

## M-Brain Oy Half Year Report 1 January – 30 June 2016

### Financial performance January – June 2016:

- Revenue increased by 7.8 per cent to EUR 16,689 (15,478) thousand
- EBITDA decreased by 24.8 per cent to EUR 1,081 (1,437) thousand
- Balance sheet total at 30 June 2016 was EUR 44,799 (34,711) thousand

### Key figures

1000 EUR	2016 1-6	2015 1-6	2015 1-12
Revenue	16,689	15,478	30,341
EBITDA	1,081	1,437	2,591
EBITDA % of revenue	6.5	9.3	8.5
Operating profit	287	778	1,284
Operating profit % of revenue	1.7	5.0	4.2
Profit (loss) for the period	-247	189	-395
Profit (loss) for the period % of revenue	-	1.2	-
Balance sheet total	44,799	34,711	35,042
Revenue of own equity, %	-1.7	1.6	-3.4
Equity ratio, %	40.7	36.4	34.9
Number of personnel (FTE) at the end of period	471	398	398

### CEO Kim Nyberg's comments regarding the half year report

"M-Brain is a global information, technology and consulting services company with offices in 14 countries. We help our clients to navigate the turbulent and ever expanding business environment. We offer crucial external business information, and advice in its efficient management and utilization. We turn information into actionable insights for daily decision-making and strategic planning. We call it Informed Leadership.

M-Brain completed the acquisition Norwegian media monitoring and analysis company Opoint Group during the first half of 2016. The acquisition supports our strategic goal to become market leader in our field in the Nordics and throughout the Baltics and through the acquisition M-Brain operations expanded to Norway and Estonia.

The development of net sales in Finland was unsatisfactory, mainly due to poor development of the Finnish overall economy as well as the impact of the changing media landscape to the traditional media monitoring services. M-Brain announced starting of co-operative negotiations in the Nordic and Baltic region and the negotiations in Finland were finalised in June. The remaining planned actions in the rest of the Nordics and Baltics will be completed by the end of the year."

### M-Brain Group's half year report 1 January – 30 June 2016

The commentary of this financial statements release focuses on the Group's January – June 2016 result. A comparison in accordance with the International Financial Reporting Standards (IFRS) has been carried out on the figures for the corresponding period in 2015, unless otherwise stated. The figures in this interim report are unaudited. The figures in the tables have been rounded independently.

## **Changes in the Group Structure in January – June 2016**

On 6 April 2016 M-Brain Insight Oy signed an agreement for the acquisition of the entire share capital of a Norwegian Opoint Holding AS. Opoint Holding AS is a company providing media monitoring and analysis with operations in Norway, Sweden and Estonia. Opoint's turnover in 2015 was approximately EUR 11 million. In connection with the transaction, M-Brain organised a share issue totaling EUR 6.2 million, which was fully subscribed by the current M-Brain shareholders.

The name of Global Intelligence Alliance Asia-Pacific Pte. Ltd was changed into M-Brain Singapore Pte. Ltd.

## **The Group's net sales and result for January – June 2016**

M-Brain Group net sales increased by 7.8 per cent to EUR 16,689 (15,478) thousand. EBITDA was EUR 1,081 (1,437) corresponding to 6.5 (9.3) per cent of net sales. EBITDA of the review period includes approximately EUR 436 (525) thousand of items affecting comparability consisting mainly of restructuring costs and expenses relating to Opoint acquisition. Depreciation and amortisation for the review period amounted to EUR 794 (659) thousand and operating profit was EUR 287 (778) thousand. Profit after financial items was EUR -434 (165) thousand and profit for the period was EUR -247 (189) thousand. M-Brain's net financial expenses were EUR 721 (612) thousand.

The acquisition of Opoint significantly improved the overall growth of the revenue. The figures of Opoint are consolidated into M-Brain Group as of April 2016. The Finnish market remained challenging due to the general economic situation and the decline in the traditional business caused by the media revolution in Finland. M-Brain announced starting of co-operative negotiations in the Nordic and Baltic region and the negotiations in Finland were finalised in June. The remaining planned actions in the rest of the Nordics and Baltics will be completed by the end of the year.

## **Balance sheet, financing and cash flow**

M-Brain's total assets at 30 June 2016 were EUR 44,799 (34,711) thousand. Cash and cash equivalents totalled EUR 2,664 (1,433) thousand and equity was EUR 17,680 (12,057) thousand. The equity ratio was 40.7 (36.4) per cent.

M-Brain has a bond listed on First North Bond Market Finland market place. The EUR 15 million unsecured bond is subject to a fixed interest rate of 8 percent and its due date is 17 June 2017.

During the review period M-Brain completed a share issue totaling EUR 6.2 million, which was fully subscribed by the current M-Brain shareholders. The proceeds were used to finance Opoint acquisition.

M-Brain's goodwill at 30 June 2016 was EUR 25,108 (21,976) thousand. Goodwill is tested annually in accordance with the planning process timetable or more frequently if there are indications that the value of the asset may be impaired.

Net cash flow from operations during the review period was EUR -782 (320) thousand, of which changes in working capital accounted for EUR -649 (-270) thousand. Net cash flow from investing activities was EUR -2495 (-383) thousand.

## **Investments**

M-Brain's investments, EUR 3,680 (383) 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.

### **Personnel, management and administration**

The average number of personnel in M-Brain Group during the review period was 440 (398) full-time employees.

M-Brain Oy Board of Directors:

- Kim Nyberg, Chairman
- Marjukka Nyberg
- Petri Laine
- Robert Ingman
- Tage Lindberg
- Matti Rusanen
- Krista Karli (as of 7 June 2016)

The CEO of the parent company until 16 January 2016 was Sirpa Ojala and as of 16 January 2016 Kim Nyberg.

M-Brain Oy's auditor is Deloitte & Touche Oy, principal auditor Authorized Public Accountant Hannu Mattila. The Group's Finnish subsidiaries have the same auditor.

### **Annual General Meeting**

The Annual General Meeting of the Company (AGM) was held on 7 June 2016. 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 no dividend shall be distributed on the result for the fiscal year 1 January – 31 December 2015. 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 1,200 per month. The Annual General Meeting re-elected Kim Nyberg, Marjukka Nyberg, Petri Laine, Robert Ingman, Tage Lindberg and Matti Rusanen as members of the Board of Directors and elected Krista Karli as a new board member.

The AGM authorised the Board of Directors to decide on a stock option grant to the key personnel of the company, deviating from the shareholders' privileged subscription right so that a maximum amount of 1,000 new shares or treasury shares held by the company can be subscribed with the stock options. The subscription price per share is EUR 1,350 and the subscription period is up to 36 months from the day of the AGM decision. The stock options have not yet been registered with the Trade register.

### **M-Brain Oy shares**

At 30 June 2016 the Company had 28,193 (23,593) registered shares and a total of nine shareholders. The Company has not acquired or sold own shares. The Company owns 100 of its own shares. They account for 0.35 (0.42) per cent of the votes.

During the review period M-Brain organised a share issue totaling EUR 6.2 million, which was fully subscribed by the current M-Brain shareholders. The proceeds from the share issue were recorded in the reserve for invested non-restricted equity. The share issue has not yet been registered with the Trade register.

## **Events after the review period**

The Company has not had any significant events after the review period.

## **Assessment of major operative risks and uncertainties**

Technological development in the M-Brain'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 to its competitors.

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

Accounts receivables is significant balance sheet item. Credit risk related to accounts receivables is managed by consistent credit policy and efficient credit management. Credit risk is also reduced by the large number of clients and by the fact that the receivables are allocated to a number of different industries.

M-Brain Group prepares goodwill impairment testing annually, in accordance with the timetable of its planning process or more frequently if there are indications that the value of the asset may be impaired. Changes in cash flow forecasts based on strategic plans, or in the discount rate or perpetuity growth rate, can cause a goodwill write-off, which would weaken M-Brain's result.

M-Brain EUR 15 million bond listed on First North Bond Market Finland market place is due on 17 June 2017. The company has initiated a process for arranging refinancing.

The Group's loan financing involves covenants agreed with the lenders to which the Company is committed. Fulfillment of the covenants with regard to the key figures are reviewed in connection with the preparation of half year report and annual accounts.

## **Outlook for the year 2016**

M-Brain estimates its full-year 2016 revenue and EBITDA to increase from the previous year. The acquisition of Opoint is expected to improve the overall increase in revenue, and the measures taken in 2015 to integrate acquired subsidiaries and to rationalise operations is expected to improve increase in EBITDA.

The statements in this release, other than those related to historical facts, are forward looking statements. These statements are based on the management's best belief in the light of currently available information. As such statements involve risks and uncertainties, the actual results may differ materially from such statements.

## **Financial information**

Financial statements for 2016 will be published in March 2017.

## **M-Brain half year report January – June 2016**

This unaudited half year report has been prepared in accordance with IFRS recognition and measurement principles. The accounting policies and calculation methods applied in the report are the same as those in the 31 December 2015 annual financial statements, excluding the standards and interpretations applied as of 1 January 2016. These amendments have not had a material effect on the half year report. The half year report does not include all of the information and notes presented in the annual financial statements. Consequently, the interim report should be read together with the company's financial statements for 2015.

The preparation of the consolidated financial statements in accordance with the IFRS requires the use of estimations and assumptions of management which effects the reported assets and liabilities as well as the

income and expenses in the balance sheet. Although these estimations are based on management's best current knowledge, it is possible that the actual results may differ from these estimates and assumptions.

All figures are presented in thousands of euros and have been rounded independently to the nearest 0.1 thousand euros, as a consequence of which the sum of individual figures may deviate from the presented sum.

The figures in this half year report are unaudited.

<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>
000 EUR	<b>1-6</b>	<b>1-6</b>	<b>1-12</b>
Revenue	16,689.2	15,478.5	30,341.3
Other operating income	31.8	77.6	94.0
Materials and external services	-2,415.1	-1,990.4	-4,106.1
Personnel expenses	-9,484.1	-8,570.9	-16,816.0
Depreciation	-793.8	-659.4	-1,307.0
Other operating expenses	-3,740.9	-3,557.8	-6,922.7
<b>Operating profit</b>	<b>287.1</b>	<b>777.5</b>	<b>1,283.6</b>
Finance income	97.8	356.6	290.0
Finance costs	-818.6	-968.7	-1,842.3
Finance costs (net)	-720.8	-612.2	-1,552.4
<b>Profit (loss) before taxes</b>	<b>-433.7</b>	<b>165.4</b>	<b>-268.8</b>
Income tax expense	186.3	23.1	-125.8
<b>Profit (loss) for the period</b>	<b>-247.4</b>	<b>188.5</b>	<b>-394.6</b>
<b>Other comprehensive income, net of tax</b>			
<b>Items which may be reclassified subsequently to profit or loss:</b>			
Currency translation differences	168.9	-29.9	93.7
Other comprehensive income for the period, net of tax	168.9	-29.9	93.7
<b>Total comprehensive income for the period</b>	<b>-78.5</b>	<b>158.6</b>	<b>-300.9</b>
Profit attributable to parent company shareholders	-247.4	188.5	-394.6
Total comprehensive income attributable to parent company shareholders	-78.5	158.6	-300.9

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS)**

000 EUR	30 Jun 2016	30 Jun 2015	31 Dec 2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	25,107.8	21,976.5	21,976.5
Development costs	1,566.9	1,406.0	1,491.2
Other intangible assets	5,591.1	3,366.8	3,120.4
Tangible assets	630.4	624.2	590.8
Available-for-sale financial assets	17.0	27.0	17.0
Deferred tax asset	1,476.8	377.9	470.2
	<b>34,389.9</b>	<b>27,778.3</b>	<b>27,665.9</b>
<b>Current assets</b>			
Trade and other receivables	7,697.0	5,497.1	5,426.3
Other shares	47.7	2.4	2.4
Cash and cash equivalents	2,664.3	1,433.3	1,947.2
	<b>10,409.0</b>	<b>6,932.9</b>	<b>7,375.8</b>
<b>TOTAL ASSETS</b>	<b>44,798.9</b>	<b>34,711.2</b>	<b>35,041.8</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the company</b>			
Share capital	215.5	215.5	215.5
Share premium	247.2	247.2	247.2
Reserve for invested non-restricted equity	18,502.2	12,292.2	12,292.2
Retained earnings	-1,408.7	-698.3	-1,112.3
	<b>17,556.2</b>	<b>12,056.6</b>	<b>11,642.6</b>
<b>Non-current liabilities</b>			
Borrowings	91.9	15,105.0	15,077.6
Deferred tax liability	1,169.8	641.3	596.4
Other liabilities	180.1	184.0	186.0
	<b>1,441.8</b>	<b>15,930.3</b>	<b>15,860.0</b>
<b>Current liabilities</b>			
Borrowings	15,999.7	115.5	358.3
Advance payments	1,650.5	1,599.0	1,659.7
Trade payables	1,744.8	1,369.0	1,373.7
Other current liabilities	1,515.1	896.6	935.8
Accrued liabilities	4,890.7	2,744.2	3,211.6
	<b>25,800.8</b>	<b>6,724.4</b>	<b>7,539.2</b>
<b>Total liabilities</b>	<b>27,242.7</b>	<b>22,654.6</b>	<b>23,399.2</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>44,798.9</b>	<b>34,711.2</b>	<b>35,041.8</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
(IFRS)**

000 eur	Share capital	Share premium	Reserve for invested non- restricted equity	Retained earnings	Total
<b>Equity 1 Jan 2015</b>	<b>215.5</b>	<b>247.2</b>	<b>12,292.2</b>	<b>-895.4</b>	<b>11,859.5</b>
Comprehensive income					
Profit for the period				188.5	188.5
Other comprehensive income, net of tax					
Currency translation differences				-29.9	-29.9
<b>Total comprehensive income for the year</b>				<b>158.6</b>	<b>158.6</b>
Share-based payments				38.4	38.4
<b>Transactions with owners total</b>				<b>38.4</b>	<b>38.4</b>
<b>Equity 30 June 2015</b>	<b>215.5</b>	<b>247.2</b>	<b>12,292.2</b>	<b>-698.3</b>	<b>12,056.6</b>
<b>Equity 1 Jan 2015</b>	<b>215.5</b>	<b>247.2</b>	<b>12,292.2</b>	<b>-1,112.3</b>	<b>11,642.6</b>
<b>Comprehensive income</b>					
Profit for the period				-247.4	-247.4
Other comprehensive income, net of tax					
Currency translation differences				168.9	168.9
<b>Total comprehensive income for the year</b>				<b>-78.5</b>	<b>-78.5</b>
Share-based payments				-217.7	-217.7
Share issue			6,210.0		6,210.0
<b>Transactions with owners total</b>			<b>6,210.0</b>	<b>-217.7</b>	<b>5,992.3</b>
<b>Equity 30 June 2016</b>	<b>215.5</b>	<b>247.2</b>	<b>18,502.2</b>	<b>-1,408.6</b>	<b>17,556.3</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)**

000 EUR	2016	2015	2015
	1-6	1-6	1-12
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit (loss) for the period	-247.4	188.5	-394.6
Adjustments	1,361.4	1,330.7	2,756.9
Changes in working capital	-648.7	-269.6	435.7
Interest paid	-727.8	-905.8	-1,409.7
Interest received	39.2	1.9	6.9
Income taxes paid	-558.8	-25.6	-178.5
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>-124.0</b>	<b>-124.0</b>	<b>-124.0</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Investments in tangible and intangible assets	-622.4	-383.2	-905.8
Net cash outflow on acquisition of subsidiaries	-1,872.3	0.0	0.0
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-2,494.7</b>	<b>-383.2</b>	<b>-905.8</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from share issue	6,210.0	0.0	0.0
Repayments of debt	-2,818.0	-104.6	-104.6
Withdrawals of long-term debt	602.0	0.0	139.9
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>3,994.0</b>	<b>-104.6</b>	<b>35.3</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>717.2</b>	<b>-167.7</b>	<b>346.2</b>
Cash and cash equivalents at 1 January	1,947.2	1,601.0	1,601.0
Cash and cash equivalents at 30 June	2,664.3	1,433.3	1,947.2