorganization costs abroad amounting to about EUR 100 thousand.

REVENUE AND RESULT DEVELOPMENT

In the first half-year period 2014, M-Brain's revenue amounted to EUR 9,502 (January 1 – June 30, 2013: 9,929) thousand, a decrease of 4.3% from the prior year 2013. The main reason for the decrease in revenue was the decline in the traditional business caused by the media revolution in Finland as well as the decrease in the average purchase price paid by the client due to the general economic situation in the domestic market. The sales of the new technology products that the company had launched did not fully cover the lost revenue caused by the decline in the traditional clipping business. In the review period, revenue of the Group's international units stayed at the previous year's level.

The investments made in the coverage of the source material and social media and the adoption of new subcontracting models increased M-Brain's subcontracting costs in the review period. The cost of outsourced and subcontracted services amounted to EUR 911 (January 1 – June 30, 2013: 772) thousand.

During the review period, M-Brain's operational efficiency was improved and the number of personnel was adjusted to the changes in the services offering and the market situation. In the review period, the personnel expenses of the Company amounted to EUR 5,936 (January 1 – June 30, 2013: 6,068) thousand. The average number of personnel was 298 (January 1 – June 30, 2013: 305).

EBITDA was EUR 895 (January 1 – June 30, 2013: 1,278) thousand, i.e. 9.4% of the net sales (12.9%). The decline in EBITDA is mainly due to the faster than expected impact of the media revolution on the Company's print media based business operations. Depreciation/amortization in the review period was at the 2013 level, and the operating profit was EUR 515 (January 1 – June 30, 2013: 890) thousand.

FINANCING AND INVESTMENTS

On June 25, 2014, M-Brain listed a bond on First North Bond Market Finland. The 15 million unsecured bond is subject to a fixed interest rate of 8 percent and its due date is June 17, 2017. The Company stated that it would use the funds for new acquisitions.

M-Brain's investments, EUR 347 thousand, are mainly related to the internal product development. The intangible assets resulting from the internal development activities will be recognized in the balance sheet once the expenses of the development phase can be calculated reliably, once the completion of the product can be implemented technically, once the Group can use or sell the product, once the Group can prove how the product will generate likely future financial benefit, and once the Group has both the intention and the resources to complete the development work and to sell the product. After initial recognition, capitalized development costs are measured at cost less accumulated depreciation/amortization and impairment losses. Depreciation/amortization is recognized from the date the asset is ready for use.

SHARES

At December 31, 2013, the number of the Company's shares was 20,971 (registered on March 8, 2013). On June 3, 2014, the shareholders of M-Brain Oy unanimously decided to authorize the Board of Directors to make a decision on a directed share issue of a maximum of 2,622 new shares. In the share issue, the shares were fully subscribed. The new shares were not registered by the end of the review period.

On June 30, 2014, the Company had a total of nine shareholders.

On June 24, 2014, the Company's shareholders unanimously decided to authorize the Board of Directors to purchase 100 of M-Brain Oy shares.

PERSONNEL, MANAGEMENT AND ADMINISTRATION

The average number of personnel in the review period was 298 (January 1 –June 30, 2013: 305), including both full-time and part-time employees.

The Annual General Meeting of the Company was held on June 17, 2014. The following persons were elected by the meeting as members of the Board of Directors: Kim Nyberg, Robert Ingman, Petri Laine, Tage Lindberg, Pirjo Stähle and Marjukka Nyberg. On June 30, 2014, the shareholders of the Company unanimously elected Matti Rusanen as a member of the Board of Directors. In the review period, CEO was Tuomo Räsänen.

The Annual General Meeting decided on the adoption of the financial statements and the discharge of liability to the members of the Board of Directors and the CEO. The Annual General Meeting decided that the result for the fiscal year January 1 – December 31, 2013 be recorded in the profit and loss account and that no dividends be distributed. The Annual General Meeting decided that no change be made to the fees of the members of the Board of Directors. The fee of the Board members is EUR 1200 per month. The Annual General Meeting decided to elect Authorized Public Accountants Deloitte & Touche Oy to continue as the Company's auditors.

MAJOR RISKS AND UNCERTAINTIES

The operations of the Group expose it to the following financial risks: market risk (including currency exchange risk and interest rate risk), credit risk and liquidity risk. The Company's operative management implements risk management in accordance with the policies approved by the Board of Directors. The management identifies and assesses financial risks in cooperation with the operative functions. The aim of the Group's risk management is to minimize possible harmful effects on the Company's financial performance.

Technological development in the Company's field of business is extremely fast. In accordance with its strategy, the Company has made significant investments in its own product development to improve its competitiveness compared with its competitors.

The core operations of the Company are insured against accidental damages and interruptions.

The Group's loan financing involves special terms concerning its key figures and balance sheet structure that the Company is committed to on the basis of an agreement with the finance provider.

ESSENTIAL EVENTS AFTER THE REVIEW PERIOD

CEO Tuomo Räsänen left his position on July 1, 2014. CTO Kimmo Valtonen was appointed acting interim CEO.

M-Brain Media Oy, which belongs to the M-Brain Group, is in the process of merging with M-Brain Insight Oy. The merger is expected to take place on December 31, 2014.

On July 1, 2014, the Company acquired 100 pieces of its own shares.

By virtue of a purchase agreement signed yesterday, M-Brain has purchased the entire share capital of Global Intelligence Alliance Group Oy (GIA). The sellers are funds managed by CapMan Oyj, as well as GIA:s management and other individual shareholders.

OUTLOOK FOR THE REST OF THE YEAR

As the result of the acquisition of Global Intelligence Alliance Group Ltd announced by the Company yesterday, the outlook for the rest of 2014 is updated as follows: The revenue for 2014 is estimated at EUR 24 million and EBITDA at the level announced previously, i.e. approximately EUR 3.3 million.

In 2013, revenue of Global Intelligence Alliance amounted to EUR 14.2 million and EBITDA to EUR 0.9 million. The average number of the company's employees was 146.

The company previously estimated the net sales at the level of fiscal year 2013, i.e. EUR 19.8 million and EBITDA at about EUR 3.3 million.

The Company's business involves various risks and uncertainties, and the statements in this release, other than statements of historical facts, are forward looking statements. These statements are based on the management's best judgment and belief in light of the information currently available to it. As such statements involve risks and uncertainties, the actual results may differ materially from those we expect at the moment.

FINANCIAL INFORMATION FOR 2014

M-Brain Oy's financial statements for 2014 will be published on Tuesday, March 31, 2015.

M-Brain Oy

Board of Directors

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FINANCIAL INFORMATION

This unaudited interim report has been prepared in accordance with IFRS recognition and measurement principles. The same accounting policies have been followed in this interim report as were applied in the Group's financial statements for the year 2013, except for the new amendments to IFRS standards that have become effective and were implemented on 1 January 2014. These amendments did not have significant impact on this interim report.

The preparation of group financial statements in conformity with IFRS requires the use of management estimates and assumptions. These affect the amounts recognized as assets and liabilities as well as income and expenses. Although the estimates are based on management's current best perceptions, it is possible that actual results may differ from those estimates and assumptions made.

All figures have been presented in thousands of euros and they have been rounded to the nearest 0,1 thousand, thus the sum of individual figures may deviate from the total shown.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (IFRS)

(unaudited)

000 euros	1.1.-30.6.2014	1.1.-30.6.2013	1.1.-31.12.2013
Revenue	9 502,2	9 928,5	19 784,6
Other operating income	48,0	45,1	80,6
Materials and external services	-911,1	-772,3	-1 640,5
Personnel expenses	-5 935,8	-6 068,3	-11 715,6
Depreciation	-379,6	-378,3	-732,2
Other operating expenses	-1 807,8	-1 855,2	-3 839,7
Operating profit	515,7	899,5	1 937,1
Finance income	17,4	95,1	74,7
Finance costs	-156,7	-145,9	-339,5
Finance costs (net)	-139,3	-50,8	-264,8
Share of profit of associates	0,0	0,0	0,0
Profit (loss) before income tax	376,4	848,8	1 672,3
Income tax expense	-60,8	-171,1	-461,3
Change in deferred tax	-15,1	-39,3	2,5
PROFIT (LOSS) FOR THE PERIOD	300,5	638,3	1 213,4
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences	45,8	-18,4	-3,3
Other comprehensive income for the period, net of tax	45,8	-18,4	-3,3
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	346,3	619,9	1 210,1
Profit attributable to:			
Owners of the company	300,5	638,3	1 213,4
Total comprehensive income attributable to:			
Owners of the company	346,3	619,9	1 210,1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS)

(unaudited)

000 euros	30.6.2014	30.6.2013	31.12.2013
ASSETS			
Non-current assets			
Goodwill	9 845,3	9 367,7	9 845,3
Development costs	1 094,3	963,2	975,3
Other intangible assets	763,4	892,2	852,6
Tangible assets	509,9	578,8	547,6
Available-for-sale financial assets	24,5	19,3	24,5
Deferred tax asset	2,6	9,9	29,2
Total non-current assets	12 240,0	11 831,1	12 274,6
Current assets			
Trade and other receivables	2 359,1	2 476,6	2 658,5
Other shares	2,4	2,4	2,4
Cash and cash equivalents	18 299,1	2 652,6	1 573,1
Total current assets	20 660,6	5 131,6	4 234,1
TOTAL ASSETS	32 900,6	16 962,7	16 508,7
EQUITY AND LIABILITIES			
Equity attributable to owners of the company			
Share capital	215,5	215,5	215,5
Share premium	247,2	247,2	247,2
Reserve for invested non-restricted equity	12 409,1	7 495,4	7 495,4
Other reserves	0,0	0,0	0,0
Retained earnings	-175,3	-1 527,0	-1 504,0
Net income	300,5	638,3	1 213,4
Total equity	12 997,0	7 069,4	7 667,5
Non-current liabilities			
Borrowings	15 077,3	3 188,1	2 145,4
Deferred tax liability	132,6	163,0	144,4
Other liabilities	122,3	139,5	127,3
Total non-current liabilities	15 332,3	3 490,6	2 417,1
Current liabilities			
Borrowings	0,0	1 201,3	1 570,7
Advance payments	1 628,0	1 799,8	1 741,9
Trade payables	751,7	772,0	444,2
Other current liabilities	563,7	881,7	907,3
Accrued liabilities	1 627,9	1 747,9	1 760,1
Total current liabilities	4 571,3	6 402,7	6 424,1
Total liabilities	19 903,6	9 893,3	8 841,2
TOTAL EQUITY AND LIABILITIES	32 900,6	16 962,7	16 508,7

CONSOLIDATED CASH FLOW STATEMENT (IFRS)

(unaudited)

000 euros

1.1.-30.6.2014 1.1.-30.6.2013 1.1.-31.12.2013

Cash flow from operating activities

Profit for the period	300,5	638,3	1 213,4
Adjustments for profit	635,8	628,0	1 445,8
Changes in working capital	70,8	467,9	-432,7
Interest and other financial items paid (-)	-152,8	-142,1	-334,8
Interest received (+)	5,2	76,9	52,9
Income taxes paid	-60,8	-171,1	-263,1
Net cash generated by operating activities	798,6	1 497,9	1 681,4

Cash flow from investing activities

Investments on tangible and intangible assets	-347,6	-302,3	-531,2
Net cash outflow on acquisition of subsidiaries (-)	0,0	0,0	-4,5
Net cash generated by investing activities	-347,6	-302,3	-535,7

Cash flows from financing activities

Proceeds from share issue	4 913,7	0,0	0,0
Proceeds from long term borrowings (+)	14 737,5	0,0	0,0
Repayments of long-term loans (-)	-3 376,2	-599,3	-1 628,8
Net cash generated from financing activities	16 275,0	-599,3	-1 628,8

NET CHANGE IN CASH AND CASH EQUIVALENTS

NET CHANGE IN CASH AND CASH EQUIVALENTS	16 726,0	596,4	-483,1
Cash and cash equivalents at the beginning of the period	1 573,1	2 056,2	2 056,2
Cash and cash equivalents at the end of the period	18 299,1	2 652,6	1 573,1

STATEMENT OF CHANGES IN EQUITY (IFRS, unaudited)

	Share capital	Share premium	Reserve for invested non-restricted equity	Retained earnings	Total
Balance at January 1, 2013 (IFRS)	215,5	247,2	7 495,4	-1 534,6	6 423,5
Comprehensive income					
Profit for the period				638,3	638,3
Other comprehensive income, net of income tax					
Currency translation differences				-18,4	-18,4
Total comprehensive income for the year				619,9	619,9
Share-based payments				26,1	26,1
Total transactions with owners, recognised directly in equity				26,1	26,1
Balance at June 30, 2013	215,5	247,2	7 495,4	-888,7	7 069,4
Balance at January 1, 2014 (IFRS)	215,5	247,2	7 495,4	-290,6	7 667,5
Profit for the period				300,5	300,5
Other comprehensive income, net of income tax					
Currency translation differences				45,8	45,8
Total comprehensive income for the year				346,3	346,3
Share-based payments				69,5	69,5
Share issue			4 913,7		4 913,7
Total transactions with owners, recognised directly in equity			4 913,7	69,5	4 983,2
Balance at June 30, 2014	215,5	247,2	12 409,1	125,1	12 996,9

The registered number of shares was 20.971 pcs at 31.12.2013. M-Brain Oy's shareholders decided on June 3, 2014 by unanimous decision to authorize the Board of Directors to issue up to 2.622 new shares. The share issue was implemented but not registered during the reporting period.