

M-Brain Oy financial statements release 1 January – 31 December 2016

Financial performance July – December 2016:

- Revenue increased by 27.3 per cent to EUR 18,926 (14,863) thousand
- EBITDA increased by 32.6 per cent to EUR 1,530 (1,154) thousand
- Operating profit was EUR 582 (506) thousand
- Profit for the period was EUR -542 (-583) thousand

Financial performance January – December 2016:

- Revenue increased by 17.4 per cent to EUR 35,616 (30,341) thousand
- EBITDA remained at the level of previous period and was EUR 2,611 (2,591) thousand
- Operating profit was EUR 869 (1,284) thousand
- Profit for the period was EUR -789 (-395) thousand
- Balance sheet total at 31 December 2016 was EUR 44,032 (35,042) thousand

Key figures

	2016	2015	Change	2016	2015	Change
1000 EUR	7-12	7-12	%	1-12	1-12	%
Revenue	18,926	14,863	27.3	35,616	30,341	17.4
EBITDA	1,530	1,154	32.6	2,611	2,591	0.8
EBITDA % of revenue	8.1	7.8		7.3	8.5	
Operating profit	582	506	14.9	869	1,284	-32.3
Operating profit % of revenue	3.1	3.4		2.4	4.2	
Profit for the period	-542	-583		-789	-395	
Total assets				44,032	35,042	
Return on equity (ROE), %				-5.5	-3.4	
Equity ratio, %				40.1	34.9	
Personnel (FTE) at the end of period				456	393	

CEO Kim Nyberg's comments regarding the financial statements

"M-Brain is a global information, technology and consulting services company with offices in 13 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.

The integration of Norwegian media monitoring and analysis company Opoint Group during the first half of 2016 continued during the second half of the year. 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 co-operative negotiations regarding the Nordic and the Baltic regions, which were initiated during the first half of the year, were completed.

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. The co-operative negotiations regarding Finland were finalised in June."

M-Brain Group's financial statements release 1 January – 31 December 2016

The commentary of this financial statements release focuses on the Group's January – December 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 these financial statements are audited. The figures in the tables have been rounded independently.

Changes in the Group Structure in 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. 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.

In order to simplify the Group structure, the following actions were undertaken during the financial year:

- The name of Global Intelligence Alliance Asia-Pacific Pte. Ltd was changed into M-Brain Singapore Pte. Ltd.
- The name of Global Intelligence Alliance Business Consulting (Shanghai) Co., Ltd. was changed into M-Brain China Co., Ltd.
- Global Intelligence Alliance Germany GmbH was merged into M-Brain GmbH
- M-Brain AB and M-Brain Sverige AB were merged into Opoint AB on 31 December 2016. Opoint AB has changed its name into M-Brain AB in January 2017
- Shares in Global Intelligence Alliance Estratégia e Consultoria em Marketing Ltda were sold to the management of the company
- Shares in a dormant Global Intelligence Benelux B.V. were sold in order to be liquidated

The Group's net sales and result for July – December 2016

M-Brain Group net sales during the second half of the year increased by 27.3 per cent to EUR 18,926 (14,863) thousand. EBITDA increased by 32,6 per cent and was EUR 1,530 (1,154) thousand corresponding to 8,1 (7,8) per cent of net sales. EBITDA of the review period includes approximately EUR 180 (126) thousand of items affecting comparability consisting mainly of restructuring costs. Depreciation and amortisation for the review period amounted to EUR 949 (648) thousand and operating profit was EUR 582 (506) thousand. Profit after financial items was EUR -314 (-434) thousand and profit for the period was EUR -542 (-583) thousand. M-Brain's net financial expenses were EUR 896 (940) thousand.

The Group's net sales and result for January – December 2016

M-Brain Group net sales increased by 17.4 per cent to EUR 35,616 (30,341) thousand. EBITDA remained at the level of the previous year and was EUR 2,611 (2,591) thousand corresponding to 7,3 (8,5) per cent of net sales. EBITDA of the review period includes approximately EUR 616 (752) 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 1,742 (1,307) thousand and operating profit was EUR 869 (1,284) thousand. Profit after financial items was EUR -748 (-269) thousand and profit for the period was EUR -789 (-395) thousand. M-Brain's net financial expenses were EUR 1,616 (1,552) 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 completed co-operative negotiations in Finland during the first half of the year and the remaining actions in the rest of the Nordics and Baltics were completed during the second half of the year.

Balance sheet, financing and cash flow

M-Brain's total assets at 30 June 2016 were EUR 44,032 (35,042) thousand. Cash and cash equivalents totaled EUR 1,783 (1,947) thousand and equity was EUR 17,136 (11,643) thousand. The equity ratio was 40.1 (34.9) per cent.

M-Brain's EUR 15 million bond listed on First North Bond Market Finland market place is due on 17 June 2017. The company has initiated processes with various parties for arranging refinancing and based on management assessment it is very likely that refinancing will be arranged as planned. Without the accomplishment of the refinancing arrangements under negotiation, the Company does not have adequate working capital for the next twelve months and the Company is not able to repay the bond as part of the course of ordinary business operations.

During the first half of the year 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 the Opoint acquisition.

M-Brain's goodwill at 31 December 2016 was EUR 25,153 (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 -164 (346) thousand, of which changes in working capital accounted for EUR -835 (436) thousand. Net cash flow from investing activities was EUR -3,375 (-906) thousand.

Investments

M-Brain's investments, EUR 5,086 (948) thousand, are mainly related to the Opoint acquisition and 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 455 (393) 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 first half of 2016 period M-Brain completed a share issue totaling EUR 6.2 million, which was fully subscribed by the current M-Brain shareholders. 4,600 new shares were issued and the subscription price was 1,350 euro per share and was based on the fair value of M-Brain share. The proceeds from the share issue were recorded in the reserve for invested non-restricted equity.

Events after the review period

After the end of the financial year, Opoint AS, a subsidiary of Opoint Holding AS acquired in April 2016 by M-Brain Insight Oy, has received a legal claim. Opoint AS has denied the claim. Majority of the claim for damages is based on the pre-acquisition period. If on the contrary to Opoint AS expectations the claim results in significant costs, the Company will take action to recover the costs from Opoint Holding AS sellers, based on the warranties given by the seller.

Assessment of major operative risks and uncertainties

Technological development in 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 a 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's EUR 15 million bond listed on First North Bond Market Finland market place is due on 17 June 2017. The company has initiated processes with various parties for arranging refinancing and based on management assessment it is very likely that refinancing will be arranged as planned. Without the accomplishment of the refinancing arrangements under negotiation, the Company does not have adequate working capital for the next twelve months and the Company is not able to repay the bond as part of the course of ordinary business operations.

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 the half year report and annual accounts.

Proposal for profit distribution

The distributable funds of the parent company M-Brain Oy at 31 December 2016 totaled EUR 17,461,887.35, of which the loss for the period in 2016 was EUR 1,214,193.36. The Board of Directors proposes to the Annual General Meeting that dividends are not distributed and the loss for the period is recognized in equity.

Outlook for the year 2017

The Company expects the good development of the second half of 2016 to continue and estimates its full-year 2017 revenue and EBITDA to increase from the previous year.

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 and the Board of Directors report for 2016 are published 21 March 2017.

The half-year report for the period 1 January – 30 June 2017 will be published 17 August 2017.

M-Brain financial statements release 2016

This audited financial statements release 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 this financial statements release. 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 annual financial statements.

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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)		
000 EUR	2016 1-12	2015 1-12
Revenue	35,615.6	30,341.3
Other operating income	164.2	94.0
Material and services	-5,433.3	-4,106.1
Employee benefits expense	-20,429.1	-16,816.0
Depreciation and amortisation	-1,742.5	-1,307.0
Other operating expenses	-7,306.3	-6,922.7
Operating profit	868.6	1,283.6
Financing income	120.4	290.0
Financing costs	-1,736.7	-1,842.3
Finance costs (net)	-1,616.3	-1,552.4
Profit / (loss) before tax	-747.6	-268.8
Tax on income from operations	-41.8	-125.8
Profit / (loss) for the period	-789.5	-394.6
Other comprehensive income		
Items which may be reclassified subsequently to profit or loss:		
Currency translation differences	292.8	93.7
Other comprehensive income for the period, net of tax	292.8	93.7
Total comprehensive income for the period	-496.6	-300.9
Profit attributable to owners of the parent company	-789.5	-394.6
Total comprehensive income attributable to owners of the parent company	-496.6	-300.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS)

000 EUR	31 Dec 2016	31 Dec 2015
ASSETS		
Non-current assets		
Intangible assets	7,127.8	4,611.6
Goodwill	25,152.6	21,976.5
Tangible assets	497.7	590.8
Other non-current financial assets	147.7	17.0
Non-current trade and other receivables	23.0	0.0
Deferred tax asset	1,984.7	470.2
Total	34,933.5	27,665.9
Current assets		
Trade and other receivables	7,121.5	5,381.1
Tax receivable, income tax	191.5	45.2
Other current financial assets	2.4	2.4
Cash and cash equivalents	1,782.8	1,947.2
Total	9,098.2	7,375.8
TOTAL ASSETS	44,031.7	35,041.8
EQUITY AND LIABILITIES		
Owners of the parent company		
Share capital	215.5	215.5
Share premium	247.2	247.2
Unrestricted equity reserve	18,620.9	12,410.9
Treasury shares	-118.7	-118.7
Accumulated earnings	-1,828.6	-1,112.3
Total	17,136.4	11,642.6
EQUITY	17,136.4	11,642.6
NON-CURRENT LIABILITIES		
Deferred tax liability	1,089.2	596.4
Non-current liabilities, interest-bearing	287.8	15,263.7
Liabilities from defined benefit plan	133.0	106.8
Total	1,510.1	15,966.8
CURRENT LIABILITIES		
Current interest bearing liabilities	16,603.4	510.2
Trade payables and other liabilities	8,692.0	6,415.9

Tax liability, income tax	89.8	506.3
Total	25,385.3	7,432.4
TOTAL LIABILITIES	26,895.3	23,399.2
TOTAL EQUITY AND LIABILITIES	44,031.7	35,041.8

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

000 eur	Share capital	Share premium	Unrestricted equity reserve	Treasury shares	Accumulated earnings	Total
Equity 1 Jan 2015	215.5	247.2	12,410.9	-118.7	-895.4	11,859.5
Comprehensive income						
Profit for the period					-394.6	-394.6
Other comprehensive income, net of tax						
Currency translation differences					93.7	93.7
Total comprehensive income for the year					-300.9	-300.9
Share-based payments					84.0	84.0
Transactions with owners total					84.0	84.0
Equity 31 Dec 2015	215.5	247.2	12,410.9	-118.7	-1,112.3	11,642.6

Equity 1 Jan 2015	215.5	247.2	12,410.9	-118.7	-1,112.3	11,642.6
Comprehensive income						
Profit for the period					-789.5	-789.5
Other comprehensive income, net of tax						
Currency translation differences					292.8	292.8
Total comprehensive income for the year					-496.6	-496.6
Share issue			6,210.0			6,210.0
Share-based payments					-217.7	-217.7

Transactions with owners total			6,210.0		-217.7	5,992.3
Other changes					-1.9	-1.9

Equity 31 Dec 2016	215.5	247.2	18,620.9	-118.7	-1,828.6	17,136.4
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CONSOLIDATED STATEMENT OF CASH FLOWS
(IFRS)

	2016	2015
000 EUR	1-12	1-12
CASH FLOW FROM OPERATING ACTIVITIES		
Profit (loss) for the period	-789.5	-394.6
Adjustments	2,791.1	2,756.9
Changes in working capital	-835.3	435.7
Interest paid	-1,403.1	-1,409.7
Interest received	5.6	6.9
Income taxes paid	-987.1	-178.5
CASH FLOW FROM OPERATING ACTIVITIES	-1,218.1	1,216.8
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in tangible and intangible assets	-1,371.6	-905.8
Net cash outflow on acquisition of subsidiaries	-1,872.3	0.0
Loans granted	-130.8	0.0
CASH FLOW FROM INVESTING ACTIVITIES	-3,374.8	-905.8
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from share issue	6,210.0	0.0
Repayments of debt	-2,893.6	-104.6
Withdrawals of long-term debt	1,112.1	139.9
CASH FLOW FROM FINANCING ACTIVITIES	4,428.5	35.3
INCREASE IN CASH AND CASH EQUIVALENTS	-164.4	346.2
Cash and cash equivalents at 1 January	1,947.2	1,601.0
Cash and cash equivalents at 31 December	1,782.8	1,947.2