



INNOFACTOR®

Annual Report 2015



Innofactor Plc Annual Report January 1 to December 31, 2015

Innofactor in Brief

Innofactor is one of the leading Nordic IT solution providers focused on Microsoft platforms. We offer our customers business-critical solutions, project deliveries and maintenance services, and we develop our own software products and services. Our own product development is focused on Microsoft-based cloud solutions. The market for Microsoft-based software for companies and other organizations is growing faster than the IT market on average. We strive to reach an annual growth target of 25 to 35 percent according to our strategy between years 2014 and 2017 through organic growth and acquisitions.

Innofactor aims at long-term customer relationships. Our customer base consists of more than 1,200 commercial, public sector and membership-based organizations in the Nordic countries. Our task is to help our customers digitalize their business, to promote a collaborative way of working, and to develop business processes by utilizing intelligent cloud services. Innofactor employs over 500 motivated and skilled professionals in its over ten offices in Finland, Sweden, and Denmark.

Our net sales in 2015 were EUR 44.5 million, which shows an increase of 1.4 percent compared to the previous year. Operating profit before depreciation and amortization (EBITDA) was EUR 3.7 million, which was 8.3 percent of the net sales. The five-year annual growth of our net sales in 2011 to 2015 has been approximately 35 percent per year (CAGR), and the EBITDA in 2011 to 2015 has been 8.4 percent of the net sales.

The Innofactor Plc share is listed on the main list of NASDAQ Helsinki Ltd. Innofactor is one of the fastest growing companies as measured by net sales of NASDAQ Helsinki. Innofactor has more than 10,000 shareholders.

Note: The English version of Innofactor's Annual Report is a translation of the Finnish version and provided for reference only. In the event of any conflict or discrepancy between the Finnish and English versions, the Finnish version shall prevail and be treated as the correct version.

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Impressive Final Sprint Towards the End of 2015

Year 2015 was challenging to us, which is why our growth remained at 1.4 percent. With an impressive final sprint, we nearly reached the 2014 level of EBITDA at EUR 3.7 million. The last quarter of the year was successful. In addition to good profitability, we made several new and significant customer deals. The highlight of the year was the contract to acquire Swedish Cinteros AB, which essentially strengthened our position as a Nordic company.

The Innofactor Group's net sales in 2015 were EUR 44,452 thousand (43,834 thousand in 2014), showing an increase of 1.4 percent. Operating profit before depreciation and amortization (EBITDA) was EUR 3,705 thousand (EUR 3,794 thousand in 2014). The share of the EBITDA of the net sales was 8.3 percent (8.7 percent in 2014).

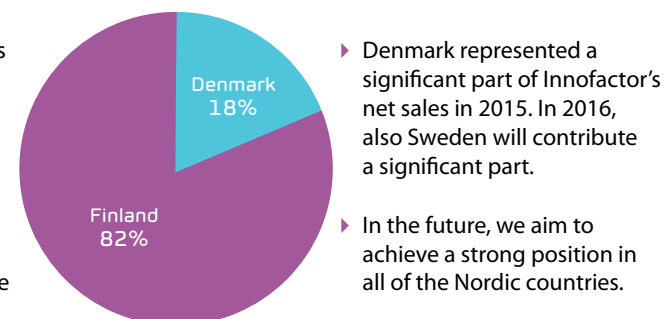
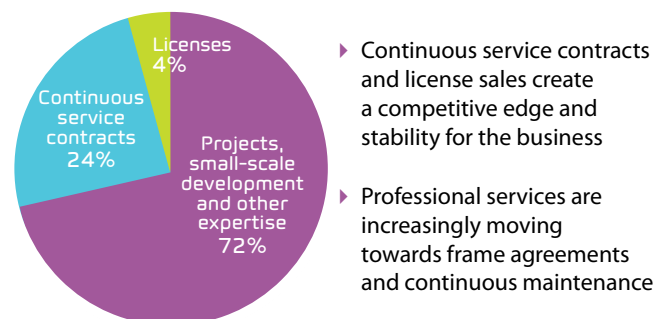
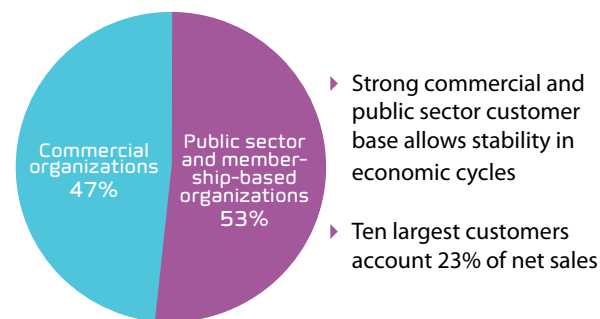
Microsoft chose us as their Partner of the Year 2015 in Finland and a finalist in two of their international categories. This is an important acknowledgement for us because no Finnish partner company has previously achieved a similar recognition from Microsoft. We also won the Finnish Quality Innovation of the Year award with our learning analytics software Innofactor Skilli. Due to continuing strong growth, Innofactor was

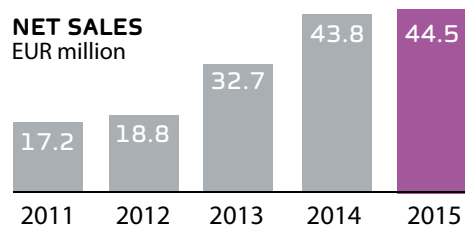
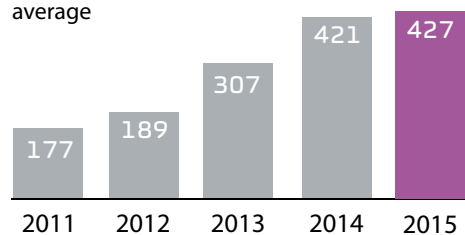
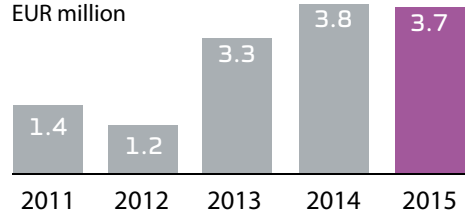
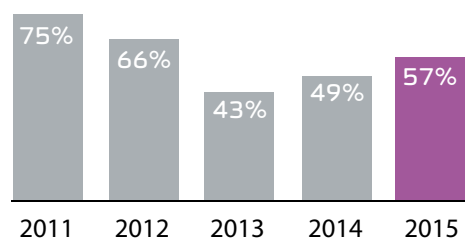
on place 25 in the 2015 Deloitte Technology Fast 50 list (from place 19 in 2014). The list presents the 50 technology companies in Finland that have grown the most in the past five years. We have been among the 50 best since 2008.

Year 2015 was operationally challenging for Innofactor. We did not reach the set business targets, mainly because of the costs of the company's reorganization, the write-down of receivables related to individual customers and projects in the period preceding the financial year, and accrual accounting errors found in connection with the termination of employment of Denmark's Country Manager in September 2015. However, we were able to significantly improve our profitability in the second half of 2015 with

a relative EBITDA more than double compared to the first half of the year, being 11.4 percent of the net sales.

In December 2015, we agreed to acquire all of the shares of Swedish Cinteros AB from the company's management. Cinteros is one of the leading IT service providers in Sweden, focused on offering services based on Microsoft Dynamics CRM. The net sales of Cinteros' last fiscal year (from January 1 to December 31, 2015) were about EUR 11 million (about SEK 100 million) and EBITDA about 9 percent. The company employs more than 100 professionals in Stockholm, Gothenburg, and Malmö. Cinteros and its financial figures have been consolidated into the Innofactor Group as of January 1, 2016. The Cinteros acquisition was completed on January 8, 2016.



NET SALES
EUR million**NUMBER OF PERSONNEL**
average**EBITDA**
EUR million**EQUITY RATIO**

	2015	2014	2013	2012	2011
Net sales, EUR thousand	44,452	43,834	32,685	18,818	17,205
Operating profit before depreciation and amortization (EBITDA), EUR thousand	3,705	3,794	3,284	1,215	1,443
percentage of net sales	8.3%	8.7%	10.0%	6.5%	8.4%
Operating profit (EBIT), EUR thousand	2,542	2,407	2,255	620	904
percentage of net sales	5.7%	5.5%	6.9%	3.3%	5.3%
Earnings before taxes, EUR thousand	1,935	1,946	1,863	591	886
percentage of net sales	4.4%	4.4%	5.7%	3.1%	5.1%
Earnings, EUR thousand	1,548	1,556	1,407	449	687
percentage of net sales	3.5%	3.5%	4.3%	2.4%	4.0%
Shareholders' equity, EUR thousand	24,534	22,462	19,626	13,760	12,905
Interest bearing liabilities, EUR thousand	9,219	10,638	11,955	1,393	0
Cash and cash equivalents, EUR thousand	843	997	991	656	696
Deferred tax assets, EUR thousand	6,704	7,238	7,604	7,767	7,895
Return on equity, %	6.6%	7.4%	8.4%	3.4%	5.5%
Return on investment, %	7.6%	9.1%	12.9%	4.5%	7.2%
Net gearing, %	34.1%	42.9%	55.9%	5.4%	-5.4%
Equity ratio, %	56.9%	48.7%	43.1%	66.1%	74.5%
Balance sheet total, EUR thousand	43,983	47,413	46,671	22,173	18,324
Research and development, EUR thousand	2,495	1,981	2,067	2,488	2,086
percentage of net sales	5.6%	4.5%	6.3%	13.2%	12.1%
Personnel on average during the year	427	421	307	189	177
Personnel at the end of the year	432	411	416	193	189
Number of shares at the end of the year	33,453,737	32,153,737	30,909,052	30,165,900	29,261,800
Earnings per share (EUR)	0.0475	0.0485	0.0432	0.0150	0.0235
Shareholders' equity per share (EUR)	0.733	0.699	0.635	0.460	0.441

Innofactor Grew into a Significant Nordic Solution Provider

In the end of 2015 we signed a contract to acquire Swedish Cinteros AB. This acquisition was an important step on Innofactor's way to implement its Nordic growth strategy. This merger allowed Innofactor to grow into a significant Nordic company. During 2015 we renewed our management team and processes, and kicked off a Nordic ERP project which will unite us even more as an organization. All of these events play an important role in our Nordic success story. Despite the many challenges of 2015, we managed to increase our net sales and reached satisfactory result. Many thanks for the year 2015 to our customers, partners, employees and investors!

Microsoft Partner of the Year
2015 Winner
Finland



During 2015 we deepened cooperation with our customers further. We won significant new orders, such as the CRM of Criminal Sanctions Agency Finland, service design and electronic transaction and customer management projects for the Population Register Center Finland, ERP projects for several Finnish companies, and membership management system for one of the largest trade unions in Sweden. I would like to thank our customers and partners for the trust that you have shown to Innofactor.

Our strategy focuses on the platforms provided by Microsoft. As the markets are changing, Microsoft and its ecosystem are growing faster than the IT markets on average. Our partnership with Microsoft has become even closer than before in many ways. Microsoft chose Innofactor as their Partner of the Year in Finland of 2015 and for a finalist in two of their international categories. No Finnish partner company has previously achieved a similar recognition from Microsoft. I would like to thank Microsoft for their trust in Innofactor.

In December 2015, we agreed to acquire all of the shares of Swedish Cinteros AB from the company's

management. Cinteros is one of the leading IT service providers in Sweden, focused on offering solutions based on Microsoft Dynamics CRM. The company employs more than 100 professionals. After acquiring Cinteros, Innofactor employs more than 500 professionals in the Nordics with Microsoft-based skills and expertise. Our customer base in Finland, Sweden and Denmark consists of more than 1,200 commercial, public sector and membership-based organizations. A solid customer base enables us to develop our products and services further and grow. Cinteros enforces Innofactor's comprehensive Microsoft-based solution, product and service offering in the Nordic countries. Cinteros' strength lies in its membership-based organization customers and related solutions, which brings us plenty of opportunities to increase sales in Finland and Denmark. Respectively we are able to offer the services developed by Innofactor in Finland to the Swedish customers of Cinteros.

Innofactor's strength lies in its skillful and motivated personnel. In 2015, we reinforced our team and developed our management style. We want to use all

means available to ensure success in the Nordic field. I am very proud of Innofactor's employees' enthusiasm in steering us in the same direction and looking for new ways to innovate solutions, improve customer satisfaction, make work more efficient and increase productivity. Thank you all for that.

A successful and growing company calls for committed investors. During 2015, the value of Innofactor shares increased by 21.0 percent and share trading increased by 10.4 percent. I would like to thank all of our investors for their long-term trust in Innofactor's strategy and success.

In cooperation with our customers, partners, employees and investors, we produce solutions that help our customers and the society to succeed. We are looking forward to the future with enthusiasm and confidence.

"In the end of 2015 we signed a contract to acquire Swedish Cinteros AB. This acquisition is an important step in Innofactor's Nordic growth strategy, providing an excellent base to grow significant Microsoft-based business in Sweden and the rest of the Nordics. Cinteros' high level of expertise as well as their solid customer base excellently complement Innofactor's current business operations."

Sami Ensio

Innofactor's founder, major owner and CEO

Microsoft Partner

- Gold Application Development
- Gold Application Integration
- Gold Cloud Customer Relationship Management
- Gold Cloud Platform
- Gold Cloud Productivity
- Gold Collaboration and Content
- Gold Customer Relationship Management
- Gold Data Analytics
- Gold Data Platform
- Gold Enterprise Resource Planning
- Gold Project and Portfolio Management

Innofactor's Strategy is to Grow Clearly Faster than the Market

We estimate that IT service market growth will slightly revive during 2016 in the Nordic countries, growing approximately 2 to 3 percent. We believe that Innofactor can grow faster than the market. Our focus is on helping our customers to digitalize their business, to promote a collaborative way of working, and to develop business processes with the help of intelligent cloud services. We continue to develop our profound customer understanding of commercial, public sector and membership-based organizations in the Nordic countries. We invest in employing the best Microsoft professionals in the Nordics. We offer our customers a comprehensive Microsoft solution portfolio—products and services—fast delivery, as well as value-adding customer support.

We Believe the Market will Slightly Revive during 2016

The most essential drivers for change in the market are software services moving into the cloud, the growing importance of social media, mobile applications, the internet of things (IoT), data analytics, machine learning, and information security and privacy. Among this, our customers' purchasing patterns and expectations are changing. Our customers expect for more focus on business benefits compared to technological benefits from the IT provider. Our customers expect for more out-of-the-box solutions that do not require much customer-specific customization. In addition, customers are more willing to buy continuous services instead of projects.

We estimate that the Nordic IT service market grew approximately 1 to 2 percent in 2015. In Finland, growth was weaker than in other Nordic countries. We estimate that IT service market growth will slightly revive during 2016 in the Nordic countries, growing approximately 2 to 3 percent. The estimate is based on research institutes' forecasts and our own views of the market.

Global Megatrends



Our Beliefs Based on Our Strategy

We live in an inspiring, digitalizing world where solutions are primarily designed in terms of utilizing the cloud, mobility, and big data analytics.

Our customers want long-term strategic advisors who produce more added value for their operations, quick results, cost efficiency, transparency, and streamlining.

Customers' business processes and requirements for IT systems are very much alike in the Nordic countries.

Fast and profitable growth in the Nordics requires a centralized offering, own products, productized services, and scalable customer-oriented business models.

Increasing competition in the IT field allows Microsoft to strengthen its position and become one of the winners.

In the Microsoft ecosystem companies who are innovative, develop quickly, comprehensively master the service portfolio, and invest in growth, succeed in the competition.

Innofactor Success Factors

Innofactor has obtained the leading expertise in the Nordics in digitalization and the latest technologies, such as Microsoft cloud technologies, mobile solutions, and advanced analytics.

Through process innovation, Innofactor creates significant competitive advantage, notable cost-savings, and no less than completely new operative models for its customers—always seeking fast results in all of its deliveries.

Innofactor has more than 1,200 private, public sector and membership-based customers in the Nordics and presence in more than 10 offices in Finland, Sweden and Denmark.

Innofactor has Nordic level managed customer-based business model development and offering, including the development of its own products and services and utilization of Microsoft and third-party solutions.

Microsoft Partner of the Year in Finland, 11 Microsoft Gold Competencies, and more than 600 individual-level Microsoft certificates.

Innofactor holds the leading Microsoft-based innovative offering in the Nordics that Microsoft has awarded also many international recognitions.

Mission:

Empower organizations and people to make a difference in the digital world.

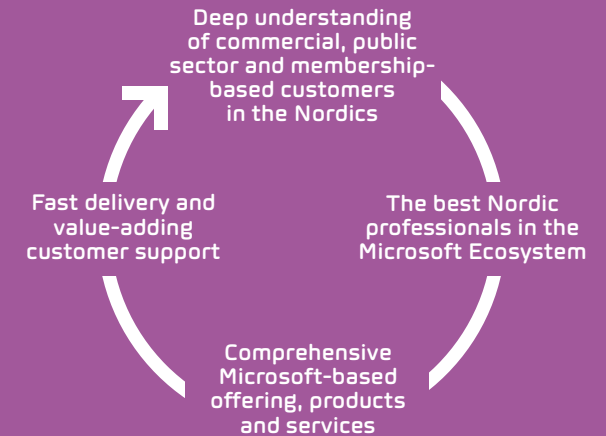
Vision:

We are the number one Microsoft-based solution provider in the Nordics.

Our long-term financial objective is to grow profitably:

- By achieving Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) of more than 10 percent for each year from 2014 to 2017
- By achieving 25 to 35 percent average annual growth from 2014 to 2017 through organic growth and acquisitions
- By maintaining positive cash flow and securing financial stability in all situations.

Our Strategy



Becoming the Leading Nordic Company in the Microsoft Ecosystem

We have made a strategic choice to focus on solutions implemented with or supported by Microsoft platforms. We strongly believe that Microsoft will strengthen its market position and be the winner as the competition of ICT ecosystems increases. System integrators like Innofactor play a central role in the Microsoft Ecosystem because we form the relationship with customers. Microsoft license sales will largely become a part of the business of system integrators. We are a forerunner in the Microsoft Cloud Solution Provider (CSP) program that enables more holistic Microsoft service offering and license sales to customers.

We are focusing on the solution areas where Microsoft's market position and offering are the strongest and which allow Microsoft partners and

ecosystem members to grow. According to Microsoft management, more than 90 percent of Microsoft's net sales accrue from partners, and ecosystem companies earn nine dollars for each dollar that Microsoft makes.

We primarily focus on Nordic large and medium-sized commercial, public sector and membership-based organizations that have high requirements for their IT solutions. We develop solutions, products and services for our customers on our own and also together with our partners. Our strategy fits to the market dynamics well. We believe Innofactor can acquire market share from competitors and can utilize the growth of the IT market.

Our Nordic competitive landscape is fragmented. The first group of competitors consists of large enterprises that operate in all of the Nordic countries. They provide a wide range of IT solutions needed by organizations using several competing technologies, among which

Microsoft technologies are one of several alternatives. The second group consists of smaller companies that focus on a niche solution area in the Nordic level. These companies usually offer IT solutions needed by organizations using several competing technologies. The third group consists of local IT companies that only operate on their domestic market focusing on clearly limited solution areas, clients and/or industry expertise.

Microsoft's Nordic partner network that consist of small and medium sized IT companies is relatively fragmented. This offers Innofactor interesting possibilities to grow through mergers and acquisitions within the Nordic countries as well as in Europe.

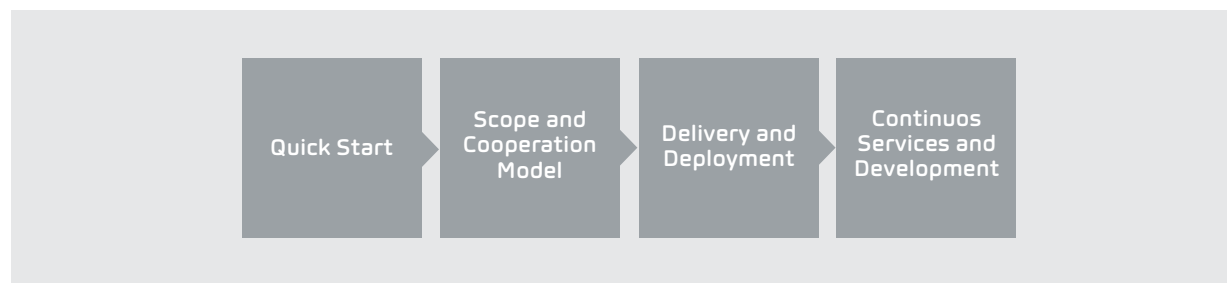
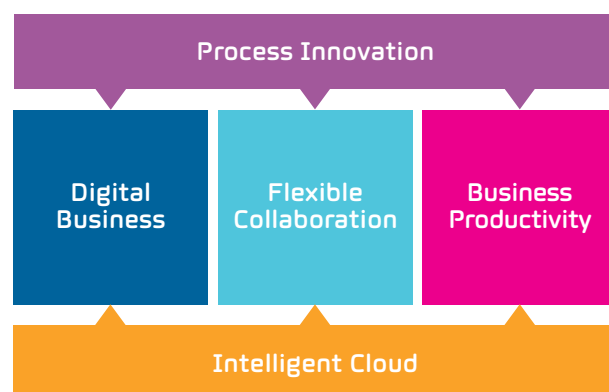
Our good reputation, unique track record of fast and profitable growth and successful mergers and acquisitions combined with entrepreneurial culture make us a very attractive partner with whom to develop business in the Nordic countries.

We Have Strong Expertise to Solve Our Customers' Challenges

We offer our customers comprehensive Microsoft-based solutions that builds on the leading products, services, and expertise of the ecosystem. Our offering has been developed based on our customers' needs. We serve more than 1,200 commercial, public sector and membership-based customers in Finland, Sweden and Denmark. Enclosed case examples elaborate how we have improved our customers' competitiveness with innovative IT solutions.

Our comprehensive and integrated solutions are based on customer needs as well as utilizing the latest technology. We leverage deep customer understanding and expertise on the latest cloud services to deliver fast customer benefits with high quality. We have cooperated with Microsoft and the leading companies in its ecosystem for more than 15 years. This guarantees the best possible support to our customers.

Our offering consists of five areas as shown below and described in more detail on pages 11 to 21.



Our operative model has four key phases. It begins with a fast and cost-efficient Quick Start that includes increasing the customer's know-how on a selected solution area, consultancy, and overall evaluation of the customer's environment and requirements. At the same time, we typically implement a Proof of Concept (PoC) or a demo to provide immediate value for the customer.

In the second phase, we define, together with the customer a more detailed scope and cooperation model. The scope typically includes defining business objectives, functional requirements, architectural framework, security and performance requirements. The cooperation model typically includes selecting the right delivery, service, support and governance models.

The Delivery and Deployment phase consists of efficient project management, requirements planning and specifications, technical implementation, and documentation. Quality assurance and testing play a central role in all of our deliveries. We do proactive risk management to ensure successful delivery with both traditional waterfall as well as more agile development models. Implementation design, training, and user support for the new solution are all part of our successful delivery.

Solution deployment is followed by Continuous Services and Development. We provide our customers with the service level and support they need to operate successfully. Key part of our way of working is to continuously develop customers' solutions, operations and processes in close collaboration between Innofactor and the customer.

Process Innovation

Better Business Process

- Customer Relations, Marketing, Sales & Support
- Production, Logistics, Delivery and Projects
- Business and Product Development and Innovation
- Financial Management and Business Forecasting
- HR, Quality, Risk Management, ICT and Legal Matters

Digital Business

Better Customer Experience

- Service Design
- Digital Marketing
- Websites and Mobile Applications
- Digital Customer Service

Flexible Collaboration

Better Employee Experience

- Mobile Productivity
- Digital Collaboration
- Enterprise Communication

Business Productivity

Better Business Experience

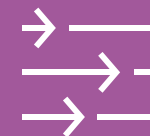
- Customer Relationship Management (CRM) and xRM
- Project and Portfolio Management (PPM)
- Enterprise Resource Planning (ERP) and Customized Solutions
- Information, Case and Quality Management

Intelligent Cloud

Better Cloud Experience

- Azure Managed Services
- Enterprise Mobility Services (EMS)
- Analytics and Machine Learning
- Internet of Things (IoT)

Process Innovation



We Develop Our Customers' Operations by Process Innovation

- With our industry experience and knowledge of organizations' key processes we add significant value to our customers' operations
- We innovate our customers' processes to meet the demand of digitalization and the market changes by utilizing modern technologies, such as the Internet of Things, self-service, analytics, and machine learning
- We help our customers to gain significant competitive advantage, notable cost-savings, and no less than completely new business models

Process Innovation

- **Customer Relations, Marketing, Sales and Support**
- **Production, Logistics, Delivery and Projects**
- **Business and Product Development and Innovation**
- **Financial Management and Business Forecasting**
- **HR, Quality, Risk Management, ICT and Legal Matters**

Our objective is to provide better business processes for our customers.

Innofactor's new service area, Process Innovation, was generated from our wide experience and insight on opportunities of information technology. We actively guide our customers to look for the seeds of new competitive advantage and ways of working from often unusual areas: the cross-sections and interfaces of organizations, units and processes. These are often the blind spots for organizations having little or no attention.

Our consultants have the ability to question traditional ways of working. Benefits of the latest technology and moving certain workflows from own employees to the customer or to a computer often increases the quality of operation and decreases costs.

Examples of Our Services

We give our expert opinion about the customer's development plans. We also evaluate the current state of customers' operational models and future possibilities regarding digitalization and advanced IT.

Process Innovation includes the following services implemented by our leading consultants: process mapping, development planning, and the digitalization of defined and renewed processes by means of Innofactor's extensive service offering and the latest technologies, such as machine learning, IoT and cloud technology, and continuous, comprehensive and systematic development of process innovation.

Innofactor Skilli

Our Objective is to Double the Learning Results and Enable High-Quality Education with Limited Resources

The decades-old model of teaching one subject to a large group of students in one classroom has come to the end. The new curriculum of Finnish schools is based on the idea that students are active individuals. They learn to set targets and solve problems both individually and together with others. Learning takes place by doing together and individually, thinking, planning, studying, and versatile evaluation of these processes.

The idea of Innofactor Skilli is to set individual learning targets for each student, to collect continuous data about learning, and to analyze and recommend individual improvements by machine learning. In

addition to the teacher's evaluation, we obtain big data about learning from self and peer assessment as well as from the parents. Skilli enables completely new learning processes with which the teacher becomes the mentor and learning is not limited to the classroom.

In June 2015, Innofactor Skilli was chosen as a finalist for Microsoft's international category Education Partner of the Year. We also won the Quality Innovation of the Year award in both the domestic and international categories. Our objective is to turn Skilli into an international bestseller by utilizing Finland's reputation as one of the world's top countries in teaching.

"Innofactor Skilli brings continuity to learning assessment. As a teacher, Skilli provides me with information about the variety and use of teaching methods. I have recommended Skilli to all of our teachers who want their students to do self-evaluation."

Jarkko Sievi
teacher at comprehensive school,
grades 7 to 9, mathematics and physics,
Lauttasaari co-ed



Digital Business



Digital Business Creates the Basis of Our Customers' Operations on the Web

- We digitalize our customers' processes by making use of the most advanced IT solutions
- Our designers create a unique service experience for end-users in the digital channels: the web, social media, and mobile applications
- We always provide technologically integrated and advanced services that integrate with backend systems and offers advanced analytics to support business

Digital Business

- **Service Design**
- **Digital Marketing**
- **Websites and Mobile Applications**
- **Digital Customer Service**

Our objective is to offer a better experience for our customers and their end-customers.

Digital business and services primarily consist of creating cross-channel experiences. The customer's brand must be represented well across the web, social media, and mobile channels. Our service design team creates an individual and unique experience for the customers using the services.

However, to have services that look good is not enough. Digital business requires process modifications, self-service design, and seamlessly integrating the solutions to the operational backend systems. Our expertise in business IT solutions help customer organizations to move towards service experiences that exceed all expectations. We help customers gain fast results on their way to digitalization in a continuously changing operational environment where new, often cloud-based business models can start a whole different ballgame on a moment's notice.

Examples of Our Services

With the help of our solutions, our customers have produced an enhanced customer experience in their digital channels, improved their service, and increased their net sales.

With the help of our service design tool box and together with our customers, we build cross-channel processes that both support an excellent customer experience and boost internal processes. Our User Experience experts deliver easy-to-use, user interfaces that users will love even in the most challenging operating environments. Our portfolio includes solutions for various customer cases, such as digital customer service, self-service solutions, and customer dialogue. Marketing produces truly measurable data and enables improved business decisions. Our solution combines business with marketing data.

Population Register Center

In the Core of Citizens' Digital Services – Designing Service Views for Finnish Citizens

Innofactor Service Design team is responsible for the service design of Population Register Center's Service Views project. The objective of the projects is to provide public administration services for Finnish Citizens through one address as a consistent service experience. The public services of "Digital Finland" are accessible and user-friendly in one place at beta.suomi.fi. The site that was published in December 2015, and its agile development continues in close collaboration with the end-users by making use of service-design methods.

Population Register Center's project is part of the Finnish Ministry of Finance's National Architecture for Digital Services (KaPa) project, the objective of which is to make it easier, simpler and more flexible for citizens, enterprises and other organizations to transact with the authorities.

"All of the services of our National Architecture for Digital Services (KaPa) program are being built based on user-oriented principles. During the program, Innofactor specialists as part of our agile development teams are responsible for the design of our services. Service design team's specialists possess high-level expertise, and we are happy with our cooperation with Innofactor."

Jani Ruuskanen

Project Manager, Suomi.fi service views,
Population Register Center



Flexible Collaboration



Our Flexible Collaboration Solutions Help our Customers Transform Operations into Mobile World

- We create the best collaboration and communication experiences for our customers' employees and partners
- With our modern collaborative solutions we help our customers increase their organizations productivity, create innovations and become more streamlined
- Our efficient communication and collaboration solutions enable our customers to offer their end-customers the best service and benefits through our digital customer communication and services

Flexible Collaboration

- **Mobile Productivity**
- **Digital Collaboration**
- **Enterprise Communication**

Our objective is to offer a better employee experience to our customers.

We provide our customers with the methods and tools with which they can operate as efficiently and inspiringly as possible relying on up-to-date and organized information.

Innofactor's Flexible Collaboration offering supports organization's internal operation development and communication with their partners. Together with our customers we create a model of internal development with which they can become forerunners of the change that new technology brings. Traditional operation following the organization and command chain does not anymore ensure sufficient speed as the environment changes. The amount of data keeps increasing enormously, making it challenging to find the most critical information and to make decisions within collaboration. We help customers bring essential information into the frontline of the organization to ensure decision-making without any delay.

Examples of Our Services

Our service package boosts a change in the customers' ways of working from implementing new services to significantly increasing the competitive ability growth of the organization and its stakeholders.

Mobile work solutions ensure that users can safely access all information anytime and anywhere. They enable handling information with any device and create a consistent user experience for the end user. Digital collaboration enables organization's operation as a community and improves the accessibility of information. It ensures successful digital collaboration in the daily work of the customer, inside the organization and among its closest stakeholders. The basis of organizational communication is a cutting-edge intranet community that ensures that personnel receives relevant information. In addition we provide

tools for video conferences, instant messaging, and broadcasting communications. The services can be implemented through an organization-specific server environment or as a cloud service that enables safe digital collaboration.

KEHA Center

Design and Implementation of KEHA Center's Digital Work Environment – Within Just a Month

KEHA Center is a Finnish national decentralized bureau that produces development and administrative services for the ELY and TE Services. The project employed Innofactor OnePoint implementation model for Microsoft Office 365 and was carried out in just a month including intranet content. Electronic work environment unites about 550 employees, and it will be expanded later to cover all of the 30 offices and in total more than 7,000 end users. The project utilized flexible collaboration principles and nimbly adapted to various conditions. It was carried out by a virtual team consisting of people from both the supplier and the customer, by utilizing digital tools and cherishing a positive atmosphere of trial and error.

"In addition to the safe traditional set of services, IT department is supposed to offer platforms and tools for quick changes, experiments, and employees developing digital methods by themselves. We offered a platform, a bunch of ideas, and our own expertise. With Innofactor professionals, we found the people who had the courage and insight to build a new type of service. The project carried out with Innofactor was one of our most successful ICT initiatives."

Heikki Heikkilä
CIO at KEHA Center



Innofactor's Senior Consultant JP Wirta (left) and KEHA Center's CIO Heikki Heikkilä

Business Productivity



Business Productivity Helps our Customers Make the Best of their Organization

- We create the best business experience for our customers with advanced operative systems integrated with each other and the latest communication, collaboration and analytics solutions
- We modify our solutions, such as CRM and ERP systems, to match the requirements of our customers through extensive industry expertise and ready-made solutions
- We ensure that customers obtain an organized and reliable way to manage their information and related workflows and approvals

Business Productivity

- **Customer Relationship Management (CRM) and xRM**
- **Project and Portfolio Management (PPM)**
- **Enterprise Resource Planning (ERP) and Customized Solutions**
- **Information, Case and Quality Management**

Our objective is to offer a better business experience to our customers.

In constant change, only those who can predict and react quickly succeed. In order to succeed, our customers need operative systems that are flexible to implement and adapt to changes.

Innofactor solutions map the basic processes with the organization's central requirements so that the solution supporting the business is easy to put into use and agile to modify to suit the particular needs of the organization. We create the tools with which the customer's personnel can flexibly react to changes regarding customer requirements, environment alterations, and new business requirements.

Examples of Our Services

We provide commercial, public sector and membership-based organizations with solutions that help serve their customers, operate on a growing scale, and offer a flexible and motivational way for the employees to achieve their goals also through safe cloud services.

Innofactor CRM solution provides an easy-to-use way to manage customer paths: to target marketing actions, manage sales cases, handle customer requirements generated at customer service and identified, for example, through social media. In addition to basic ERP functions, such as financial management, the customers can utilize industry-specific services represented by Innofactor for the needs of service business and

manufacturing industry to name few. Innofactor offers conceptualized analytics solutions that produce easy-to-use analytics and BI solutions with illustrative graphics and deep analyses for anyone in an organization to utilize. The project business package conceptualized by Innofactor helps to manage business projects and steers business management through project portfolios. With the help of information, substance and quality management solutions it is much easier to manage company information flow within constantly increasing masses of data. In addition to ready-made solutions, we are able to implement demanding customer-specific solutions to support the operations of our customers.

Rapala

ERP-Managed Leadership and Cascading the Best Processes

Finns know Rapala's iconic brand since 90 years. Long-term work to expand the market has won Rapala a position as one of the most international companies in the Helsinki Stock Exchange.

Rapala's market is truly global. Their products are sold in more than 100 countries across the globe, and they have their own local retail company in 35 countries. Thanks to Rapala's streamlined company culture each market is served in its own terms as a unique business environment with its own characteristics. The ability to adapt to local markets is crucial for success, and the same flexibility and adaptation skills are what business support systems should offer. The systems must primarily meet local needs but at the same time, they must enable group-level management and coordination.

Innofactor is Rapala's partner in Finland for their Dynamics NAV ERP and has participated the design of a model by which global operations can be steered more transparently in the future and practices implemented locally as local branches apply the systems. Centralized processes help ensure that consistent views of business-critical product and account information.

"Our operative model is based on strong and independent local organizations that are able to serve each market in an optimal way. Close communication between the management and local units as well as global transparency regarding business-related information will become more important in the future. The systems provided by Innofactor create new possibilities for this."

Jussi Ristimäki

Vice President and CFO, Rapala VMC Corporation

Intelligent Cloud



Intelligent Cloud will Turn Information Technology Flexible and Smarter than Ever Before

- Our easy-to-use managed service helps our customers make full use of the Microsoft cloud platforms, such as Azure and Office 365
- We boost the business of our customers with intelligent cloud services, including Analytics, Machine Learning, and Internet of Things
- Our specialists help customers ensure the best services for identity management, device and service management, integrations, and information security

Intelligent Cloud

- **Azure Managed Services**
- **Enterprise Mobility Services (EMS)**
- **Analytics and Machine Learning**
- **Internet of Things (IoT)**

Our objective is to offer a better cloud experience to our customers.

We make purchasing cloud services easy and flexible for our customers. We ensure that the cloud service portfolio selected by the customer fits their operations in the best possible way.

Innofactor Intelligent Cloud offering and service model are based on Microsoft cloud technologies. We offer all that is needed: the licenses, cloud technologies, hybrid environments, and services for maintenance as well as for continuous development. Making full use of new advanced analytics solutions is no longer a privilege of large enterprises as flexible cloud-based operative models now bring advanced analytics and machine-learning applications available for smaller organizations, too. The best benefits of cloud service development can be made available to everybody without major front-end investments, and they enable fast cloud service experimenting.

Examples of Our Services

Innofactor offers holistic offering consisting of cloud technologies, hybrid environments, identity management, equipment and service management, data security, continuous services, and continuous service development and licenses. We have developed our offering and a service model that is based on Microsoft platforms. These platforms typically develops continuously enabling our customers to stay at the forefront of competition.

Danish Cancer Society

Up-to-Date Customer Information with the Help of Cloud-Based Analytics Services

Danish Cancer Society needed to carry out accurately targeted campaigns. Innofactor delivered cloud-based analytics services that provides the required information on one dashboard. Power BI that was used for the solution offers a clear competitive edge: it can be integrated with several data sources. With Power BI, Danish Cancer Society can easily follow and analyze their campaigns in real time, identify changes in customer information, and steer the resources into correct channels.

Innofactor created a data storage and a comprehensive business information management system in three months as of the project kick-off. Power BI-based up-to-date customer information is now available at all times, visualized on one single view from where it is easy for the users to produce interactive reports.

"Power BI was a very dynamic project which we approached in a very pragmatic manner. We were looking for fast results and solved the problems as soon as they appeared. This way of working has been possible only because of Innofactor's excellent management skills of Microsoft Business Intelligence."

Morten Rye Christiansen
CIO, Danish Cancer Society



Leading Microsoft Know-how in the Nordics

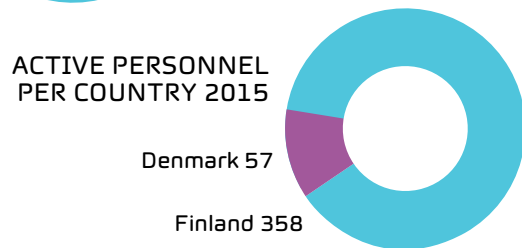
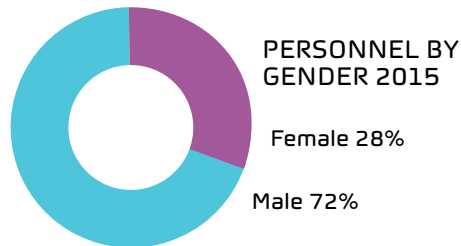
Innofactor's growth and development are made possible by our growth-driven personnel. Development areas in 2015 included action planning, target setting, and recruitment processes.

Headcount and Other Key Figures

Innofactor tracks total headcount, as well as the number of active employees. People who are on unpaid leave for a period of more than three months are not included in the active employee headcount.

In 2015 Innofactor's average total headcount was 427 persons (2014: 421), showing an increase of 1.4 percent compared to the previous year. The active headcount was 409 persons.

At the end of 2015, the total headcount was 432 (2014: 411), of which 415 were actively employed. The total headcount increased 5.1 percent. At the end of the year, the average age of the personnel was 40.1 years (2014: 39.1). Women accounted for 28 percent of the personnel and men for 72 percent (2014: 23% and 77%).



Competence is the Basis for Success

As Innofactor's customer base is very versatile, we need to be able to learn and refine new information. Through our close partnership with Microsoft, the competences defined by Microsoft form an important backbone for developing our technical skills, and we have already achieved 11 corporate-level Microsoft Gold Competencies in Finland.

Maintaining these competencies requires keeping skills up to date. We also actively follow the new definitions for competence, and to our great joy we achieved three new Gold Competencies: Application Integration, Cloud Customer Relationship Management, and Cloud Productivity.

In addition to certificates, we develop our skills through on the job learning and internal job rotation. We discuss wider development needs as part of the strategy work. Development discussions play a central role in planning skill development on an individual level. In the development discussions, the skills and development needs of the personnel are monitored, and based on the input from the discussions, we create a plan to develop each individual's professional skills and career.

New Annual Planning Model and Recruitment Development

Based on the strategy process of 2015, we planned the operations of the coming year through new type of horizontal teams. This enabled us to involve a significantly larger group of personnel in the planning, which helped build a link from strategy through operational planning to individual level. As our activities grew, we also developed our recruitments process, and we have invested in the recruitment process more than before, as successful recruitments are key for long-term success.



Personnel Participation

Personnel's views on the company's policies are surveyed quarterly. Systematically the most positive feedback is related to the behavior of the closest manager and nice colleagues. We are happy to note that the total of personnel satisfaction improved according to the measurements obtained during the year.

For a number of years, Innofactor has had an HR board that includes representatives from our different offices. HR Board meetings deal with current affairs in the offices and the company from a personnel point of view, and they strive to make Innofactor an even better place to work. The personnel also participate in active discussions through Yammer, a digital tool for handling both official and unofficial topics.

Once a year the entire personnel gathers together to participate in Innofactor InSpirit, an event that offers information and a bit of fun. InSpirit 2015 included workshops coordinated by the personnel. Towards the evening we got to hear our own house bands from the Finnish and Danish offices.

Innofactor personnel also spends time together outside the office. Innofactor Fun Club organizes shared activities at our different locations. In 2015, the program included a raw cake workshop, visits to the Escape Room game and a climbing park, beer tasting, floorball, as well as a victory in the business bowling league in Kajaani. Moreover, in Espoo at Innofactor Campus we opened the biggest 3D puzzle exhibition in the Nordics.



Microsoft Partner

- Gold Application Development
- Gold Application Integration
- Gold Cloud Customer Relationship Management
- Gold Cloud Platform
- Gold Cloud Productivity
- Gold Collaboration and Content
- Gold Customer Relationship Management
- Gold Data Analytics
- Gold Data Platform
- Gold Enterprise Resource Planning
- Gold Project and Portfolio Management

Corporate Responsibility

Our operations are guided by the company's strategy, corporate governance, values, quality system, personnel policy, general principles of corporate responsibility, environmental policy, and legislation. We strive to act according to our values by being responsible, committed, open for discussion and present.

The Environment and Sustainable Development Constructive Collaboration

In our operations, we adhere to the principles of sustainable development and the environmental guidelines of the Federation of Finnish Technology Industries. We have helped our customers reach their environmental goals and contributed to the sustainable development of the society through the digital solutions that we have developed. We deliver digital solutions and web services that decrease the environmental impact of our customers' operations.

We strive to establish long-term collaboration with our customers and partners, adding value and providing innovative solutions through a network of complementary expertise.

For our employees we strive to offer an inspiring and supportive environment in which they can continue to develop. We take care of the well-being of the personnel by maintaining a stable, safe and communicative atmosphere and by building

a reliable development path into the future. We invest in developing the personnel through training, learning while working, and work rotation. We also work actively with other Finnish ICT companies in order to create partner networks for lowering the globalization threshold and in this way playing a part in developing the software business in Finland and the rest of the Nordics.

"Innofactor is committed to operating profitably and increasing its net sales while taking into account the social impact."

Corporate Governance

Innofactor Plc is a Finnish public limited company that, in its decision-making and administration, complies with the Finnish Companies Act, other regulations concerning public companies, and the company's Articles of Association.

For the financial period completed December 31, 2015, Innofactor Plc has complied with the Corporate Governance Code 2010 for Finnish listed companies published by the Securities Market Association. Starting from January 1, 2015, Innofactor complies with the Corporate Governance Code 2015 for Finnish listed companies published by the Securities Market Association. In addition, Innofactor Plc complies with the Guidelines for Insiders drawn up by the Helsinki Stock Exchange and follows a consistent communication policy.

Innofactor Plc maintains a public insider register of the persons who are required by the Securities Markets Act to report their ownership. Additionally, the company maintains an internal permanent insider register as well as project-specific insider registers of the persons who have access to insider information. Innofactor has guidelines for insider trading on Innofactor shares.

The General Meeting is the highest decision-making

body of Innofactor Plc. The General Meeting is convened by the Board of Directors. According to the Articles of Association, the Annual General Meeting shall be held each year within six months of the end of the fiscal year, on a day specified by the Board of Directors. An Extraordinary General Meeting shall be held when considered necessary by the Board of Directors, or if requested in writing for handling of a specified matter by the auditor or shareholders holding a minimum of one-tenth of all shares.

The General Meeting selects the Board of Directors. Responsibilities of the Board of Directors are based on the Companies Act and the company's Articles of Association. The Board of Directors has general authority to decide and act in all such matters that are not reserved by the Companies Act or Articles of Association to other corporate governing bodies. The Board of Directors is responsible for the effective organizing of the company and the monitoring of the management of the company according to the best interests of the company and its shareholders.

It is the duty of the Innofactor Plc's Board of Directors to make sure that the monitoring of the Group's bookkeeping and financial control have been

properly arranged. Internal monitoring in the Group is implemented by the Board of Directors together with the CEO and the director of legal matters. For monitoring purposes, there is a reporting system according to which information is produced concerning the Group's business operations and subsidiaries. The responsibilities of the Board of Directors and its members are described in more detail in the rules of procedure for the Board of Directors.

The Board of Directors appoints the CEO who is responsible for the day-to-day management of the company, which consists of managing and controlling the company's business in accordance with instructions and decisions issued by the Board of Directors. The Board of Directors has appointed an Executive Board for the Group, the task of which is to help the CEO manage day-to-day business.

The Corporate Governance of Innofactor Plc was last updated February 29, 2016. Innofactor's Corporate Governance Statement, which has been drawn up in accordance with the Finnish Securities Markets Act and the recommendation 51 of the Corporate Governance Code for Finnish listed companies, will be presented separate from the Annual Report.

The Board of Directors of Innofactor Plc



Ari Rahkonen, Chairman

BBA. Chairman and member of the Board of Directors since March 24, 2015. Born in 1963. Ownership 30,000 shares.



Sami Ensio

M.Sc. (Tech.) Innofactor Plc's CEO, member of the Board of Directors since 2010, and chairman of the Board from January 1 to March 23, 2015. Innofactor Plc's founder and CEO since 2000. Born in 1971. Ownership 7,448,017 shares.



J.T. Bergqvist

D.Sc. (Tech.). In the Board of Directors of Innofactor Plc since 2014. Born in 1957. Ownership 350,000 shares.



Jukka Mäkinen

M.Sc. (Econ. & Bus. Adm.) In the Board of Directors of Innofactor Plc since 2012. Born in 1954. Ownership 70,793 shares.



Ilari Nurmi

M.Sc. (Tech.) In the Board of Directors of Innofactor Plc since 2013. Born in 1975. Ownership 50,630 shares.



Pekka Puolakka

LL.M. In the Board of Directors of Innofactor Plc since March 24, 2015, and from 2010 to 2014. Born in 1971. Ownership 181,705 shares.

Share owning information is from February 29, 2016. Up-to-date information can be found on the company's website.

Executive Board of the Innofactor Group



Sami Ensio, CEO

M.Sc. (Tech.) Innofactor Plc's CEO, member of the Board of Directors since 2010, and chairman of the Board from January 1 to March 23, 2015. Innofactor Plc's founder and CEO since 2000. Born in 1971. Ownership 7,448,017 shares.



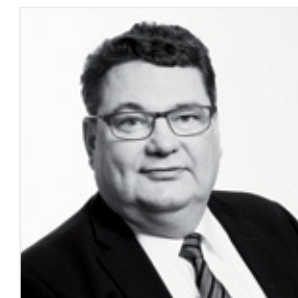
Robert Erlandsson

M.Sc. (Econ. & Bus. Adm.) Country Manager in Sweden. CEO of Cinteros and one of its founders since 2005; employed by Innofactor since 2016. Born in 1966. Ownership 0 shares.



Anthony Gyursanszky

M.Sc. (Tech.) Chief Operating Officer. Employed by Innofactor since 2015. Born in 1969. Ownership 83,044 shares.



Jari Hahl

QIT. Chief Sales Officer. Employed by Innofactor since 2016. Born in 1962. Ownership 66,793 shares.



Janne Heikkinen

M.Sc. (Tech.) CTO. Employed by Innofactor since 2015. Born in 1974. Ownership 83,044 shares.



Elina Jokinen

M.Soc.Sci. Vice President, HR. Employed by Innofactor since 2013. Born in 1974. Ownership 53,979 shares.



Jørgen Krog Kaufmann

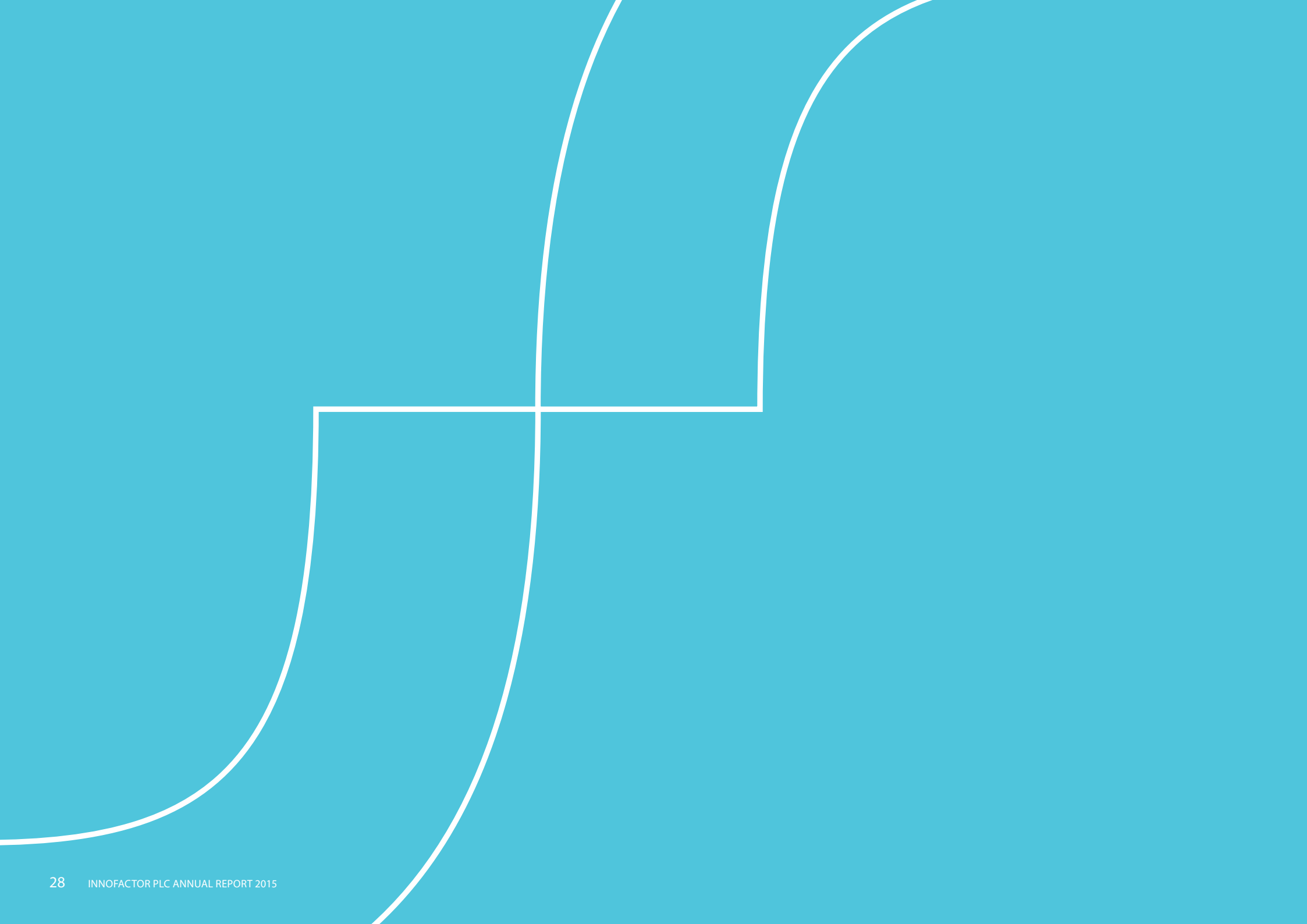
Country Manager in Denmark. Employed by Innofactor since 2016. Born in 1959. Ownership 83,044 shares.



Janne Martola

M.Sc. (Tech.) CFO and Vice CEO. Employed by Innofactor since 2011. Born in 1974. Ownership 183,044 shares.

Share owning information is from February 29, 2016. Up-to-date information can be found on the company's website.



Annual Report of the Board of Directors for 2015

Innofactor Group

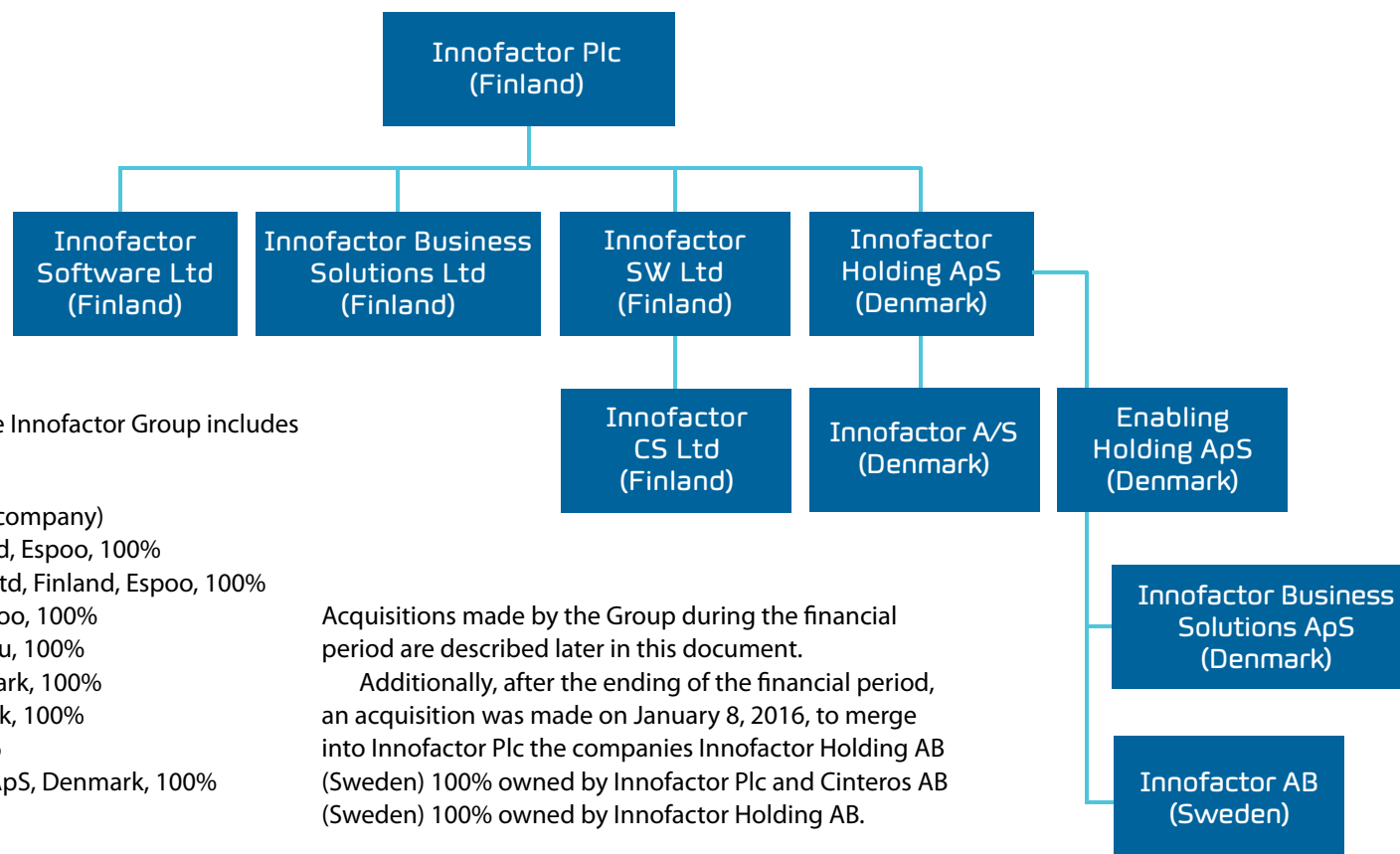
Innofactor is one of the leading software providers focused on Microsoft solutions in the Nordic countries. Innofactor delivers to its customers IT projects as a system integrator and develops its own software products and services. Innofactor's own product development is focused on Microsoft cloud-based

cloud solutions. Approximately 1/4 of Innofactor's net sales comes from recurring contracts related to Innofactor's own products and from other recurring service contracts.

Innofactor serves over 1,200 commercial, public sector and membership-based organizations in Finland,

Sweden and Denmark. In its operation, Innofactor strives for long-term customer relationships. Innofactor has over 500 motivated and skilled employees in over 10 locations in Finland, Sweden and Denmark.

The structure of the Innofactor Group at the end of the financial period 2015 is presented below.



At the end of the financial period, the Innofactor Group includes the following companies:

- ▶ Innofactor Plc, Finland (parent company)
- ▶ Innofactor Software Ltd, Finland, Espoo, 100%
- ▶ Innofactor Business Solutions Ltd, Finland, Espoo, 100%
- ▶ Innofactor SW Ltd, Finland, Espoo, 100%
- ▶ Innofactor CS Ltd, Finland, Turku, 100%
- ▶ Innofactor Holding ApS, Denmark, 100%
- ▶ Enabling Holding ApS, Denmark, 100%
- ▶ Innofactor A/S, Denmark, 100%
- ▶ Innofactor Business Solutions ApS, Denmark, 100%
- ▶ Innofactor AB, Sweden, 100%

Acquisitions made by the Group during the financial period are described later in this document.

Additionally, after the ending of the financial period, an acquisition was made on January 8, 2016, to merge into Innofactor Plc the companies Innofactor Holding AB (Sweden) 100% owned by Innofactor Plc and Cinteros AB (Sweden) 100% owned by Innofactor Holding AB.

	2015	2014	2013	2012	2011
Net sales, EUR thousand	44,452	43,834	32,685	18,818	17,205
Operating margin (EBITDA), EUR thousand	3,705	3,794	3,284	1,215	1,443
percentage of net sales	8.3%	8.7%	10.0%	6.5%	8.4%
Operating profit (EBIT), EUR thousand	2,542	2,407	2,255	620	904
percentage of net sales	5.7%	5.5%	6.9%	3.3%	5.3%
Earnings before taxes, EUR thousand	1,935	1,946	1,863	591	886
percentage of net sales	4.4%	4.4%	5.7%	3.1%	5.1%
Earnings, EUR thousand	1,548	1,556	1,407	449	687
percentage of net sales	3.5%	3.5%	4.3%	2.4%	4.0%
Shareholders' equity, EUR thousand	24,534	22,462	19,626	13,760	12,905
Interest bearing liabilities, EUR thousand	9,219	10,638	11,955	1,393	0
Cash and cash equivalents, EUR thousand	843	997	991	656	696
Deferred tax assets, EUR thousand	6,704	7,238	7,604	7,767	7,895
Return on equity	6.6%	7.4%	8.4%	3.4%	5.5%
Return on investment	7.6%	9.1%	12.9%	4.5%	7.2%
Net gearing	34.1%	42.9%	55.9%	5.4%	-5.4%
Equity ratio	56.9%	48.7%	43.1%	66.1%	74.5%
Balance sheet total, EUR thousand	43,983	47,413	46,671	22,173	18,324
Research and development, EUR thousand	2,495	1,981	2,067	2,488	2,086
percentage of net sales	5.6%	4.5%	6.3%	13.2%	12.1%
Personnel on average	427	421	307	189	177
Personnel at the end of year	432	411	416	193	189
Number of shares at the end of year	33,453,737	32,153,737	30,909,052	30,165,900	29,261,800
Earnings per share (EUR)	0.0475	0.0485	0.0432	0.0150	0.0235
Shareholders' equity per share (EUR)	0.733	0.699	0.635	0.460	0.441

Net Sales

Innofactor's net sales in 2015 were EUR 44,452 thousand (2014*: 43,834), which shows an increase of 1.4 percent.

* During the third quarter, an error in the assessment of projects was detected in the Group company concerning the period of January 1–June 30, 2015, in the financial period that has just ended as well as the previous financial periods. The assessment error was corrected for the above-mentioned periods in accordance with IAS 8: 41–42. The total effect of the error on the net sales for October 1–December 31, 2015, was a decrease of approximately EUR -285 thousand, and on the net sales for January 1–June 30, 2015, a decrease of approximately EUR -238 thousand. Adjustments and their effects on the Group figures are described in more detail in the attachment to the interim report for January 1–September 30, 2015, which was published on October 20, 2015.

Financial Performance

Innofactor's operating margin (EBITDA) in 2015 was EUR 3,705 thousand* (2014: 3,794 **), which shows a decrease of 2.3 percent. EBITDA accounted for 8.3 percent of the net sales* (2014: 8.7%**).

Innofactor's operating profit in 2015 was EUR 2,542 thousand (2014: 2,407**), which shows an increase of 5.6 percent. Operating profit accounted for 5.7 percent of the net sales* (2014: 5.5%**).

* During the third quarter, an error in the assessment of projects was detected in the Group company concerning the period of January 1–June 30, 2015, in the financial period that has just ended as well as the previous financial periods. The assessment error was corrected for the above-mentioned periods in accordance with IAS 8: 41–42. The total effect of the error on the operating margin and net sales for October 1–December 31, 2015, was a decrease of approximately EUR -314 thousand, and on the operating margin and net sales for January 1–June 30, 2015, a decrease of approximately EUR -238 thousand. Adjustments and their effects on the Group figures are described in more detail in the attachment to the interim report for January 1–September 30,

2015, which was published on October 20, 2015.

** The year 2014 included a one-off cost reserve related to the closing of the St. Petersburg office for approximately EUR 59 thousand. The year 2014 included a one-off cancellation of a cost reserve related to the integration, amounting to approximately EUR 135 thousand. During the third quarter, an error in the assessment of projects was detected in the Group company concerning the period of January 1–June 30, 2015, in the financial period that has just ended as well as the previous financial periods. The assessment error was corrected for the above-mentioned periods in accordance with IAS 8: 41–42. The total effect of the error on the operating margin and net sales for October 1–December 31, 2015, was a decrease of approximately EUR -314 thousand, and on the operating margin and net sales for January 1–June 30, 2015, a decrease of approximately EUR -238 thousand. Adjustments and their effects on the Group figures are described in more detail in the attachment to the interim report for January 1–September 30, 2015, which was published on October 20, 2015.

Financial Position, Liquidity and Investments

Innofactor's balance sheet total at the end of 2015 was EUR 43,983 thousand (2014: 47,413). The significant decrease in the balance sheet total was mainly due to paying off bank loans and a decrease in sales receivables and other receivables from customers, which had a positive effect on the cash flow. The Group's liquid assets totaled EUR 843 thousand (2014: 997), consisting totally of cash funds.

The operating cash flow in 2015 was EUR 3,943 thousand (2015: 2,301). The investment cash flow was EUR -2,162 thousand (2014: -690).

The equity ratio at the end of 2015 was 56.9 percent (2014: 48.7%) and net gearing was 34.1 percent (2014: 42.9%).

At the end of 2015, the company had EUR 4,428 thousand in current interest bearing liabilities (2014: 2,933) and EUR 4,791 thousand in non-current interest bearing liabilities (2014: 7,705), the total amount of

interest bearing liabilities being EUR 9,219 thousand (2014: 10,638).

The return on investment in 2015 was 7.6 percent (2014: 9.1%).

The return on equity in 2015 was 6.6 percent (2014: 7.4%).

The non-current assets in Innofactor's balance sheet at the end of 2015 were EUR 30,488 thousand in total and consisted of the following items:

- ▶ Tangible assets EUR 541 thousand
- ▶ Goodwill EUR 19,584 thousand
- ▶ Other intangible assets EUR 2,934 thousand
- ▶ Shares and holdings EUR 62 thousand
- ▶ Receivables EUR 663 thousand
- ▶ Deferred tax assets EUR 6,704 thousand

Innofactor's gross investments in tangible assets in 2015 were EUR 447 thousand (2014: 597), consisting of normal additional and replacement investments required by growth.

According to the impairment tests carried out, there are no impairments. The write-offs on intangible assets were EUR 587 thousand (2014: 712).

Mergers, Acquisitions and Changes in the Group Structure

On December 22, 2015, Innofactor announced in a stock exchange release that Innofactor will acquire the entire share capital of the Swedish company Cinteros AB from the company's management. Cinteros is one of Sweden's leading IT service companies focused on offering Microsoft Dynamics CRM-based solutions. The company has over 100 employees. The acquisition follows Innofactor's growth strategy and strengthens Innofactor's position as one of the leading IT service providers focused on the

Microsoft ecosystem in the Nordic countries. Cinteros' net sales in the last audited financial period (January 1–December 31, 2014) was approximately EUR 7.9 million (approximately SEK 73 million), which shows an increase of 43% from 2013. The operating margin (EBITDA) was approximately EUR 0.7 million (approximately SEK 6.9 million), which was approximately 9% of the net sales. The net sales for the financial period of 2015 were estimated to be approximately EUR 11 million (approximately SEK 100 million) and operating margin approximately 9%. The company has over 100 employees in Stockholm, Göteborg and Malmö. Cinteros and its financial figures will be consolidated into the Innofactor Group as of January 1, 2016.

The purchase price will be determined by Cinteros' realized operating margin in 2016 and growth of sales in 2017. The Enterprise Value (EV) is a minimum of approximately SEK 25 million (approximately EUR 2.7 million) and it was paid in SEK as the agreement was signed on January 8, 2016, and all of the Cinteros AB shares were transferred to the ownership of Innofactor. The rest of the Enterprise Value, which is a maximum of SEK 49 million (at the exchange rate of the time of publishing the deal, a maximum of EUR 5.3 million), is intended to be paid mainly in Innofactor shares during 2017 and 2018. The Enterprise Value (EV) is a maximum of SEK 74 million (at the exchange rate of the time of publishing the deal, a maximum of EUR 8.0 million). In connection with signing the agreement, the sellers were paid approximately SEK 28 million in cash (approximately EUR 3.1 million). The payment in its entirety was financed with a new bank loan. The part of the purchase price to be paid in shares includes a transfer restriction, which will be gradually released during a period of 36 months and which concerns 75 percent of the shares.

All four sellers belonged to the Cinteros' acting management and will continue in the Innofactor's Executive Board in Sweden. Cinteros CEO Robert

Erlandsson continues as the CEO of Innofactor's Swedish company and he became the Innofactor Group's Country Manager in Sweden and a new member in the Innofactor Executive Board. Cinteros AB's name will be changed to Innofactor AB around the middle of 2016, after which the Cinteros services will be offered under the Innofactor brand. The integration of Cinteros and Innofactor operations started immediately, and the goal is to implement the main parts of it before the end of 2016.

In December 2015, Innofactor sold its HR business to the Finnish company Arc Technology Oy, which is specialized in HR systems. The deal made Innofactor a minority owner in Arc Technology with an ownership share of approximately 19.9%. 6 employees and about 25 customer relationships were transferred to the company. After the deal, Arc Technology has about 30 employees, 100 customers, and a net sales of approximately EUR 3 million. The deal was published in a press release on December 22, 2015.

In 2015, the subsidiary Oy Soloplus Ab, 100% owned by Innofactor Plc, was merged into Innofactor Plc by means of a subsidiary merger (Finnish Companies Act (624/2006), Chapter 16, Section 2, subsection 2). Additionally, subsidiaries Innofactor VM Oy and Venenum Oy, 100% owned by the Innofactor Group company Innofactor SW Oy, were merged into Innofactor SW Oy by means of a subsidiary merger (Finnish Companies Act (624/2006), Chapter 16, Section 2, subsection 2). The merged companies had no business operations during the review period. In 2015, all shares of the Danish subsidiary Enabling Holding ApS, 100% owned by Innofactor Plc, were sold to the Danish subsidiary Innofactor Holding ApS, 100% owned by Innofactor Plc. The goal of these arrangements is to simplify the structure of the Innofactor Group. The long term goal is to achieve a group structure in which there is one company with business operations, and possibly one holding company, in each of the Nordic countries.

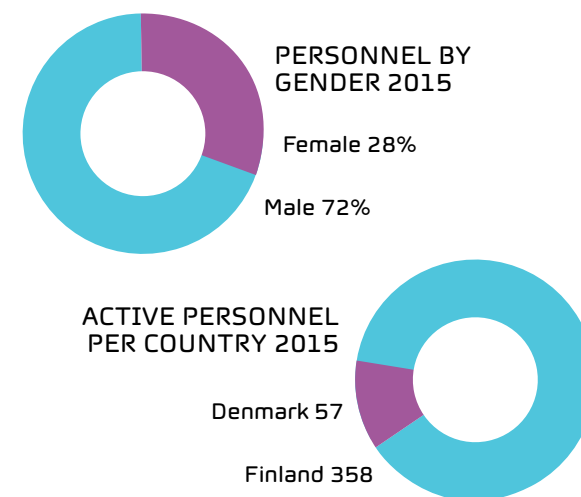
No other acquisitions or other changes in the group structure were carried out in 2015.

Personnel

Innofactor tracks total headcount, as well as the number of active employees. People who are on unpaid leave for a period of more than three months are not included in the active employee headcount.

In 2015 Innofactor's average total headcount was 427 persons (2014: 421), showing an increase of 1.4 percent compared to the previous year. The active headcount was 409 persons.

At the end of 2015, the total headcount was 432 (2014: 411), of which 415 were actively employed. The total headcount increased 5.1 percent. At the end of the year, the average age of the personnel was 40.1 years (2014: 39.1). Women accounted for 28 percent of the personnel and men for 72 percent (2014: 23% and 77%).



Strategy

Innofactor strengthens its customers' competitiveness by providing outstanding IT solutions, products and services. Innofactor focuses on Microsoft-based solutions and the Microsoft ecosystem. Innofactor's clients comprise of commercial, public sector and membership-based organizations. Innofactor currently operates in Finland, Denmark and Sweden. Innofactor's strategy is to actively expand its operations in the Nordic countries, which may happen either organically or through acquisitions.

Innofactor's mission: Empower organizations and people to make a difference in the digital world.

Innofactor's vision: We are the number one Microsoft-based solution provider in the Nordic Countries.

Innofactor's strategy is to build competitive advantage as the leading provider focused on Microsoft-based solutions and the Microsoft ecosystem. Innofactor's strategy is to differentiate itself from the competitors in the following ways:

- ▶ Deep understanding of commercial, public sector and membership-based organizations customers in the Nordic countries
- ▶ The best Nordic professionals in the Microsoft ecosystem
- ▶ Comprehensive Microsoft-based offering, products and services
- ▶ Fast delivery and value-adding customer support

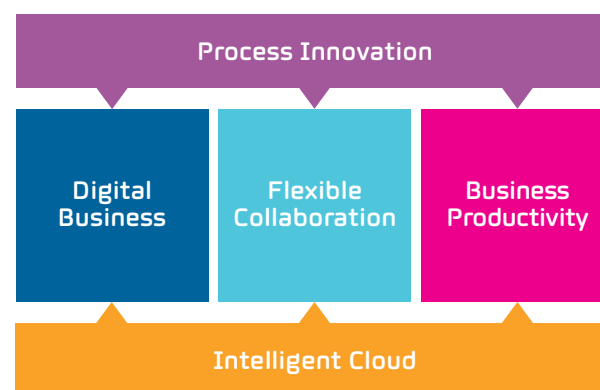
Innofactor's long-term financial goal is to grow profitably:

- ▶ By achieving over 10 percent operating margin (EBITDA) every year in 2014–2017
- ▶ By achieving an average annual growth of 25–35 percent in 2014–2017 through organic growth as well as acquisitions
- ▶ By keeping the cash flow positive and by securing solid financial standing in all situations

Business Operations

In its strategy, Innofactor focuses on the Microsoft ecosystem. Innofactor both operates as a system integrator and develops its own software products and services, which offers Innofactor significant competitive edge and synergy benefits. System integrator operation increases Innofactor's understanding of the customers' product and service needs and also acts as a delivery channel for its own products and services. Focusing on the Microsoft ecosystem creates insurmountable know-how for Innofactor and also makes it the most desirable partner in the Nordic countries for Microsoft, which helps Innofactor to get the best deals.

Innofactor's offering is divided into the following five areas:



Our comprehensive solutions, which are integrated into each other, are based on real customer needs and on utilizing the latest technology. We achieve high-quality deliveries and provide our customers with fast benefits due to our experience and understanding of our customers combined with our knowledge of the latest cloud services. Over 15 years of cooperation with Microsoft and leading operators in its ecosystem ensure the best possible support for our customers.

Innofactor provides its solutions through the Microsoft Cloud or installed in the Innofactor Service Center or on the customer's own servers. Typically based on annual or monthly charges, service agreements, such as SaaS and cloud, play an important role in Innofactor's business activities. Recurring services essentially decrease cyclicity in the business operations. Recurring services account for about 24 percent of Innofactor's net sales.

In 2015, Innofactor's business operations were focused on Finland and Denmark. Approximately 82 percent of the net sales came from Finland and approximately 18 percent from Denmark. In 2016, Sweden will play a significant part. Innofactor aims at expanding its operations in the Nordic countries in the future, and this may be done also through mergers and acquisitions.

Of the net sales in 2015, approximately 47% came from commercial customers and approximately 53% from public sector and membership-based customers.

Innofactor's net sales in 2015 came from the following sources:

- ▶ approximately 72% (2014: 68%) from system integrator services (including system delivery projects, consulting, and smaller changes and further development);
- ▶ approximately 4% (2014: 9%) from licenses, of which the share of licensing income to third parties was approximately 2% (2014: 3%);
- ▶ approximately 24% (2014: 23%) from recurring service contracts (incl. maintenance agreements, SaaS, cloud and hosting services).

Innofactor's 10 largest clients accounted for about 23 percent of the net sales in 2015 (2014: 21%).

Major Events in the Financial Period

- ▶ On February 24, 2015, Innofactor announced in a stock exchange release that the Legal Register Centre has selected Innofactor in a public procurement competition as the provider of the customer information system project for the Criminal Sanctions Agency. The project includes the first stage of the system delivery, maintenance related to the stage, and the necessary software licenses. The system delivery is planned to be implemented during 2015 and 2016. The comparison price (excluding VAT) of the procurement for the contract period is EUR 4,771,024.
- ▶ On March 11, 2015, Innofactor announced in a stock exchange release that the Population Register Centre has selected Innofactor in a public tendering process as the provider of a Service Design team for implementing service views. The implementation will be done during years 2015–2017. The customer has announced that the value of the final contract will be EUR 630,000–720,000. However, the final value of the deal during the contract period cannot be stated for certain at this point.
- ▶ On March 24, 2015, the Annual General Meeting of Innofactor Plc resolved to adopt the accounts and the Group's financial statement for the financial period that ended on December 31, 2014; granted the members of the Board of Directors and the Chief Executive Officer discharge from liability for the financial period that ended on December 31, 2014; decided, in accordance with the proposal of the Board of Directors, that no dividend will be paid; decided on the fees to be paid to the Board members; selected the Board of Directors and the auditor; and authorized the Board of Directors to decide on purchase of treasure shares and granting of special rights entitling to shares.
- ▶ On April 29, 2015, Innofactor announced in a stock exchange release that the Finnish Large Taxpayers' Office had provided Innofactor a positive decision according to which the Tax Authority will not carry out the adjustment presented in the tax inspection report for 2014. Due to the decision, Innofactor's risk related to tax receivables has been reduced materially.
- ▶ On May 28, 2015, Innofactor published a stock exchange release about the payment of the remaining purchase price of Enabling Holding ApS. On December 13, 2013, Innofactor Plc signed an agreement on acquiring the entire share capital of Enabling Holding ApS and its subsidiaries Enabling ApS and Enabling Sweden AB (collectively Enabling Group) from the company's management. According to the agreement published by the company on December 13, 2013, the purchase price was defined based on Enabling Group's realized EBITDA in 2014. The final purchase price was approximately EUR 3.8 million, of which the remaining amount, approximately EUR 2.2 million, was paid in June 2015. Out of this sum, approximately EUR 1.7 million was paid in cash and approximately EUR 0.5 million in company shares. Based on the authorization granted by the General Meeting, Innofactor's Board of Directors decided on a directed share issue of new shares in connection with the adjustment payment of the deal. In the directed issue, Innofactor issued 500,000 new shares. The new 500,000 shares of Innofactor Plc were registered in the Trade Register on June 1, 2015 after the registrations, the total number of Innofactor Plc shares is 32,653,737. The trading of the new shares in the Helsinki Stock Exchange (NASDAQ OMX) started in June 2015. The shares are subject to transfer restrictions, which will be gradually released by 2017.
- ▶ On June 30, 2015, Innofactor announced in a stock exchange release that the Board of Directors of Innofactor Plc has decided on a new share-based incentive plan for all Innofactor group's personnel ("Personnel Issue") in order to commit the personnel to the company and its goals. In the Personnel Issue, a maximum total of 800,000 new shares ("Personnel Shares") of the company will be issued to the Innofactor group personnel, deviating from the shareholders' pre-emptive subscription rights. At the time of the decision on June 29, 2015, Innofactor Plc has a total of 32,653,737 shares outstanding. If all the offered Personnel Shares were subscribed for in the Personnel Issue, the number of shares outstanding would increase to a maximum of 33,453,737 shares, out of which a maximum of 800,000 Personnel Shares would account for a maximum of 2.39 percent of the total post-issue number of shares and votes. The purpose of the directed Personnel Issue is to increase the personnel's commitment to the Company, and therefore a weighty financial reason as per the Finnish Companies Act exists for waiving the pre-emptive rights of shareholders. The subscription price for the Personnel Shares will be based on the weighted average price for the Innofactor Plc shares in public trading during the month following the publishing of the next interim report of Innofactor Plc, July 21–August 20, 2015, the subscription price for the Personnel Shares being approximately 10% lower than the weighted average share price in the said period. The subscription price in total will be recognized as an increase in the company's fund for invested unrestricted equity. Innofactor will grant a loan for its personnel to cover the subscription price. The loan term will be 10 years. The loan will be granted as part of the distributable funds of the company. The interest rate of the loan will be the 12 month Euribor rate at the time of the subscription period and will be adjusted annually. The loan repayments and interests will be deducted

from the employees' monthly net salaries. The subscription of the Personnel Shares and the loans will take place during September 7–September 11, 2015. The trading with the issued Personnel Shares on the Helsinki Stock Exchange (NASDAQ OMX) is estimated to start on October 1, 2015. However, the Personnel Shares are subject to a sale and transfer restriction for 12 months starting from the date of the registration of the new shares subscribed in the Personnel issue in the Trade Register. The Company will publish the final results of the Personnel Issue as a stock exchange release on around September 30, 2015.

- ▶ On August 28, 2015, Innofactor announced in a stock exchange release that at its meeting on August 24, 2015, the Board of Directors of Innofactor Plc decided to start the acquisition of the company's own shares. A maximum of 800,000 shares will be acquired, equaling approximately 2.45% of the total number of the company's shares. The decision is based on the authorization, given to the Board by the General Meeting on March 24, 2015, to acquire a maximum of 8,000,000 shares. The acquisition of own shares will end on June 30, 2016, at the latest.
- ▶ On September 22, 2015, Innofactor announced in a stock exchange release that the Board of Directors of Innofactor Plc has accepted subscriptions of 800,000 new shares in the company's Personnel Issue. Subscription undertakings were submitted for 963,356 shares in total, which exceeded the offered 800,000 shares by 20.42 percent. As a result of the Personnel Issue, the number of Innofactor's shares increases by 800,000 shares to a total of 33,453,737 shares. The new shares correspond to 2.39 percent of Innofactor Plc's post-issue share capital and votes. The subscription price was EUR 0.783 per share. The subscription price in total will be recognized as an increase in the company's fund for invested unrestricted equity.

- ▶ On September 22, 2015, Innofactor announced in a stock exchange release that the Board of Directors of Innofactor Plc has decided, in the meeting held on September 21, 2015, to update Innofactor's strategy. The key points of Innofactor's updated strategy are presented in the strategy section of this report.

- ▶ On October 7, 2015, Innofactor announced in a stock exchange release that it had signed an agreement that enables the company to take a 6-year bank loan (senior bank loan) of EUR 3.2 million in order to redeem the hybrid bond of EUR 3.2 million. The hybrid bond has no due date, but the company has the right to redeem it in February 2016, before the rate increases to 12%. The bank loan will decrease Innofactor's financing costs significantly compared to the current hybrid bond. The hybrid bond was redeemed in its totality on February 29, 2016.

- ▶ On November 26, 2015, Innofactor announced in a stock exchange release that Helsinki City Transport selected Innofactor as the provider of the system that provides situational information on the Metro's total security. As stated by the customer, the procurement price (excluding VAT) for the period of four years is EUR 2,909,000. The system delivery is planned to be implemented during 2016 and 2017. The delivery includes the planning, realization and implementation of the system, operating, support and maintenance services for it, plus further development of the system. The framework arrangement of the procurement will remain in effect for a maximum of 15 years. For this total time, Innofactor has stated that the total price according to the tender will be EUR 7,025,500.

- ▶ On November 30, 2015, Innofactor announced in a stock exchange release that Innofactor Plc will deliver to a Finnish clothing manufacturer a modern

TRIMIT textile industry solution based on the Microsoft Dynamics NAV product. The value of the agreed on first phase of the project is approximately EUR 0.5 million, which includes implementation work in Finland. The contract includes an option for expanding implementation to Russia during 2016.

- ▶ On December 11, 2015, Innofactor announced in a stock exchange release that The Finnish Population Register Centre has selected Innofactor in a public procurement competition as the provider of a large service package. The system delivery is planned to be implemented during 2016. The value of the contract is approximately EUR 850,000. The contract includes the system delivery, system maintenance for four years and necessary software licenses. The Population Register Centre has an option to continue the maintenance contract by 1–4 years.

- ▶ On December 18, 2015, Innofactor announced in a stock exchange release that a total of 66,739 Innofactor Plc shares have been conveyed to a key member of corporate management as a part of the compensation. The price for the conveyed shares is approximately EUR 0.75 per share. The shares are subject to sale and transfer restriction for 12 months. The conveyance is based on the decision of the Board of Directors, which was made on the basis of the authorization given by the Annual General Meeting on March 24, 2015.

- ▶ On December 22, 2015, Innofactor announced in a stock exchange release that it will acquire the Swedish company Cinteros AB. More details about this can be found in the section "Acquisitions and changes in the group structure."

- ▶ On December 22, 2015, Innofactor announced in a stock exchange release that Innofactor's operating profit before depreciation and amortization (EBITDA)

was expected to remain lower than in 2014, when the operating profit was EUR 3.8 million. Innofactor's net sales forecast for 2015 will not be changed. Innofactor's net sales and operating margin (EBITDA) in 2015 was earlier estimated to increase from 2014, during which the net sales were EUR 43.8 million and operating margin was EUR 3.8 million.

- ▶ On December 28, 2015, Innofactor announced in a stock exchange release that Cinteros AB, whose financial figures will be consolidated into Innofactor Group as of January 1, 2016, has signed an agreement for delivering a membership system based on Microsoft Dynamics CRM to one of the largest trade unions in Sweden. The delivery includes full scale support for the management of memberships, courses and accounts ledger, a portal for employers and trustees, and the implementation of migration and integration. The value of the agreed on delivery is approximately EUR 1.6 million (approximately SEK 15 million). The project is planned to be implemented during 2016.

Major Events after the Financial Period

- ▶ On January 5, 2016, Innofactor announced in a stock exchange release that a total of 83,044 Innofactor Plc shares have been conveyed to a new key member of corporate management as a part of the compensation. The price for the conveyed shares was approximately EUR 0.78 per share. The shares are subject to sale and transfer restriction for 12 months. The conveyance was based on the decision of the Board of Directors, which was made on the basis of the authorization given by the Annual General Meeting on March 24, 2015.
- ▶ On January 25, 2016, Innofactor announced in a stock exchange release that Keva has selected Innofactor in a public procurement competition as the provider of a web content management system

and related services. The system delivery includes the implementation project, maintenance and support services. The comparison price (excluding VAT) of the procurement for the contract period is EUR 549,324.

- ▶ On January 26, 2016, Innofactor announced in a stock exchange release that starting from January 26, 2016, Innofactor's CEO Sami Ensio will take a sick leave of approximately two months related to an operation he is going to have and the recovery from it. During Sami Ensio's sick leave, his deputy will be Innofactor's CFO Janne Martola.
- ▶ On January 28, 2016, Innofactor announced in a stock exchange release that the Board of HKL (Helsinki City Transport) decided on January 27, 2016, to cancel the procurement decision for the situational information system for the Metro's total security as Tieto Finland Oy, which came third in the bidding competition, has made a claim for rectification concerning the procurement. Additionally, the Board gave the Managing Director the authorization to interrupt the procurement. On November 26, 2015, HKL had made a procurement decision, selecting Innofactor as the provider of the system. The system concerned in the procurement will guarantee Metro's safe operation for the customers. As stated by the customer, the procurement price (excluding VAT) for the period of four years is EUR 2,909,000. The framework arrangement of the procurement was intended to remain in effect for a maximum of 15 years. For this total time, Innofactor has stated that the total price according to the tender will be EUR 7,025,500. Innofactor considers the HKL's decision on cancelling the procurement decision to be clearly in violation of the Procurement Act, and Innofactor will make a complaint about the matter to The Market Court, unless the City of Helsinki changes the decision. The legal process

concerning the legality of the decision will possibly take about 2–3 years. The Local Government Act still gives the Helsinki City Government the right to take the matter into handling, and this gives the City Government the option to overrule the HKL Board decision.

- ▶ On January 28, 2016, Innofactor announced in a stock exchange release that in a tendering process governed by a framework agreement, the Hospital District of Helsinki and Uusimaa (HUS) has selected Innofactor as the provider for transferring application and infrastructure solutions into cloud services and as the provider of continuous services and expert services related to the cloud services. In its invitation to tender, HUS estimated that the value of the delivery would be about EUR 1.5 million during the contract period of 2016–2017. However, the final value of the deal during the contract period cannot be stated for certain at this point. The whole includes transferring the existing On-Premises applications and infrastructure solutions of HUS into a Microsoft Azure cloud environment and also monitoring, management and support consultation services. The delivery also includes cloud architecture development, application and infrastructure service design/planning for individual projects and implementation of HUS' own solutions, such as Virtual Hospitals. Project deliveries and services related to the cloud transfer are planned to be delivered in stages during 2016–2017.
- ▶ On February 22, 2016, Innofactor published a flagging announcement pursuant to Chapter 9, Section 10 of the Finnish Securities Markets Act, stating that as a result of a share transaction made on February 22, 2016, Jyrki Salminen's ownership of Innofactor Plc has decreased below 5 percent. After this, Salminen has 1,111,149 shares, which corresponds with 3.32% of the shares and votes.

- ▶ On February 29, 2016, Innofactor announced in a stock exchange release that Innofactor has redeemed its EUR 3.2 million hybrid bond in full in cash. Innofactor has no other hybrid bonds. Innofactor did not take a new bank loan to redeem the hybrid bond. Currently, Innofactor has bank loans for a total of approximately EUR 11.3 million.
- ▶ On February 29, 2015, Innofactor announced in a stock exchange release that the market making agreement for Innofactor Plc's share is transferred from FIM to S-Pankki. Innofactor signed a market making agreement with S-Pankki, starting from March 1, 2016, on the same terms the old agreement with FIM that ended on February 29, 2016.

There are no other significant events in Innofactor after 2015.

Future Outlook

Innofactor's net sales and operating margin (EBITDA) in 2016 are estimated to increase significantly from 2015, during which the net sales were EUR 44.5 million and operating margin was EUR 3.7 million.

Major Risks and Uncertainties

Innofactor's operations, finances and shares involve risks that may be significant for the company and its share value. These risks are assessed by Innofactor Plc's Board of Directors four times a year as part of the strategy and business planning process. The risks are published in their entirety in the financial statement and in the Annual Report of the Board of Directors. The interim reports only present the changes in short-term risks.

Operational Risks

The risks related to the operation of the Innofactor Group are primarily business risks related to its subsidiaries that carry on its business operations.

Skilled personnel and its availability: The development of Innofactor's operations and deliveries depend greatly on the Group having skilled personnel and being able to replace persons, who are leaving, with proper resources. In Innofactor's field of business, there is a lack of and competition for certain personnel resources. If Innofactor fails at motivating its personnel, keeping the personnel's skills on a high level and keeping the personnel in its service, that could cause problems for the Group's business operations. The success of the Group depends heavily on the employed key personnel and their success in their work. Innofactor invests in continuous development of its personnel and in keeping the personnel satisfaction high.

Increase in personnel costs: The main part of Innofactor's costs consists of salaries and other personnel costs (in 2015, about 69% of the net sales). Currently, all of Innofactor's own employees work in the Nordic countries, whereas some competitors rely heavily on workforce in countries with cheap labor. If the personnel costs continue rising in the Nordic countries at the same rate as before, it will create a risk for Innofactor, if the prices paid for IT services will not rise correspondingly. Innofactor is monitoring the situation constantly and aims at increasing the share of work done by subcontractors and abroad, when it makes sense from the point of view of business operations, for example, in large product development projects.

Profitability of projects: A large part of Innofactor's net sales comes from project business. Profitable implementation of Innofactor's delivery projects requires that project calculation and planning before submitting a tender are

done successfully as regards the amount of work and the delivery schedule, and also that the deliveries can be made in a cost-effective manner. It is possible that Innofactor fails at correctly estimating the profitability of a project and, thus, the delivery could cause losses to the company. Correspondingly, it is possible that projects may have to be sold cheaper because of competition, which leads to lower profit margins. Innofactor pays special attention to the profitability of project business.

Competition: Innofactor's main competitors are companies offering traditional information technology services and software in the Nordic countries. Some competitors have larger financial resources, wider product selection, cheaper workforce and larger existing customer base than Innofactor does, and they can use these when competing with Innofactor for the same deliveries. The price competition on the field is expected to remain tough. If the competition becomes tougher, it may have an adverse effect on Innofactor's business, operating result and financial position. Innofactor continuously strives to improve its competitiveness.

Research and product development: In Innofactor's operation, research and product development play a central role. In 2015, about 5.6% of the net sales was used for it. Each research and product development project carries the risk that the end results are not as successful financially as planned and that the investment in the project does not pay itself back. In organizing its operations, Innofactor aims at minimizing the risks inherent in research and product development.

Changes in the technology and field of business: Fast technological development is characteristic for Innofactor's field of business. There can be quick changes in the customers' requirements and choices concerning software technology. Important changes under way include, for example, the transfer of software into cloud technologies, digitalization, and Internet of Things (IoT). If

Innofactor cannot react to these changes, it may have an adverse effect on Innofactor's business, operating result and financial position. Innofactor strives to actively invest in new technologies and central areas of know-how.

Reaching the growth goals: Realizing the desired organic growth requires a growth rate that is clearly faster than the growth in the IT market in general. This creates a risk that it cannot be realized in the future, although it has been done before. It is possible that the IT market in Innofactor's market area will not grow or may even shrink in 2016. Ensuring growth has a central part in planning Innofactor's operations and setting its goals. Innofactor strives to lessen this operational risk by focusing on the growing Microsoft solution areas, which grow faster than the IT market in general, and by focusing on sales to keep the order book on a sufficient level as regards the business operations.

Globalization: In accordance with its strategy, Innofactor is seeking for more growth also in the global markets, especially in the Nordic countries. Global operations typically always involve higher risks than operation at home. Innofactor strives to make sure that the investments in becoming a global player will not be so great that it would jeopardize the Group's ability to make profit and to grow. Additionally, the company strives to create a management model, common processes and information systems supporting these that will decrease the risks in global operations.

Uncertainties related to acquisitions: The growth estimates are partly based on acquisitions. With acquisitions, there are uncertainties about finding suitable companies to acquire and in making the acquisitions at the desired price level and schedule. If acquisitions cannot be made as planned, the growth goal may be jeopardized. In acquisitions, Innofactor focuses on high-level know-how and good processes.

Risks related to acquisitions: Each acquisition, after it

has been made, carries some risks, which include the success of the integration, formation of the business value, and possible related needs for depreciations. Innofactor's strategy is primarily based on integrating the acquired companies in a fast schedule as part of the whole in the country in question. Innofactor invests in the integration process.

Success of the organizational changes: Rapid growth may occasionally require making significant changes in the organization. Starting a new organization typically includes challenges before the desired improvement in operation can be achieved. Typically, the operation can be at least restored to the previous level of efficiency within a few months from starting the new organization. If the improvement in operation for some parts does not take place within the planned schedule, there is a risk that it will not happen at all or that the delay may lead to extra costs. The reasons for this include, for example, incorrect planning in placing units and personnel. Innofactor strives to pay attention to controlling organization changes and to prepare for them also financially.

Financial Risks

General financial uncertainty and changes in the customers' financial situations affect customers' investment decisions and purchasing policies. It is possible that the general financial uncertainty will be reflected in Innofactor's customers' software purchases by delaying the decision-making or timing of purchases.

Financing risks: In its normal business operations, the Innofactor Group is susceptible to normal financing risks. In June 2013, Innofactor took a loan package totaling EUR 12.5 million in order to purchase the share capital of atBusiness Oy and to rearrange an old loan of about EUR 1.0 million, related to the acquisition in Denmark in 2012. This increased Innofactor's financing

risks compared to previous years. At the end of 2015, a total of EUR 7.2 million of this loan remained unpaid. In total at the end of 2015, Innofactor had EUR 9.2 million in interest bearing debts and also EUR 3.2 million in the hybrid bond. Additionally, in January 2016, Innofactor took a bank loan package totaling approximately EUR 4.1 million for the Cinteros AB acquisition. In total, Innofactor's financing risk is estimated to be lower than in 2014 due to the improved cash flow and redeeming the hybrid bond on February 29, 2016.

Innofactor has committed itself to the following covenants: equity ratio calculated every 6 months is at least 40% on December 31, 2015, and on every 6-month check point after that. Additionally, interest bearing liabilities calculated every 6 months divided by the 12-month operating margin (EBITDA), including the pro forma effect of acquisitions, is a maximum of 2.5 in the review point of December 31, 2015, and a maximum of 3.0 in two review periods (June 30, 2016, and December 31, 2016), and a maximum of 2.5 in the review point of June 30, 2017, and on each 6-month review period after that. The goal of managing the financing risks is to minimize the negative effects of the changes in the financial markets to the result of the Group. Risk management has been centralized to the CFO, who is responsible for the Group's financing and regularly reports to the company's Executive Board, CEO, and Board of Directors. It is possible that, in the future, the Group will not get the financing it needs and this will have a negative effect on the Group's business and its development, especially on making acquisitions.

Interest risk: An interest risk in mainly due to the Group's short-term and long-term loans and the derivatives used for protecting them. Loans with fluctuating rates pose an interest risk to the Group's cash flow. This risk is decreased, for example, by using interest rate swap agreements.

Exchange rate risk: The Innofactor group operates globally and is susceptible to risks related to the currencies of the

countries in which it operates. Changes in exchange rates, especially the rate of Swedish krona, affect the Group's net sales and profitability. After the Cinteros acquisition, Innofactor has significant business operations based on Swedish krona. Cinteros' net sales in the closed financial period of 2015 is estimated to be approximately SEK 100 million (approximately EUR 11 million) and operating margin approximately 9%. The exchange rate risk is mainly due to the assets and liabilities registered in the balance sheet, the net investments made in the subsidiaries abroad, and possible additional payments related to acquisitions. Also the business contracts made by subsidiaries pose an exchange rate risk, although these contracts are mainly made in the currency the unit uses in its operation. The management of exchange rate risks in the Group aims at minimizing the uncertainty that changes in exchange rates cause in the result through cash flows and assessment of receivables and liabilities.

Risks related to the cash position: The Innofactor Group handles management of liquid assets with the help of centralized payments and cash management. The Group strives for continuous monitoring and assessment of the needed business financing in order to ensure that the Group has enough liquid assets in its use. Additionally, the Group's subsidiaries have in their use checking accounts with an overdraft limit of about EUR 3.2 million in total in order to cover any seasonal variations in liquid assets. Excess cash balance is placed on savings accounts or funds with capital guarantee.

Risks related to receivables from projects: A large part of Innofactor's net sales comes from project business. A significant part of projects consists of long-term projects in which scheduled payments and their terms are typically agreed on with the

customer beforehand. When Innofactor performs work in customer projects, which is scheduled to be invoiced afterwards, project receivables are accrued. Especially in public administration projects, scheduled payments often take place nearer to the end of the project, which means increased project receivables and related risks. In customer negotiations, Innofactor pays special attention to scheduling the payments and the size of payments, and in customer projects, to project management and steering in accordance with the scheduled payments. Project receivables are monitored regularly.

Credit risk: Credit decisions related to sales receivables are monitored centrally by the Group's management. Large part of Innofactor's cash flow comes through established customer relationships as payments from the public sector and financially sound companies, which have not presented essential credit risks in the past, and the Group has not suffered any significant credit losses. Should credit risks realize, it would weaken the Group's financial standing and liquidity. Sales receivables are monitored regularly.

Risks related to deferred tax assets: Innofactor's balance sheet includes a significant amount of deferred tax assets that are based on previous financial periods. Should the company's profitability decrease significantly in the long run, it is possible that the Group would not be able to utilize in full the receivables currently activated in the balance sheet.

Risks Related to Shares

The number of Innofactor Plc shares traded in 2015 increased by 10.4% compared to the same period in the previous year. In 2015, share trading was 21.8%

of the share capital. In the Helsinki stock exchange, companies' average trade in 2015 was approximately 70.2% of the market value. Lower than average share trading may result in a liquidity risk for the share and its price formation. Innofactor strives to improve the liquidity of the share and decrease the related liquidity risk by its strategy of increasing the value for the shareowners and by its active investor communications. Additionally, Innofactor has a market maker agreement that has been valid since May 24, 2012. According to the agreement, FIM Pankki Oy will quote bids and offers for Innofactor Plc's share so that the spread of the bid and offer prices is a maximum of 4% calculated on the bid price. The bids and offers quoted must be for an amount of shares corresponding to the minimum of EUR 4,000.

Corporate Governance Report

During the financial period that ended on December 31, 2015, Innofactor Plc complied with the recommendations of the Corporate Governance Code 2010 for Finnish listed companies, published by the Securities Market Association. As of January 1, 2016, Innofactor Plc will comply with the Corporate Governance Code 2015 for Finnish listed companies, published by the Securities Market Association.

The General Meeting of March 24, 2015, decided that the number of Board members is six. Of the current members of the Board of Directors, J.T. Bergqvist, Sami Ensio, Jukka Mäkinen and Ilari Nurmi were re-elected. Ari Rahkonen and Pekka Puolakka were elected as new members. In their organizing meeting held immediately after the General Meeting, the Board of Directors elected Ari Rahkonen as the Chairman of the Board.

The General Meeting approved the proposal to re-appoint Ernst & Young Oy, an auditing firm authorized

by the Central Chamber of Commerce, as the auditor for the company, with Juha Hilmola, APA, as the main responsible auditor.

Innofactor has drawn up a separate Corporate Governance Statement for the financial period of 2015.

Innofactor Plc's entire Corporate Governance and statements are available on the company's web site at:
http://www.innofactor.com/investors/corporate_governance

Research and Product Development

Innofactor's research and development costs recognized in profit or loss in 2015 were EUR 2,495 thousand (2014: 1,981), which accounts for 5.6 percent of the net sales (2014: 4.5%).

Corporate Responsibility

Innofactor's operations are guided by the company's strategy, values, corporate governance, quality system, personnel policy, general principles of corporate responsibility, environmental policy, and legislation.

The Group is committed to operating profitably and increasing its net sales while taking into account the societal effects.

Innofactor takes care of the well-being of its personnel by maintaining a stable, safe and communicative atmosphere and by building a reliable development path into the future. Innofactor invests in developing its personnel through training, learning while working, and work rotation.

In its operations, Innofactor adheres to the principles of sustainable development and the environmental

guidelines of the Federation of Finnish Technology Industries. Through the solutions it has developed, the Group has helped its customers to reach their environmental goals and contributed to the sustainable development of the society. Innofactor delivers digital solutions and web services that decrease the environmental effects of its customers' operations.

Innofactor strives to establish long-term cooperation with its customers and partners and thereby create networks in which complementary expertise produces innovative solutions.

Shares and Shareholders

At the end of 2015, Innofactor Plc's share capital was EUR 2,100,000.00 and the total number of shares was 33,453,737 of which the company was holding 413,638 shares. Innofactor Plc has one series of shares. Each share is entitled to one vote.

In 2015, the highest price of the company share was EUR 1.20 (2014: EUR 1.59), the lowest price was EUR 0.76 (2014: EUR 0.75), and the average* price was EUR 0.96 (2014**: EUR 1.22).

The closing price for 2015 on December 30, 2015, was EUR 0.98 (2014: EUR 0.77).

* The average share price was calculated by taking the total value of share trading in the stock exchange on the said period and dividing this by the number of shares traded in the stock exchange on the said period.

In public trading in 2015, a total of 7,118,343 shares were traded (2014: 6,449,837 shares), which corresponds to 21.8 percent (2014: 20.1%) of the average number of shares on the said period. In 2015, there were 32,579,614 shares on the average* (2014: 32,126,456). The share trading increased by 10.4 percent compared to the corresponding period in 2014.

* The average number of shares does not include treasury shares.

The market value of the share capital at the closing price of 2015, EUR 0.98, on December 31, 2015, was EUR 32,785 thousand (2014: 24,758), which shows an increase of 32.4 percent.

On December 31, 2015, the company had 10,771 shareowners (2014: 11,287) including the administrative registers (8 registers). The share of nominee registered ownership was 8.2 percent (2014: 8.5%) of the total number of shares. Of the owners, 4.6 percent (2014: 3.2%) were companies operating in Finland, 0.5 percent (2014: 0.5%) financing and insurance companies, 85.4 percent (2014: 86.5%) Finnish households, and 1.3 percent (2014: 1.3%) foreign owners.

The Board of Directors has been given the following authorizations:

- ▶ Until June 30, 2016, to decide on a share issue and granting of special rights entitling to shares for a maximum of 15,000,000 new shares with the total number of shares not exceeding 45,000,000 (decided by the General Meeting of March 24, 2015); based on which 500,000 new shares were issued on June 1, 2015, and 800,000 new shares were issued on September 22, 2015, leaving the number of shares remaining in the authorization at 13,700,000.
- ▶ Until June 30, 2016, to decide on a transfer of a maximum of 1,000,000 treasury shares (decided by the General Meeting of March 24, 2015); based on which 66,793 shares were transferred on December 18, 2015, and 83,044 shares were transferred after 2015 on January 5, 2016, leaving the number of shares remaining in the authorization at 850,163.

Innofactor Plc issued no flagging announcements in 2015.

Treasury Shares

The General Meeting of March 24, 2015, authorized the Board of Directors to decide on acquiring a maximum of 8,000,000 treasury shares in one or several parts with the company's unrestricted equity. The authorization entitles the Board to deviate from the shareholders' proportional shareholdings (directed acquisition). Treasury shares may be acquired at the purchase price formed for them in public trading at the day of purchase or at another market price. The number of treasury shares at a time may be, at the maximum, one tenth of the total number of shares in the company. Shares may be purchased to be used in company acquisitions or implementing other arrangements relating to the company's business operations, improving the company's capital or financing structure, as a part of the company's incentive system, or otherwise to be handed over or voided. In connection with the share repurchase, ordinary derivative, stock lending and other agreements may be made in the market in accordance with the laws and regulations. The authorization includes the right of the Board of Directors to decide on all other matters related to the acquisition of shares. The authorization will be valid until June 30, 2016. This authorization replaces the Board's earlier authorizations concerning share repurchase. On the basis of the authorization, Innofactor Plc purchased a total of 413,638 of its own shares during the review period. After the purchases made during the review period, the authorization remains valid for 7,586,362 shares.

On December 31, 2015, Innofactor Plc had 408,893 treasury shares. Innofactor Plc had acquired additional 4,745 treasury shares on December 30, 2015, but these had not yet been registered in the company's book-entry account by December 31, 2015.

The Board of Directors of Innofactor Plc decided on a new share-based incentive plan for all Innofactor group's personnel in order to commit the personnel to the

company and its goals. On the basis of the plan, a total of 800,000 new company shares were issued in a directed issue for the company's personnel, deviating from the pre-emptive rights of shareholders. The subscription of the personnel shares took place on September 7–11, 2015, and the trading of the new shares in the Helsinki Stock Exchange (NASDAQ OMX) started on September 30, 2015. The Personnel Shares are subject to a sale and transfer restriction for 12 months starting from the date of the registration of the new shares subscribed in the Personnel Issue in the Trade Register.

Insider Shareholdings

Share Owning by the Board of Directors:

- ▶ Ari Rahkonen, 30,000 shares, 0.09% (as of March 24, 2015)
- ▶ J.T. Bergqvist, 350,000 shares, 1.05%
- ▶ Sami Ensio, 7,448,017 shares, 22.26%
 - ▶ *Sami Ensio, 5,274,257 shares, 15.77%*
 - ▶ *minor under guardianship, 724,588 shares, 2.17%*
 - ▶ *minor under guardianship, 724,586 shares, 2.17%*
 - ▶ *minor under guardianship, 724,586 shares, 2.17%*
- ▶ Jukka Mäkinen, 70,793 shares, 0.21%
- ▶ Ilari Nurmi, 50,630 shares, 0.15%
- ▶ Pekka Puolakka, 181,705 shares, 0.54% (as of March 24, 2015)
 - ▶ *Hillside Ou, 105,670 shares, 0.32%*
 - ▶ *Pekka Puolakka, 76,035 shares, 0.23%*

Share Owning by the CEO:

- ▶ Sami Ensio, 7,448,017 shares, 22.26%
- ▶ *Sami Ensio, 5,274,257 shares, 15.77%*
- ▶ *minor under guardianship, 724,588 shares, 2.17%*
- ▶ *minor under guardianship, 724,586 shares, 2.17%*
- ▶ *minor under guardianship, 724,586 shares, 2.17%*

Share Owning by Other Members of the Executive Board:

- ▶ Anthony Gyursanszky, 83,044 shares, 0.25% (as of August 10, 2015)
- ▶ Janne Heikkinen, 83,044 shares, 0.25% (as of September 1, 2015)
- ▶ Elina Jokinen, 53,979 shares, 0.16%
- ▶ Janne Martola, 183,044 shares, 0.55%

Largest Shareholders

According to the share register maintained by Euroclear Finland Oy, the share ownership of the 20 largest Innofactor Plc shareowners at the end of 2015, on December 31, 2015, was as follows. Additionally, on December 31, 2015, Innofactor Plc had a total of 408,893 (1.22%) Innofactor shares in its possession.

Name	Number of shares	% of share capital
1. Ensio Sami	7,448,017	22.26%
<i>Ensio Sami</i>	<i>5,274,257</i>	<i>15.77%</i>
<i>Minor under guardianship</i>	<i>724,588</i>	<i>2.17%</i>
<i>Minor under guardianship</i>	<i>724,586</i>	<i>2.17%</i>
<i>Minor under guardianship</i>	<i>724,586</i>	<i>2.17%</i>
2. Tilman Tuomo Tapani	2,797,169	8.36%
<i>Tilman Tuomo Tapani</i>	<i>2,747,492</i>	<i>8.21%</i>
<i>Mpire Capital Oy</i>	<i>49,677</i>	<i>0.15%</i>
3. Salminen Jyrki Kalle Tapio	2,361,149	7.06%
4. Laiho Rami Tapani	1,418,519	4.24%
5. Linturi Kaija and Risto	1,271,411	3.80%
<i>R. Linturi Oyj</i>	<i>504,107</i>	<i>1.51%</i>
<i>Linturi Kaija Anneli</i>	<i>430,000</i>	<i>1.29%</i>
<i>Linturi Risto Erkki Olavi</i>	<i>337,304</i>	<i>1.01%</i>
6. Ärje Matias Juhanpoika	941,278	2.81%
7. Mäki Antti-Jussi	930,201	2.78%
8. Lampi Mikko Olavi	892,098	2.67%
9. Muukkonen Teemu	522,230	1.56%

10. Bergqvist J.T.	350,000	1.05%
11. Kukkonen Heikki-Harri	336,021	1.00%
12. Järvenpää Janne-Olli	322,804	0.96%
13. Jokinen Klaus Antero	280,001	0,84%
14. Laiho Jari Olavi	270,000	0,81%
15. Ementor Norge As	269,299	0,80%
16. Karppinen Antti Sakari	200,000	0,60%
17. Martola Janne Matti Juhani	183,044	0,55%
18. Vakuutusyhtiö Henki-Fennia	150,000	0,45%
19. Mäkinen Antti Vilho Juhani	148,000	0,44%
20. Hellen Stefan Andreas	133,000	0,40%

Board of Directors and Group Management

Board of Directors

In 2015, the members of the Innofactor Plc's Board of Directors were:

- ▶ Ari Rahkonen (Chairman and Board Member since March 24, 2015)
- ▶ Sami Ensio (Chairman until March 24, 2015)
- ▶ J.T. Bergqvist
- ▶ Jukka Mäkinen
- ▶ Ilari Nurmi
- ▶ Pekka Puolakka (in the Board since March 24, 2015)
- ▶ Tiia Tuovinen (in the Board until March 24, 2015)

The Board members for Innofactor Group's Finnish companies are the Group CEO Sami Ensio (Chairman) and CFO Janne Martola, with General Counsel Katja Tammelin as a deputy member.

The Board members for Innofactor Group's Danish companies are the Group CEO Sami Ensio (Chairman), CFO Janne Martola, and Christian Andersen until September 16, 2015, and after this, Anthony Gyursanszky.

The Board members for Innofactor Group's Swedish company are the Group CEO Sami Ensio (Chairman), CFO Janne Martola, and Christian Andersen until September

16, 2015, and after this, General Counsel Katja Tammelin as a deputy member.

CEO

Innofactor Plc's CEO is Sami Ensio.

Ensio was also the CEO of the Innofactor Group's Finnish companies Innofactor Software Oy, Innofactor SW Oy, and Innofactor CS Oy, as well as the CEO of Innofactor VM Oy, Innofactor Venenum Oy, and Soloplus Oy until their operations were closed. The CEO of Innofactor Business Solutions Oy was Juha Rokkanen until April 30, 2015, after which the CEO was Ensio. The CEO of Innofactor Group's Danish companies Innofactor A/S, Innofactor Business Solution ApS, Innofactor holding ApS, and Enabling holding ApS was Christian Andersen until September 16, 2015, after which the CEO was Anthony Gyursanszky. The CEO of Innofactor Group's Swedish company Innofactor AB was Staffan Arbring until September 16, 2015, after which the CEO was Ensio.

Executive Board

In 2015, the Innofactor Group's Executive Board consisted of:

- ▶ Sami Ensio
- ▶ Christian Andersen (until September 16, 2015)
- ▶ Anthony Gyursanszky (since August 10, 2015)
- ▶ Janne Heikkinen (since September 1, 2015)
- ▶ Heikki Jekunen (until June 22, 2015)
- ▶ Elina Jokinen
- ▶ Mikko Lampi (until January 6, 2015)
- ▶ Janne Martola
- ▶ Juha Rokkanen (until April 30, 2015)

Auditor

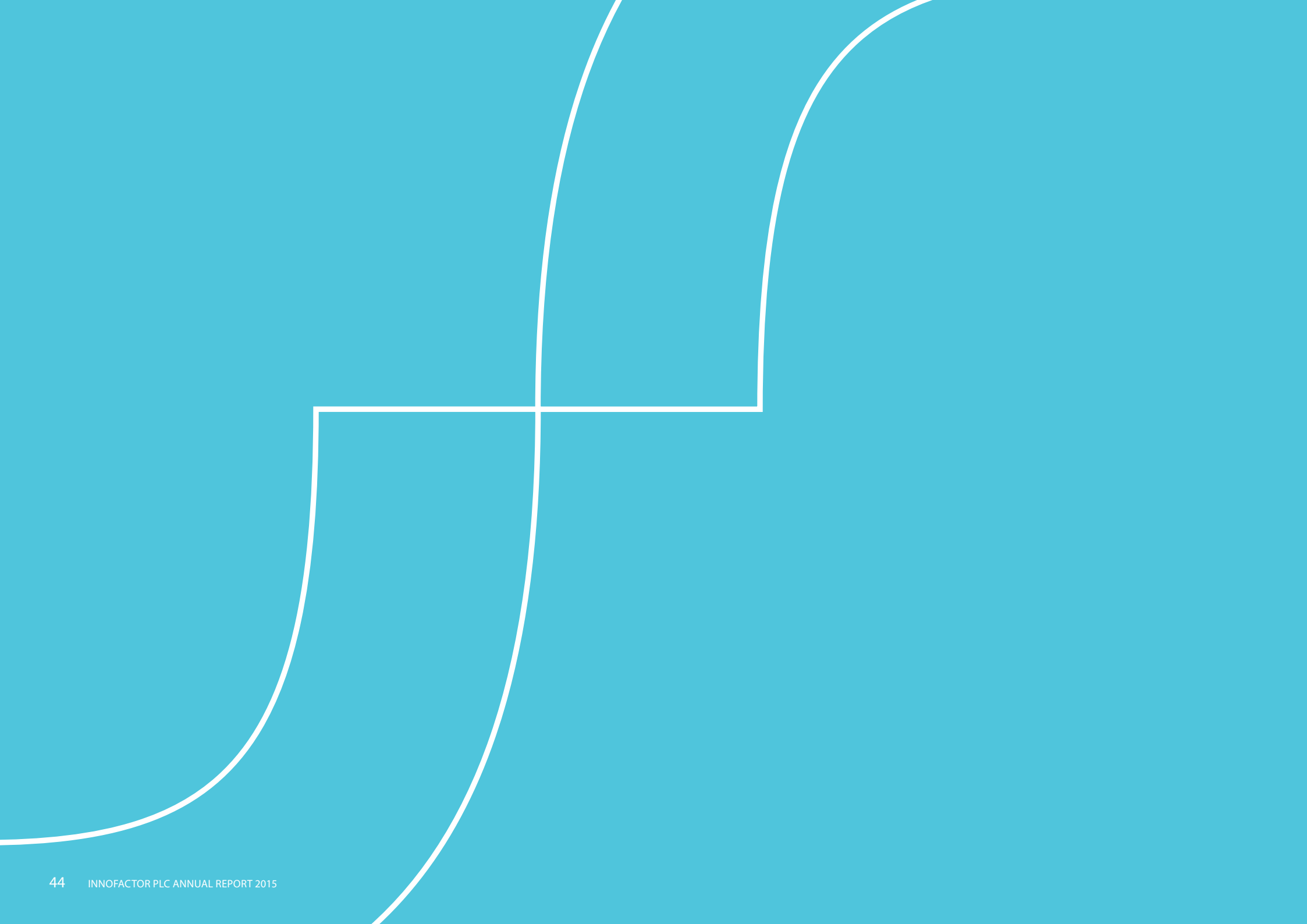
The auditor of Innofactor Plc was Ernst & Young Oy Authorized Public Accounting Firm, with Juha Hilmola as the auditor with principal responsibility.

Board of Directors' Proposal on the Distribution of Profits

Innofactor is a growing company and intends to use its operating profit on actions promoting growth, for example, on realizing mergers. Innofactor has defined a dividend distribution policy according to which the aim of the Board of Directors is to provide an opportunity for the shareholders to distribute, from the part of the operating margin (EBITDA) that exceeds 10%, the maximum dividend allowed by the state of the business. For 2015, the operating margin (EBITDA) was 8.3% of the net sales. In making the proposal on the dividend, the Board of Directors takes into account the company's financial situation, profitability and near-term outlook.

At the end of the financial period of 2015, the distributable assets of the Group's parent company were EUR 38,366,416.05.

The Board of Directors proposes that no dividend be distributed for the financial period of 2015.



Key Figures per Share

	2015	2014
Earnings per share (EUR)	0.0475	0.0484
Equity/share attributable to the shareholders of the parent company (EUR)	0.733	0.699
Highest price of the share (EUR)	1.20	1.59
Lowest price of the share (EUR)	0.76	0.75
Market value of the shares (EUR thousand)	32,785	24,758
Turnover of shares (pcs)	7,118,343	6,449,837
Turnover of shares (%)	21.8	20.1
Weighted average of the number of shares during the financial period	32,579,614	32,126,456
Number of shares at the end of the financial period	33,453,737	32,153,737

Comprehensive Consolidated Profit and Loss Statement, IFRS

EUR thousand	Note	2015	2014
Net sales	4	44,452	43,834
Other operating income		234	337
Materials and services		-3,464	-4,141
Employee benefits/expenses (-)	7	-30,708	-30,349
Depreciation (-)	6	-1,163	-1,387
Other operating expenses (-)	5	-6,809	-5,888
Operating profit		2,542	2,406
Financial income	9	1	541
Financial expenses (-)	10	-608	-1,002
Profit before taxes		1,935	1,945
Income taxes	11	-387	-389
Profit for the period		1,548	1,556
Other comprehensive income			
Items that may be later transferred into profit or loss:			
Exchange differences		0	-1
Total comprehensive income		1,548	1,555
Distribution of the profit and comprehensive income			
To shareholders of the parent company		1,548	1,555
Earnings per share calculated from the profit attributable to equity holders of the parent:			
basic earnings per share (EUR)	12	0.0475	0.0484
diluted earnings per share (EUR)		*)	*)

*) Diluted earnings per share have not been calculated, because it was agreed in connection with acquisition of Westend ICT PLC that the Innofactor SW Oy's old option programs will be replaced with a new share-based performance bonus system.

Consolidated Balance Sheet, IFRS

EUR thousand	Note	Dec 31, 2015	Dec 31, 2014
ASSETS			
Non-current assets			
Other tangible assets	13	541	690
Goodwill	14	19,584	19,584
Other intangible assets	14	2,934	3,407
Shares and holdings		62	0
Receivables	16	663	123
Deferred tax assets	15	6,704	7,238
		30,488	31,042
Current assets			
Trade and other receivables	16, 20	12,652	15,374
Cash and cash equivalents	17	843	997
		13,495	16,371
TOTAL ASSETS		43,983	47,413

Consolidated Balance Sheet, IFRS

EUR thousand	Note	Dec 31, 2015	Dec 31, 2014
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity attributable to the shareholders of the parent company			
Share capital	18	2,100	2,100
Share premium reserve	18	72	72
Reserve fund	18	59	59
Fund for invested unrestricted equity	18	16,153	14,995
Treasury shares		-345	0
Hybrid bond		3,200	3,200
Retained earnings		3,295	2,036
Total shareholders' equity		24,534	22,462
Non-current liabilities			
Loans from financial institutions		4,791	7,705
Deferred tax liabilities	15	840	845
		5,631	8,550
Current liabilities			
Trade and other payables	21	9,390	13,364
Tax liabilities based on the taxable profit for the financial period		0	104
Current financial liabilities		4,428	2,933
		13,818	16,401
Total liabilities		19,449	24,951
Total shareholders' equity and liabilities		43,983	47,413

Consolidated Cash Flow Statement, IFRS

EUR thousand	Note	2015	2014
Cash flow from operating activities			
Operating profit		2,542	2,406
Adjustments:			
Depreciation	22	1,163	1,387
Non-cash transactions		0	142
Changes in working capital:			
Change in trade or other receivables (+/-)		2,120	-1,412
Change in trade and other payables (+/-)		-1,535	281
Interests paid (-)		-348	-503
Interests received		1	0
Total cash flow from operating activities		3,943	2,301
Investment cash flow			
Acquisition of subsidiaries		-1,685	0
Investments in intangible and tangible assets (-)		-477	-690
Total cash flow from investments		-2,162	-690
Cash flow from financing			
Loans withdrawn		1,390	267
Loans paid		-2,809	-1,584
Payments received from share issue		117	0
Purchase of treasury shares (-)		-345	0
Interest payments on the hybrid bond		-288	-288
Total cash flow from financing		-1,935	-1,605
Change in cash and cash equivalents (+/-)		-154	6
Cash and cash equivalents, opening balance		997	991
Cash and cash equivalents, closing balance		843	997

Consolidated Statement of Change in Shareholders' Equity, IFRS

Equity attributable to the shareholders of the parent company									
EUR thousand	Note 18	Share capital	Share premium reserve	Reserve fund	Fund for invested unrestricted equity	Treasury shares	Retained earnings	Issuing a hybrid bond	Total shareholders' equity
Shareholders' equity Jan 1, 2015		2,100	72	59	14,995	0	2,036	3,200	22,462
Comprehensive income									
Profit for the financial period							1,548		1,548
Other comprehensive income:									
Exchange differences							-1		-1
Total comprehensive income		0	0	0	0	0	1,547		1,547
Transactions with shareholders									
Share issue					1,158		0		1,158
Purchase of treasury shares						-345			-345
Transactions with shareholders in total		0	0	0	1,158	-345	0		813
Interest payments on the hybrid bond							-288		-288
Shareholders' equity Dec 31, 2015		2,100	72	59	16,153	-345	3,295	3,200	24,534
Shareholders' equity Jan 1, 2014									
Shareholders' equity Jan 1, 2014		2,100	72	59	13,427	0	768	3,200	19,626
Comprehensive income									
Profit for the financial period							1,557		1,557
Other comprehensive income:									
Exchange differences							-1		-1
Total comprehensive income		0	0	0	0	0	1,556	0	1,556
Transactions with shareholders									
Share issue					1,568		0		1,568
Purchase of treasury shares						0			0
Transactions with shareholders in total		0	0	0	1,568	0	0	0	1,568
Interest payments on the hybrid bond							-288		-288
Shareholders' equity Dec 31, 2014		2,100	72	59	14,995	0	2,036	3,200	22,462

Notes to the Consolidated Financial Statements (IFRS)

1. Basic Information on the Group

Innofactor Plc is a Finnish public company established in accordance with Finnish legislation. The domicile of the parent company is Espoo and its registered address is Keilaranta 9, 02150 Espoo.

The Innofactor Group is one of the leading software providers focused on Microsoft solutions in the Nordic countries. Innofactor delivers to its customers IT projects as a system integrator and develops its own software products and services.

A copy of the consolidated financial statements is available at the company's Internet address www.innofactor.com or at the head office, address Keilaranta 9, 02150 Espoo, Finland.

Innofactor Plc's Board of Directors has approved these financial statements for publishing in its meeting on February 29, 2016. According to the Finnish Companies Act, shareholders may approve or reject the financial statements at a General Meeting held after their publication. The Meeting may also decide to amend the financial statements.

2. Accounting Policies

Accounting Policies

Innofactor Plc's consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS), observing the IAS and IFRS standards as well as SIC and IFRIC interpretations valid on December 31, 2015. In the Finnish Accounting Act and provisions issued thereunder, International Financial

Reporting Standards refer to standards and related interpretations approved for adoption within the EU in accordance with the procedure laid down in regulation (EC) No. 1606/2002. The notes to the consolidated financial statements also comply with the provisions of Finnish accounting and corporate legislation that supplement the IFRS provisions.

The consolidated financial statements have been prepared on a historical cost basis, unless otherwise stated in the accounting policies. The consolidated financial statements are presented in thousands of euros unless otherwise stated. As the figures are presented in thousands of euros, rounding may cause differences.

Application of the New and Amended IFRS Norms

As of January 1, 2015, the Group has applied the following new and amended standards and interpretations:

Amendment to IAS 19 Employee Benefits: Defined Benefit Plans - Employee Contributions

(To be applied on financial periods starting on July 1, 2014, or later.) The changes in the standard clarify the accounting when a benefit-based arrangement requires payments from employees or third parties.

Annual Improvements Made to the IFRS Standards

Annual Improvements made to the IFRS standards in 2010–2012 and 2011–2013 (to be applied mainly on financial periods starting on July 1, 2014, or later). Through the Annual Improvements procedure, small and less urgent changes are collected into a whole, which will be implemented once a year. The effects of the changes vary by standards, but are not significant.

IFRIC 21 Levies

(To be applied on financial periods starting on July 1, 2014, or later; in EU, at the latest in the beginning of the first financial period that starts on June 17, 2014, or later.) The interpretation clarifies the entering of levies into bookkeeping. A liability resulting from a levy must be entered into the bookkeeping as the activity that triggers the payment of the levy in accordance with the relevant legislation takes place. The application of IFRIC 21 does not include income taxes, fines or other penalties or liabilities belonging to the scope of other standards.

The changes in and interpretations of the standards have not had significant impact on the consolidated financial statements.

The Group will apply the following standards and interpretations in the financial period starting on January 1, 2016.

Amendment to IAS 1 Presentation of Financial Statements: Disclosure Initiative

The change encourages organizations to assess the notes presented and their grouping. The change is estimated to not have a significant impact on the consolidated financial statements.

Amendment to IFRS 11 Joint Arrangements

The change in standard requires applying the accounting principles of combining business operations for joint arrangements, when business arrangements are concerned. The change is estimated to not have an impact on the consolidated financial statements.

Amendment to IAS 16 Tangible Assets and IAS 38 Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortization

The change in the standard removes the method of depreciation and amortization of tangible assets that is based on the net sales and allows limited application of the method of depreciation and amortization based on the net sales for intangible assets. The changes have no impact on the consolidated financial statements.

Annual Improvements Made to the IFRS Standards

Annual Improvements made to the IFRS standards in 2012–2014 (to be applied on financial periods starting on January 1, 2016, or later). Through the Annual Improvements procedure, small and less urgent changes are collected into a whole, which will be implemented once a year. The effects of the changes vary by standards. The changes are estimated to not have a significant impact on the consolidated financial statements.

The Group will introduce the following standards later than in the financial period starting on January 1, 2016, provided that the EU approves them.

Amendment to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities, and IAS 28 Investments in Associates and Joint Ventures: Investment Entities: Applying the Consolidation Exception

(Estimated to take effect on January 1, 2017.) Narrow changes to IFRS 10, IFRS 12 and IAS 28 clarify the requirements concerning the bookkeeping of investment entities. The changes also make things easier in certain circumstances, thus lowering the costs of applying the standard. The changes are estimated to not have an impact on the consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

(Estimated to take effect on January 1, 2018.) The new IFRS 15 standard includes five-step instructions for recognizing sales profits received on the basis of customer contracts. The sales profit is recognized when the control over the goods or services to be sold has been transferred to the customer. The revenue recognition model includes instructions that are clearly more detailed than in the current IAS 11 Construction Contracts and IAS 18 Revenue standards. Also the requirements for notes are significantly increased. The Group is still in the process of estimating the effects of the standard.

IFRS 9 Financial Instruments

(Estimated to take effect on January 1, 2018.) The IFRS 9 standard replaces the current standard IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 changes the classification and valuation of financial assets and includes a new model, based on expected credit losses, for estimating depreciation of financial assets. Classification and valuation of financial liabilities correspond for the main part to the requirements of current IAS 39. For hedge accounting, there are still three hedge accounting types. More risk positions than before can be included in hedge accounting and principles of hedge accounting have been unified with risk management. The Group estimates that these amendments will not have significant impacts on future consolidated financial statements.

IFRS 16 Leases

(Estimated to take effect on January 1, 2019.) The draft for the standard defines a lease as an agreement according to which the lessor gives the lessee the right to use a specified commodity for a specified time against payment or recurring payments. In accordance with the previous IAS 17 instructions, the lessee was obligated to make a difference between a finance lease (in the balance

sheet) and an operating lease (not in the balance sheet), but in the new model, all leases of over 1 year in length will be entered into the balance sheet. Classification of leases affects, for example, the amounts registered into the profit and loss statement. The Group estimates that this standard will affect the consolidated financial statements.

The preparation of the financial statements in accordance with the IFRS standards requires that the management makes certain assessments and judgment-based solutions. Information on the judgment-based solutions, which the management has used when applying the accounting policies and which have the most significant impact on the figures presented in the financial statements, is given under the section “Critical accounting judgments and key sources of estimation uncertainty.”

Segment Structure

The Innofactor Group provides comprehensive solutions in a Microsoft-based environment. The Group has one reportable segment. The operations are reviewed as a whole to estimate the profitability and to manage the resources.

Subsidiaries

Subsidiaries are companies over which the Group exercises control. This control arises from the Group holding more than half of the voting rights or otherwise being in a position to exercise control. The existence of potential control has also been taken into account in assessing the conditions under which control arises when instruments entitling to potential control are currently exercisable. Control refers to the right to stipulate the principles of the company's finances and business operations to gain from the operations.

Mutual holdings in the Group are eliminated using the acquisition cost method. The consideration transferred and the acquired company's identifiable assets and assumed liabilities are measured at fair value at the acquisition date. The acquisition costs, excluding the costs to issue debt or equity securities, have been recognized as a cost. The consideration transferred does not include transactions treated separately from the acquisition. The impact of these is recognized in profit or loss in connection with the acquisition. Possible contingent additional consideration has been measured at fair value at the acquisition date and has been classified as liability or equity. Contingent additional consideration classified as debt is measured at fair value at the closing date, and the gain or loss arising is recognized in profit or loss or in other comprehensive income. Contingent additional consideration classified as equity is not remeasured.

The subsidiaries acquired are consolidated from the date when control commences, and the subsidiaries disposed of are included in the consolidated financial statements until control ceases. All internal transactions, receivables, liabilities and unrealized profits, as well as internal profit distribution are eliminated in the consolidated financial statements. In phased acquisition, the previously held equity interest is measured at fair value, and the resulting gain or loss is recognized in profit or loss. If the Group no longer has a controlling stake in a subsidiary, the remaining asset is measured at fair value at the date the control is lost, and the resulting gain or loss is recognized in profit or loss.

Tangible Assets

Tangible assets have been measured at acquisition value less accumulated depreciation and impairment losses.

If an item of tangible assets consists of several parts with economic lives of different lengths, the parts are treated as separate assets. When a part is renewed, the costs are capitalized and the possible remaining carrying amount is written off. In other cases, subsequent costs are included in the carrying amount of the item of tangible assets only when it is probable that the future economic benefits that are attributable to it will flow to the Group and the acquisition cost of the item can be determined reliably. Other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation of assets is calculated using the straight-line method over the estimated useful lives. The estimated useful lives are as follows:

Machinery and equipment 3–10 years

The residual values and useful lives of assets are reviewed at the end of each financial period and, if necessary, adjusted to reflect the changes in the expected economic benefits.

The sales gains or losses from the sale or disposition of items of tangible assets are recognized in profit or loss under other operating income or expenses. The sales profit is defined as the difference between the sales price and the remaining purchase price.

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying item of tangible assets are capitalized as part of the acquisition cost of that asset.

Government Grants

Government grants received for realized costs are recognized in profit or loss as income for the period that the grant becomes receivable. These grants are recognized in other income.

Intangible Assets

Goodwill

Goodwill arising in business combinations is recognized at the amount by which the consideration given, the share of the shareholders without control in the acquired business and the previously held share combined exceed the Group's share of the fair value of the acquired net assets.

Goodwill is not subject to depreciation, but it is tested annually for impairment. For this purpose, goodwill has been allocated to cash-generating units or is included in the purchase price in the case of an associate. Goodwill is measured at original acquisition cost less impairment losses.

Research and Development Costs

Research and development costs are recognized as costs in profit or loss. The development costs incurred by the design of new or advanced products are capitalized in the balance sheet as intangible assets from the date on which the product is regarded as technically feasible, commercially utilizable and able to generate future economic benefits. Capitalized development costs include the material, work and testing expenses that result directly from completing an asset for the intended purpose. The development costs recognized as expenses are not capitalized later.

Depreciation is recognized from the date the asset is ready for use. An asset which is not ready for use is tested annually for impairment. After initial recognition, capitalized development costs are measured at cost less accumulated depreciation and impairment losses. The useful life of capitalized development costs is 3–5 years, during which time capitalized costs are amortized on a straight-line basis. In 2014 and 2015, no development costs were capitalized as the requirements were not met.

Other Intangible Assets

An intangible asset is recognized in the balance sheet at acquisition cost, if the cost can be reliably determined and it is likely that the expected economic benefit from the asset will flow to the company.

Intangible assets with a limited useful life are recognized in profit or loss and amortized on a straight-line basis over their known or estimated useful lives.

Other intangible assets have the following amortization periods:

Client agreements and related client relationships	5–9 years
Software	3–5 years.

Leases

Group as Lessee

Leases concerning tangible assets where the Group retains a significant part of the risks and rewards of ownership are treated as financial leases. An asset acquired by means of a financial lease is recognized in the balance sheet at the starting time of the lease, at the fair value of the leased asset at the time of signing

the contract or at the current value of the minimum leases, whichever is lower. Depreciations of an asset acquired by means of a financial lease are made within the estimated useful life of the item or within the lease time, whichever is shorter. Leases paid are divided into financial cost and part payment of debt during the lease time in such a way that, on each period, the remaining liability has an equal interest rate. Changes in leases are recognized as costs during the periods when they occur. Lease liabilities are included in the financial liabilities.

Lease agreements in which the risks and rewards of ownership remain at the lessor are treated as other lease agreements. Leases paid based on other lease agreements are recognized as costs in profit or loss in equal installments during the lease period. Incentives received have been deduced from the leases paid on the basis of the temporal distribution of the benefit.

Impairment of Tangible Assets and Intangible Assets

The Group assesses at the closing date whether there is any indication of impairment of an asset. If there are such indications, the asset's recoverable amount is estimated. In addition, the recoverable amount is estimated annually for the following assets regardless of whether there are any indications of impairment: goodwill, intangible assets with an infinite useful life, and unfinished intangible assets. The need for impairment is assessed at the level of the cash-generating units, i.e. the lowest individual unit level that is mainly independent of the other units and whose cash flows can be separated from and are largely independent of the cash flows of other corresponding units.

The recoverable amount is the asset's fair value less costs to sell or its value in use, whichever is higher. Value in use refers to the estimated future net cash flows, discounted to their present value, expected to be derived from the said asset or cash-generating unit. The discount rate used is the interest rate before tax that represents the market's view of the time value of money and special risks associated with the asset.

An impairment loss is recognized, if the carrying amount of the asset is higher than its recoverable amount. The impairment loss is recognized immediately in profit or loss. An impairment loss of a cash-generating unit is first allocated to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amounts of the other assets of the unit pro rata. The useful life of the depreciated asset is re-evaluated in connection with the recognition of an impairment loss. An impairment loss recognized for an asset other than goodwill is reversed, if a change has taken place in the estimates used to determine the recoverable amount of the asset. However, the maximum reversal of an impairment loss amounts to the carrying amount of the asset had no impairment loss been recognized. An impairment loss recognized for goodwill is not reversed in any situation. No impairment losses were recognized in 2014 and 2015.

Employee Benefits

Pension Obligations

Pension arrangements are classified as benefit pension plans or contribution plans. In the contribution plans, the Group makes fixed payments to an external unit. The Group does not have a legal or constructive obligation to make additional payments, if the recipient is not able to pay the pension benefits concerned. All such arrangements that do not meet these conditions are benefit pension plans.

The Group's pension arrangements have been implemented through a pension insurance company and they are based on contribution plans. In the contribution plan arrangement, payments are recognized in the profit and loss statement during the period to which the payment applies.

Share-Based Payments

The Group has incentive arrangements in which the payments are made as equity instruments. The benefits granted through the system are measured at fair value at the grant date and recognized as expenses evenly over the vesting period. The effect of the arrangements on profit or loss is recognized under employee benefit expenses, the counter item being retained earnings.

The expense determined at the time of issuing the options is based on the Group's estimate of the number of options that are expected to generate rights at the end of the vesting period. The Group updates the expected final number of options at the closing date of each reporting period. Changes in estimates are recognized in profit or loss. The fair value of the option arrangements is determined on the basis of the Black-Scholes option pricing model.

When option rights are exercised, the payments received from the subscription of shares, adjusted for possible transaction costs, are recognized in the shareholders' equity. Assets from share subscriptions based on the option arrangements decided upon after the new Companies Act became effective are recognized in the invested non-restricted equity fund in accordance with the conditions of the arrangements, with adjustments for possible transaction costs.

Taxes Based on Taxable Income and Deferred Taxes for the Financial Period

The tax expense comprises taxes on taxable income and deferred taxes for the financial period. Taxes are recognized in profit or loss, except when they are directly connected with items recognized in shareholders' equity or other items of the comprehensive income. In this case, also the tax is recognized in the items concerned. The tax based on taxable income for the financial period is calculated on taxable income according to the tax rate in the country concerned.

Deferred tax is calculated on temporary differences between the carrying amount and the taxable value. However, deferred tax liabilities are not recognized, if they arise from the initial recognition of an asset or liability in a transaction which is other than a business combination and which affects neither accounting nor taxable profit at the time of the transaction.

The largest temporary differences arise from the depreciation of tangible assets, previously unrecognized tax losses, and adjustments based on fair value measurement on business combinations.

Deferred taxes are calculated by using the tax rates enacted or approved in practice by the closing date.

Deferred tax assets are recognized to the extent that it is probable that such future taxable profit will be available against which the temporary difference can be utilized. An estimate is made at the closing date on whether the conditions for recognizing deferred tax assets are met.

Revenue Recognition Principles

Revenue from the sale of products and services is presented as net sales measured at fair value and adjusted for indirect taxes, discounts and currency translation differences from sales in foreign currencies.

Sold Services

Revenue from services is recognized when the service has been provided and the economic benefit from the service is probable. Man-hour work is recognized monthly as it progresses.

Long-Term Projects

Long-term fixed-price projects are recognized using the percentage of completion method when the outcome of the project can be estimated reliably. The percentage of completion is determined as the ratio of costs incurred to date to the total estimated costs of the project.

If the estimate of the outcome of the project changes, the recognized sales are adjusted in the financial period during which the change is discovered and can be estimated. An expected loss on a long-term project is recognized in profit or loss immediately when it is identified.

Maintenance Fees

Maintenance fees are recognized over the contract period.

Cash and Cash Equivalents

Cash and cash equivalents comprise bank deposits.

Impairment of Financial Assets

The Group recognizes an impairment loss on trade receivables when there is objective evidence that the receivable cannot be recovered. Significant financial difficulties of the debtor, probability of bankruptcy, defaults on payment, or delayed payment for more than 90 days are indications of the impairment of trade receivables. The amount of impairment loss recognized in profit or loss is determined as the difference between the receivable's carrying amount and the current value of estimated future cash flows discounted with the effective interest rate. If the amount of the impairment loss decreases during a future financial period and the deduction can be objectively considered to be related to a transaction taking place after the impairment entry, the recognized loss will be reversed as incurred in profit or loss.

Financial Liabilities

Initially, financial liabilities are measured at fair value. Transaction costs are included in the original carrying amount of financial liabilities measured at amortized cost. Later all financial liabilities are measured at amortized cost, using the effective interest method. Financial liabilities are classified as current unless the Group has an unconditional right to defer the settlement of the liability for at least twelve months after the closing date.

The borrowing costs that are directly attributable to the acquisition, construction or production of a

qualifying asset are recognized as part of the cost of that asset, if it is probable that future economic benefits that are attributable to the asset will flow to the Group and the costs can be determined reliably. Other borrowing costs are recognized as an expense in the period in which they are incurred. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. When the drawdown occurs, the fees paid on the establishment of loan facilities are recognized as part of transaction costs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Derivative Agreements

Initially, derivative agreements are recognized at fair value on the date when the Group becomes a party of the agreement, and later they will continue to be valued at fair value. Profit and loss for valuing at fair value are treated in the accounting in a way defined by the purpose of use of the derivative agreements. Hedge accounting has not been applied to the derivative agreement.

Shareholders' Equity

Ordinary shares are presented as share capital. Costs relating to the issue or acquisition of equity instruments are presented as a deduction in shareholders' equity. If Innofactor repurchases its own equity instruments, the purchase price of such instruments is deducted from shareholder's equity.

Operating Profit

The IAS 1 Presentation of Financial Statements standard does not define the concept of operating

profit. The Group has defined the concept as follows: Operating profit is the net total which is formed when other operating income is added to net sales and the following items are deducted: materials and services, cost of employee benefits, depreciation and possible impairment losses, and other operating expenses. All other items of the profit and loss statement are presented below the operating profit. Currency translation differences are included in the operating profit, if they arise from business related items; otherwise they are recognized in financial items.

Critical Accounting Judgments and Key Sources of Estimation Uncertainty

The preparation of financial statements requires estimates and assumptions concerning the future. The end results may deviate from these estimates and assumptions. The application of the accounting policies also requires judgment.

The estimates made in the preparation of the financial statements are based on the best view of the management at the closing date. The estimates are based on the previous experiences and on assumptions concerning the future that are considered the most probable at the closing date. They may be related to the expected development of the Group's financial operating environment in terms of sales and cost level. The Group regularly monitors the realization of the estimates and assumptions and the factors behind them by using several both internal and external sources of information. Possible changes in the estimates and assumptions are recognized in the financial period during which the estimate or assumption is adjusted and in the subsequent financial periods.

The key assumptions concerning the future and those key sources of estimation uncertainty at the closing date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are presented later in this report. The Group management considers these sections of the financial statements the most essential, because the accounting policies concerning them are the most complicated and their application requires the use of the most significant estimates and assumptions concerning, e.g., the measurement of financial assets. In addition, the impact of possible changes in the assumptions and estimates used in these sections of the financial statements is estimated as the most significant.

Determination of the Fair Value of Assets Acquired in Business Combinations

The estimation of the fair value of intangible assets is based on an estimate of the cash flows related to the assets as there is no information available in the market concerning the purchase of similar assets. Additional information on the measurement of intangible assets acquired in business combinations is presented in Note 3 Business acquisitions.

The Group management believes that the used estimates and assumptions are sufficiently exact for determining fair value. Additionally, the Group examines at every closing date or, if necessary, more frequently if there are any indications of impairment in tangible and intangible assets.

Impairment Testing

The Group carries out annual impairment testing on goodwill, unfinished intangible assets and intangible

assets with an infinite useful life, and estimates the indications of impairment in accordance with the accounting policies described above. The recoverable amounts of the cash-generating units have been determined on the basis of the value in use. These calculations require the use of estimates.

Revenue Recognition

As described under the revenue recognition principles, revenue and expenses from long-term projects are recognized as revenue or expenses, using the percentage of completion method, when the outcome of a long-term project can be estimated reliably. The percentage of completion method is based on estimates of the expected project revenue and expenses from the project, as well as on reliable measurement of the progress of the project. If the estimate of the outcome of a project changes, the recognized project revenue and profit is correspondingly changed in the period in which the change is discovered and can be estimated reliably. An expected loss on a project is recognized as an expense immediately.

Note 3. Business Acquisitions

Acquisitions in the Financial Period 2015

There are no new business acquisitions during the financial period 2015.

Acquisitions in the Financial Period 2014

There are no new business acquisitions during the financial period 2014.

Acquisitions in the Financial Period 2013

On December 13, 2013, Innofactor Plc signed an agreement on acquiring the entire share capital of Enabling Holding ApS and its subsidiaries Enabling ApS and Enabling Sweden AB (collectively Enabling Group) from the company's management. According to the agreement published by the company on December 13, 2013, the purchase price was defined based on Enabling Group's realized EBITDA in 2014. The final purchase price was approximately EUR 3,8 million, of which the remaining amount, approximately EUR 2.2 million, was paid in June 2015. Out of this sum, approximately EUR 1.7 million was paid in cash and approximately EUR 0.5 million in company shares. The name of Enabling ApS has been changed to Innofactor Business Solutions ApS and the name of Enabling Sweden AB to Innofactor AB.

The closing of the deal took place on December 31, 2013, and the figures for Innofactor Business Solutions ApS have been consolidated in the Innofactor Group's balance sheet on that same date. As the value of the Innofactor shares used for paying the first part of the purchase price, the closing price of the share on December 30, 2013, EUR 1.26, was used.

As the value of the Innofactor shares used for paying the rest of the purchase price, the share price of EUR 1.06 was used. All Innofactor shares used as payment in this transaction are subject to transfer restrictions, which will be gradually released by 2017.

The acquisition cost according to IFRS is EUR 3,134 thousand (the purchase price of the shares) and has been presented in more detail in the following calculation.

EUR thousand	Recognized values
Tangible assets	28
Acquired customer relationships	220
Trade and other receivables	638
Cash and cash equivalents	127
Total assets	1,014
Financial liabilities at market value	422
Other payables *)	490
Total liabilities	912
Net assets	102
Acquisition cost	3,134
Adjustment of the additional purchase price	-691
Goodwill	3,032
*) Includes a deferred tax liability of 44	
Purchase price paid in cash	40
Cash and cash equivalents of the acquired subsidiary	127
Cash flow effect	+87

The value of the customer contracts and the related customer relationships included in the intangible assets (EUR 220 thousand) has been defined on the basis of the estimated lifetime of customer relationships and the discounted net cash flows resulting from current customer relationships.

The acquisition created goodwill of EUR 3,032 thousand. The goodwill is based on the expected synergy benefits arising from the acquisition of Innofactor Business Solutions ApS and on making use of the common sales and marketing network in the group and expanding customer relationships.

The amendment of the additional purchase price related to the acquisition, EUR 691 thousand, has been taken into account in the calculation.

Note 4. Net Sales

EUR thousand	2015	2014
Revenue from services	27,538	24,652
Revenue recognized from long-term projects	16,914	19,182
Total	44,452	43,834

From long-term projects in progress at the balance sheet date, a total of EUR 14.5 million (EUR 11.8 million in 2014) of realized revenues had been recognized.

For advance payments for long-term projects in progress, the balance sheet included EUR 198 thousand on December 31, 2015, (EUR 527 thousand on December 31, 2014).

On January 1–December 31, 2015, about 82 percent of the net sales came from Finland and about 18 percent from Denmark.

Net Sales by Customer Location

EUR thousand	2015	2014
Finland	36,111	35,932
Rest of Europe	8,266	7,902
Rest of the world	75	0
Total net sales	44,452	43,834

Note 5. Other Operating Expenses

EUR thousand	2015	2014
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The following table shows four of the most significant items included in other operating expenses:

Business premises expenses	1,701	1,679
Voluntary indirect employee costs	650	654
Impairments of receivables	0	474
Marketing expenses	360	459
Total	2,711	3,266
Other unspecified operating expenses	4,098	2,622
Other operating expenses, total	6,809	5,888

Remuneration of the Auditors

EUR thousand	2015	2014
Auditing	102	100
Certificates and declarations	11	7
Tax consultancy	5	53
Other services	66	43
Total	184	203

Note 6. Depreciation, Amortization and Impairment

EUR thousand	2015	2014
Depreciation by asset group		
Intangible assets	586	612
Total	586	612

Tangible assets		
Machinery and equipment	577	775
Total	577	775
Total depreciation	1,163	1,387

Note 7. Employee Benefits/Expenses

EUR thousand	2015	2014
Wages and salaries	25,506	25,250
Pension expenses – defined contribution plans	4,253	4,119
Other indirect employee costs	949	980
Total	30,708	30,349

Group's personnel	2015	2014
Average in the financial period	427	421
At the end of the financial period	432	411

Information on management benefits are in Note 26 Related party transactions.

Note 8. Research and Development Costs

The research and development costs recognized as expenses totaled EUR 2,495 thousand in 2015 (EUR 1,981 thousand in 2014).

Note 9. Financial Income

EUR thousand	2015	2014
Interest income	1	0
Other financial income	0	541
Total	1	541

Note 10. Financial Expenses

Items recognized in profit or loss

EUR thousand	2015	2014
Interest expenses	-608	-602
Other financial expenses	0	-400
Total financial expenses	-608	-1,002

Note 11. Income Taxes

EUR thousand	2015	2014
Current income tax liabilities	69	-104
Deferred tax related to temporary differences	-456	-285
Total	-387	-389

Reconciliation between the income tax expense and the taxes calculated at the 20.0% tax rate valid in the Group's home country:

EUR thousand	2015	2014
Earnings before taxes	2,053	1,945
Taxes calculated at the domestic tax rate	-387	-389
Non-deductible expenses	0	0
Current year tax losses for which no deferred tax asset was recognized	0	0
Effect of changes in tax rates on deferred taxes	0	0
Other	0	0
Tax in the profit and loss statement	-387	-389

The tax rate used in the calculation of deferred taxes is the Finnish tax rate at the end of the financial period, which is 20.0%.

Note 12. Earnings per Share

Basic earnings per share are calculated by dividing the profit attributable to the shareholders of the company by the weighted average number of outstanding shares during the financial period.

	2015	2014
Profit for the year attributable to shareholders of the parent company (EUR)	1,548,141	1,556,000
Weighted average number of shares during the financial period	32,579,614	32,126,456
Basic earnings per share (EUR/share)	0.0475	0.0484

Note 13. Tangible Assets

EUR thousand	Machinery and equipment	Total
Acquisition cost, Jan 1, 2015	2,391	2,391
Additions in 2015	447	447
Deductions in 2015	-20	-20
Acquisition costs, Dec 31, 2015	2,818	2,818
Accumulated depreciation, amortization and impairment, Jan 1, 2015	-1,701	-1,701
Depreciation in 2015	-576	-576
Carrying amount, Jan 1, 2015	690	690
Carrying amount, Dec 31, 2015	541	541
Acquisition cost, Jan 1, 2014	1,794	1,794
Additions	597	597
Acquisition costs, Dec 31, 2014	2,391	2,391
Depreciation	-1,701	-1,701
Carrying amount, Jan 1, 2014	868	868
Carrying amount, Dec 31, 2014	690	690

Note 14. Intangible Assets

EUR thousand	Goodwill	Other intangible assets	Total
Acquisition cost, Jan 1, 2015	19,772	5,482	25,254
Additions in 2015	0	113	113
Acquisition cost, Dec 31, 2015	19,772	5,595	25,367
Accumulated depreciation, amortization and impairment, Jan 1, 2015	-188	-2,075	-2,263
Depreciation, amortization and impairment in 2015	0	-587	-587
Accumulated depreciation, amortization and impairment, Dec 31, 2015	-188	-2,662	-2,850
Carrying amount, Jan 1, 2015	19,584	3,407	22,991
Carrying amount, Dec 31, 2015	19,584	2,934	22,518
Acquisition cost, Jan 1, 2014	19,523	5,379	24,902
Additions	249	103	352
Acquisition cost, Dec 31, 2014	19,772	5,482	25,254
Accumulated depreciation, amortization and impairment, Jan 1, 2014	-188	-1,463	-1,651
Depreciation, amortization and impairment	0	-612	-612
Accumulated depreciation, amortization and impairment, Dec 31, 2014	-188	-2,075	-2,263
Carrying amount, Jan 1, 2014	19,335	3,916	23,251
Carrying amount, Dec 31, 2014	19,584	3,407	22,991

Intangible Assets

Impairment Testing

The Group has one cash-generating unit (CGU), software business, to which all the goodwill created in business acquisitions is allocated.

In impairment testing, all the Group's recoverable amounts are determined on the basis of value in use. The cash flow forecasts are based on the forecasts approved by the management and they cover a period of three years. The cash flows after the forecast period approved by the management have been extrapolated by using a growth factor of 2.0%.

The essential variables in the calculation of value in use are the following:

1. **Budgeted operating margin** – The value of the variable is based on the realized relative operating margin (adjusted for one-off items) for the last three years and the management's estimate on the development of the operating margin during the next three years. During the forecast period, no essential changes are expected in the relative, adjusted operating margin.
2. **Change in working capital** – The value of the variable is based on the relative change in the working capital (adjusted for one-off items) for the last three years and the management's estimate on changes in the working capital during the next three years. During the forecast period, no essential changes are expected in the relative change in the working capital.

3. **Discount rate** – Determined by using Weighted Average Cost of Capital (WACC), which defines the overall cost of equity and debt, taking the special risks concerning the items into consideration. The discount rate has been determined before taxes. The discount rate used in the calculations is 7.6% (2014: 8.1%).
4. **Growth rate in the forecast period** – The used growth factor represents the realized long-term growth in the industries concerned.

According to the impairment testing, all the recoverable amounts of the cash generating units exceed the corresponding balance sheet values. No impairment losses were recognized in 2015 and 2014.

According to the sensitivity analysis that the Group carried out on goodwill, a decrease of 14% in the net sales compared to the estimated net sales of 2016 or a decrease of 86% in profitability compared with the estimate for 2016 would indicate a need for impairment. On the basis of the sensitivity analysis, an increase in the discount rate to 20.8% would cause a need for impairment.

Recognition of Goodwill

EUR thousand	2015	2014
Software business	19,584	19,584
Goodwill	19,584	19,584

Note 15. Deferred Tax Assets and Liabilities

Changes in deferred taxes in 2015:

EUR thousand	Dec 31, 2014	Recognized in profit or loss	Recognized in comprehensive income	Recognized in equity	Reclassified from equity to profit and loss statement	Translation differences	Acquired/sold operations	Dec 31, 2015
Deferred tax assets								
From Group combinations and confirmed losses	7,587	-534	0	0	0	0	0	7,053
Effect of changes in tax rate on deferred taxes *	-349	0	0	0	0	0	0	-349
Total	7,238	-534	0	0	0	0	0	6,704
Deferred tax liabilities								
Measurement of intangible assets and tangible assets at market value in business combinations	-884	0	0	0	0	0	0	-884
From combination transactions	-93	5	0	0	0	0	0	-88
Effect of changes in tax rate on on deferred taxes	132	0	0	0	0	0	0	132
Total	-845	5	0	0	0	0	0	-840

* The impact of the change in the tax rate of deferred tax assets has been taken into account in the acquisition cost calculation.

Changes in deferred taxes in 2014:

EUR thousand	Dec 31, 2013	Recognized in profit or loss	Recognized in comprehensive income	Recognized in equity	Reclassified from equity to profit and loss statement	Translation differences	Acquired/sold operations	Dec 31, 2014
Deferred tax assets								
From Group combinations and confirmed losses	7,952	-365	0	0	0	0	0	7,587
Effect of changes in tax rate on deferred taxes *	-349	0	0	0	0	0	0	-349
Total	7,604	-365	0	0	0	0	0	7,238
Deferred tax liabilities								
Measurement of intangible assets and tangible assets at market value in business combinations	-884	0	0	0	0	0	0	-884
From combination transactions	-135	42	0	0	0	0	0	-93
Effect of changes in tax rate on deferred taxes	132	0	0	0	0	0	0	132
Total	-887	42	0	0	0	0	0	-845

* The impact of the change in the tax rate of deferred tax assets has been taken into account in the acquisition cost calculation.

Note 16. Trade and Other Receivables

EUR thousand	2015	2014
Trade and other receivables		
Trade receivables	9,906	10,334
Receivables from customers for long-term projects	2,182	4,852
Loan receivables	734	153
Accrued income	493	158
Total	13,315	15,497

EUR thousand	2015	2014
Breakdown of trade receivables by age		
Not past due	6,681	8,589
Past due		
Past due 1–30 days	2,293	1,069
Past due over 30 days	932	676
Total	9,906	10,334

No significant credit risk concentrations are associated with the receivables. The balance sheet values correspond best to the maximum amount of the credit risk, excluding the fair value of collateral, in cases where the other parties to the agreement are unable to fulfill their obligations related to financial instruments. The Group's operating practices do not include the acquisition of collateral for trade and other receivables. The principles for managing credit risks are described in Note 20.

Note 17. Cash and Cash Equivalents

Cash and cash equivalents as per cash flow statement:

EUR thousand	2015	2014
Bank accounts	843	997
Total	843	997

In the cash flow statement, the items classified as cash and cash equivalents have a maximum of three months' maturity from the acquisition date.

Note 18. Notes Concerning Shareholders' Equity

EUR thousand	Number of shares (1,000)	Share capital	Share premium reserve	Reserve fund	Fund for invested unrestricted equity	Hybrid bond	Treasury shares	Total
Dec 31, 2013	30,909	2,100	72	59	13,427	3,200	0	18,859
Share issue	1,245	0	0	0	1,568	0	0	1,568
Purchase of treasury shares	0	0	0		0	0	0	0
Cancellation of treasury shares	0	0	0	0	0	0	0	0
Issuing a hybrid bond	0	0	0	0	0	0	0	0
Dec 31, 2014	32,154	2,100	72	59	14,995	3,200	0	20,426
Share issue	1,300				1 158			1,158
Purchase of treasury shares	0	0	0		0	0	-345	-345
Dec 31, 2015	33,454	2,100	72	59	16,153	3,200	-345	21,239

Innofactor Plc has one share type. The share has no nominal value. All the issued shares have been paid in full.

The equity funds are described below:

Share Premium Reserve

In the cases in which option rights have been decided upon while the old Companies Act (29.9.1978/734) was in force, the cash payments received for subscriptions have been recognized in the share capital and share premium reserve in accordance with the conditions of the arrangement, with the transaction costs deducted.

Reserve Fund

The reserve fund is a fund for invested unrestricted equity formed on the basis of the decision of the General Meeting.

Fund for Invested Unrestricted Equity

The fund for invested unrestricted equity contains other equity type investments and the subscription price of shares to the extent that they are not, based on

a specific decision, recognized in the share capital. After the new Companies Act (21.7.2006/624) entered into force (September 1, 2006), the fees for subscriptions based on option plans are recognized in full in the fund for invested unrestricted equity.

Dividends

No dividends were distributed in 2015. The Board of Directors has proposed that no dividends be distributed for the financial period of January 1–December 31, 2015.

Treasury Shares

The General Meeting of March 24, 2015, authorized the Board of Directors to decide on acquiring of a maximum of 8,000,000 treasury shares in one or several parts with the company's unrestricted equity. The authorization entitles the Board to deviate from the shareholders' proportional shareholdings (directed acquisition). Treasury shares may be acquired at the purchase price formed for them in public trading at the

day of purchase or at another market price.

The number of treasury shares at a time may be, at the maximum, one tenth of the total number of shares in the company. Shares may be purchased to be used in company acquisitions or implementing other arrangements relating to the company's business operations, improving the company's capital or financing structure, as a part of the company's incentive system, or otherwise to be handed over or voided. In connection with the share repurchase, ordinary derivative, stock lending and other agreements may be made in the market in accordance with the laws and regulations. The authorization includes the right of the Board of Directors to decide on all other matters related to the acquisition of shares. The authorization will be valid until June 30, 2016.

This authorization replaces the Board's earlier authorizations concerning share repurchase.

On the basis of the authorization, Innofactor Plc acquired a total of 413,638 treasury shares during the financial period of 2015. After this, the authorization is valid for 7,586,362 shares.

Hybrid Bond

On December 17, 2013, the Group issued a EUR 3.2 million hybrid bond, i.e. an equity bond. The proceeds of the hybrid bond were used to buy back about 4.7 million Innofactor's own shares from the atBusiness Oy sellers before the end of 2013. The bond's annual coupon rate was 9.00%. The bond had no due date, but the company had the right to redeem it in February 2016, before the rate would have increased to 12.00%. The bond was redeemed in accordance with the agreement on February 29, 2016. The issue was directed mainly at domestic professional investors and it was subscribed to in full. A hybrid bond is a loan that has a weaker standing than other debt obligations. The bondholder does not have the same rights as shareholders and the hybrid bond does not dilute the ownings of the current shareholders.

In the consolidated financial statements, the bond has been classified as equity.

The hybrid bond was redeemed on February 29, 2016.

Note 19. Share-Based Payments

Terms and Conditions of Share-Based Incentive Schemes

At the end of the financial period on December 31, 2015, the Group has a share-based incentive scheme implemented in January 1–December 31, 2010, and directed to the key personnel of Innofactor SW Oy (old Innofactor Oy). In accordance with the terms and conditions of the incentive schemes,

the options are given without monetary compensation. All the incentive schemes of the Group are conditional. The essential conditions of the schemes, such as vesting conditions, are presented in the table below.

Scheme	D	
Type of scheme	Share options	
Granting date	Dec 15, 2010	
Number of granted instruments as shares	Series 1	35,269
	Series 2	35,268
	Series 3	35,269
	Series 4	35,269
Subscription price, EUR		6.00
Share price at granting date, EUR	Series 1	1.50
	Series 2	1.50
	Series 3	1.50
	Series 4	1.50
Date of subscription	Series 1	July 1, 2011–July 1, 2016
	Series 2	July 1, 2012–July 1, 2016
	Series 3	July 1, 2013–July 1, 2016
	Series 4	July 1, 2014–July 1, 2016
Vesting conditions	Employment until subscription date	
Implementation	As shares	

The incentives are forfeited if the employee leaves the company before the options vest.

Outstanding Options

The changes in the outstanding options during the financial period and the weighted average exercise prices are as follows:

	2015		2014	
	Exercise price, weighted average EUR/share	Number of options	Exercise price, weighted average EUR/share	Number of options
Beginning of financial period	4.2	43,200	4.2	61,625
Granted new options	0	0	0	0
Exercised options	0	0	0	0
Returned options	3	-1,800	3	-18,425
End of financial period	6.0	41,400	6.0	43,200
Exercisable options at the end of the financial period	6.0	41,400	6.0	43,200

The table below shows the fluctuation range of the exercised prices of the outstanding options at the end of the financial period and the weighted average of the remaining time as per agreement:

	Exercised price (EUR)	Contractual life (years)	Number of shares
2015	6.0	0.5	41,400
2014	6.0	1.5	43,200

Determination of Fair Value

The company has 4 series in the option scheme D. The determination of the fair value has been performed by using the Black-Scholes option pricing model. The market price of the company's share has been determined on the basis of realized sale prices. The volatility has been determined on the basis of the historical volatility of four reference companies on the NASDAQ OMX Helsinki IT list.

Fair value assumptions used in the determination in financial periods 2015 and 2014:

Scheme	D	
	2015	2014
Expected volatility	35%	35%

Expected contractual life of the option at granting date (years)

Series 1	3.0	3.0
Series 2	3.5	3.5
Series 3	4.0	4.0
Series 4	4.5	4.5

Risk-free interest

Series 1	1.43%	1.43%
Series 2	1.79%	1.79%
Series 3	1.79%	1.79%
Series 4	2.15%	2.15%

Expected dividends (dividend yield)

Series 1	5.5%	5.5%
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Fair value of the instrument determined at granting date

Series 1	0.003	0.003
Series 2	0.006	0.006
Series 3	0.009	0.009
Series 4	0.013	0.013

Note 20. Financial Risk Management

In its normal business operations, the Group is susceptible to several financial risks. The goal of the Group's risk management is to minimize the negative effects of the changes in the financial markets on the result of the Group. The main financial risks are credit risks, exchange rate risks, and interest risks. The general principles of the Group's risk management are approved by the Board of Directors and the practical implementation is the responsibility of the Group's financial department.

Credit Risk

Credit risk management and credit control have been concentrated in the Group's financial department. The customers' credit rating is assessed by means of a credit rating system and credit is only granted to customers with an impeccable credit rating.

The Group has no significant credit concentrations in receivables, as it has a wide spectrum of customers, and no single customer or group of customers is significant for the Group in terms of risks. The Group has not used credit insurance to guarantee receivables. The aging analysis of the trade receivables is presented in Note 16 Trade and other receivables.

Exchange Rate Risk

The Innofactor group operates globally and is susceptible to risks related to the currencies of the countries in which it operates. Changes in exchange rates, especially the rate of Swedish krona, affect the Group's net sales and profitability. After the Cinteros AB acquisition on January 8, 2016, Innofactor has significant business operations based on Swedish krona. The exchange rate risk is mainly due to the assets and liabilities registered in the balance sheet, the net investments made in the subsidiaries abroad, and possible additional payments related to acquisitions. Also the business contracts made by subsidiaries pose an exchange rate risk, although

these contracts are mainly made in the currency the unit uses in its operation. The management of exchange rate risks in the Group aims at minimizing the uncertainty that changes in exchange rates cause in the result through cash flows and assessment of receivables and liabilities.

Interest Risk

At the closing date, the company had a fluctuating rate bank loan totaling EUR 9.2 million (EUR 10.7 million on December 31, 2014).

After the review period 2015, on January 8, 2016, the company took a loan of EUR 4.1 million to finance the acquisition of Cinteros AB.

The company has been subjected to the cash flow interest risk through the loan portfolio. The goal of the company's risk management as concerns the interest risk is to minimize the negative impacts of interest rate changes on the company's result. As the implementation method for interest risk management, the company uses various protective interest instruments. The average interest rate of the loans was 3.1 percent (4.1% in 2014).

The realized average balances of the fluctuating rate loans during the financial period have been used in the sensitivity analysis. At the closing date, the effect of the fluctuating rate interest-bearing loans on the result before taxes would have been +/- EUR 93 thousand (2014: EUR 115 thousand) had the interest rate been increased or decreased by 1 percentage point.

Risks Related to the Cash Position

The Group continually estimates and monitors the amount of financing required for the business operations, e.g., by analyzing cash flow forecasts monthly to ensure that the Group has sufficient liquid funds to finance its operations. The Group analyzes the liquidity forecasts regularly.

The Group has not recognized significant liquidity risk concentrations in the financial assets.

EUR thousand	Balance sheet value	0-6 months	6 months -1 year	more than 1 year
Dec 31, 2015				
Maturity distribution of financial liabilities				
Loans from financial institutions				
	9,219	3,017	1,411	4,791
Trade and other payables				
	9,390	6,555	2,835	0

Capital Structure Management

The shareholders' equity in the consolidated balance sheet is managed as capital assets. The goal of capital structure management is to ensure operational preconditions of the Group and increase shareholder value in the long term. The capital structure can be managed through decisions concerning dividend distribution, acquisition and transfer of treasury shares, and share issues. The Group has no specific dividend distribution policy, and there are no limitations to the distribution of dividends. The shareholders' equity in the consolidated balance sheet is managed as capital assets. No external capital requirements are applied to the Group.

The capital structure of the Group is monitored continually by means of Net Gearing.

	2015	2014
Interest-bearing liabilities	9,219	10,638
Cash and cash equivalents	- 843	-997
Total shareholders' equity	4,534	22,462
Net gearing	34.1%	42.9%

The Group has loans, which contain a covenant. Innofactor has committed itself to the following covenants: equity ratio calculated every 6 months is at least 40% on December 31, 2015, and on every 6-month check point after that.

Additionally, interest bearing liabilities calculated every 6 months divided by the 12-month operating margin (EBITDA), including the pro forma effect of acquisitions, is a maximum of 2.5 in the review point of December 31, 2015, and a maximum of 3.0 in two review periods (June 30, 2016, and December 31, 2016), and a maximum of 2.5 in the review point of June 30, 2017, and on each 6-month review period after that.

Note 21. Fair Values of Financial Assets and Liabilities

The table below shows the fair value and carrying amount of each item in financial assets and liabilities. These values correspond with the consolidated balance sheet values.

EUR thousand	Note	Dec 31, 2015		Dec 31, 2014	
		Carrying amount	Fair value	Carrying amount	Fair value
Trade and other receivables	16	13,315	13,315	15,497	15,497
Cash and cash equivalents	17	843	843	997	997
Total		14,158	14,158	16,494	16,494
Loans from financial institutions		9,219	9,219	10,638	10,638
Trade and other payables		9,323	9,323	13,265	13,265
Interest rate swap agreements, not in hedge accounting *)		67	67	99	99
Deferred tax liabilities	15	840	840	845	845
Tax liabilities based on the taxable profit		0	0	104	104
Total		19,449	19,449	24,951	24,951

*) fair value hierarchy level 2

Derivatives

Fair value of derivative agreements has been defined based on available market information.

Trade and Other Receivables

The original carrying amount of the receivables corresponds to their fair values, as the effect of discounting is not essential considering the maturity of the receivables.

Trade and Other Payables

The original carrying amount of the trade and other payables corresponds to their fair values, as the effect of discounting is not essential considering the maturity of the payables.

Note 22. Adjustments to Cash Flows from Operating Activities

	2015	2014
Non-cash transactions		
Depreciation	1,163	1,387
Adjustments of the additional purchase price	0	142
Total	1,163	1,529

Note 23. Other Leases

Group as Lessee

The Group leases all the premises it uses. The average lease period is 2–4 years, normally with an option to renew the lease after the original date of expiry.

Minimum lease payments paid on non-cancellable other leases:

EUR thousand	2015	2014
Within one year	1,244	1,268
Within more than one but less than five years	2,563	3,588
Total	3,807	4,856

In 2015, the amount of lease payments based on other leases recognized in profit or loss was EUR 1,701 thousand (EUR 1,679 thousand in 2014).

Note 24. Financial Liabilities

EUR thousand	2015	2014
Non-current financial liabilities measured at amortized cost		
Financial lease liabilities	144	234
Total	144	234
Current financial liabilities measured at amortized cost		
Financial lease liabilities	137	262
Total	137	262

Due Dates of Financial Lease Liabilities

EUR thousand	2015	2014
Within one year	137	262
Within more than one but less than five years	144	234
Total	281	496

Note 25. Contingent Liabilities and Assets and Acquisition Commitments

EUR thousand	2015	2014
Collateral given for own commitments		
Collateral for rent	85	90
Mortgages on company assets *	16,250	16,250
Mortgages on company assets have been given as collateral for the credit limit and a loan.		
Bank guarantees	303	303
Bank guarantees have been given as collateral for rental agreements.		

* Of the mortgages on company assets, EUR 1,250 thousand was in the company's possession on December 31, 2015.

The accrued interest on the hybrid bond was EUR 9 thousand on December 31, 2015.

Disputes, Litigations and Other Issues Requiring Clarification

The Group has two on ongoing disputes, but no significant financial risk relating to them is estimated to exist.

The dispute processes are at their initial stages, so no estimates on the results can be made.

Other Leases

The liabilities from the Group's other leases are presented in Note 23 Other leases.

Note 26. Related Party Disclosures

The Group's related parties comprise the parent company and the subsidiaries. The related parties also include the members of the Board of Directors and the Executive Boards, including the CEO.

The Parent Company and the Subsidiaries of the Group are as follows:

Company	Domicile	Holding (%)	Share of voting rights (%)
Parent company Innofactor Plc	Finland		
Enabling Holding ApS	Denmark	100%	100%
Innofactor Business Solutions ApS	Denmark	100%	100%
Innofactor AB	Sweden	100%	100%
Innofactor Software Ltd	Finland	100%	100%
Innofactor Business Solutions Ltd	Finland	100%	100%
Innofactor A/S	Denmark	100%	100%
Innofactor Holding ApS	Denmark	100%	100%
Innofactor SW Ltd	Finland	100%	100%
Innofactor CS Ltd	Finland	100%	100%

Management's Employment Benefits

EUR thousand	2015	2014
Salaries and fees paid to the CEO and Group management during the financial period including benefits in kind:		
Salaries and other short-term employee benefits	1,484	1,714
Total	1,484	1,714

Management's employment benefits include the salaries and fees of the Executive Board.

EUR thousand	2015	2014
Salaries and fees paid to the CEO and Board Members		
CEO	458	478
Board members and deputy members		
Rahkonen Ari, Chairman of the Board of Directors	44	0
Bergqvist J.T., Board Member	21	21
Koponen Juha, Board Member	0	3
Lautsuo Pyry, Chairman of the Board of Directors	0	33
Mäkinen Jukka, Board Member	24	24
Nurmi Ilari, Board Member	24	24
Puolakka Pekka, Board Member	24	3
Tuovinen Tiia, Board Member	3	21
Total	598	607

The CEO's retirement age and the basis for calculating the pension comply with the effective Employee Pensions Act. The mutual term of notice of the CEO is 6 months. If the company terminates the CEO's contract, the CEO will be paid the salary for the period of notice and also, as a compensation for the termination, a one-time payment equaling to the CEO's 12 months' salary.

Transactions with related parties, EUR thousand	Dec 31, 2015	Dec 31, 2014
Hybrid bond Board member Jukka Mäkinen through his company	100	100

Note 27. Events After the Closing Date

On January 5, 2016, Innofactor announced in a stock exchange release that a total of 83,044 Innofactor Plc shares have been conveyed to a new key member of corporate management as a part of the compensation. The price for the conveyed shares was approximately EUR 0.78 per share. The shares are subject to sale and transfer restriction for 12 months. The conveyance was based on the decision of the Board of Directors, which was made on the basis of the authorization given by the Annual General Meeting on March 24, 2015.

On January 25, 2016, Innofactor announced in a stock exchange release that Keva has selected Innofactor in a public procurement competition as the provider of a web content management system and related services. The system delivery includes the implementation project, maintenance and support services. The comparison price (excluding VAT) of the procurement for the contract period is EUR 549,324.

On January 26, 2016, Innofactor announced in a stock exchange release that starting from January 26, 2016, Innofactor's CEO Sami Ensio will take a sick leave of approximately two months related to an operation he is going to have and the recovery from it. During Sami Ensio's sick leave, his deputy will be Innofactor's CFO Janne Martola.

On January 28, 2016, Innofactor announced in a stock exchange release that the Board of HKL (Helsinki City Transport) decided on January 27, 2016, to cancel the procurement decision for the situational information system for the Metro's total security as Tieto Finland Oy, which came third in the bidding competition, has made a claim for rectification concerning the procurement. Additionally, the Board gave the Managing Director the authorization to interrupt the procurement. On November 26, 2015, HKL had made a procurement decision, selecting Innofactor as the provider of the system. The system concerned in the procurement will guarantee Metro's safe operation for the customers. As stated by the customer, the procurement price (excluding VAT) for the period of four years is EUR 2,909,000. The framework arrangement of the procurement was intended to remain in effect for a maximum of 15 years. For this total time, Innofactor has stated that the total price according to the tender will be EUR 7,025,500. Innofactor considers the HKL's decision on cancelling the procurement decision to be clearly in violation of the Procurement Act, and Innofactor will make a complaint about the matter to The Market Court, unless the City of Helsinki changes the decision. The legal process concerning the legality of the decision will possibly take about 2-3 years. The Local Government Act still gives the Helsinki City Government the right to take the matter into handling, and this gives the City Government the option to overrule the HKL Board decision.

On January 28, 2016, Innofactor announced in a stock exchange release that in a tendering process governed by a framework agreement, the Hospital District of Helsinki and Uusimaa (HUS) has selected Innofactor as the provider for transferring application and infrastructure solutions into cloud services and as the provider of continuous services and expert services related to the cloud services. In its invitation to tender, HUS estimated that the value of the delivery would be about EUR 1.5 million during the contract period of 2016–2017. However, the final value of the deal during the contract period cannot be stated for certain at this point. The delivery also includes cloud architecture development, application and infrastructure service design/planning for individual projects and implementation of HUS' own solutions, such as Virtual Hospitals. Project deliveries and services related to the cloud transfer are planned to be delivered in stages during 2016–2017.

On February 22, 2016, Innofactor published a flagging announcement pursuant to Chapter 9, Section 10 of the Finnish Securities Markets Act, stating that as a result of a share transaction made on February 22, 2016, Jyrki Salminen's ownership of Innofactor Plc has decreased below 5 percent. After this, Salminen has 1,111,149 shares, which corresponds with 3.32% of the shares and votes.

On February 29, 2016, Innofactor announced in a stock exchange release that Innofactor has redeemed its EUR 3.2 million hybrid bond in full in cash. Innofactor has no other hybrid bonds. Innofactor did not take a new bank loan to redeem the hybrid bond. On February 29, 2016, Innofactor had bank loans for a total of approximately EUR 11.3 million.

On February 29, 2016, Innofactor announced in a stock exchange release that the market making agreement for Innofactor Plc's share is transferred from FIM to S-Pankki. Innofactor signed a market making agreement with S-Pankki, starting from March 1, 2016, on the same terms the old agreement with FIM that ended on February 29, 2016.

There are no other significant events in Innofactor after the financial period.

The Preliminary Acquisition Cost Calculation for Cinteros AB

On December 21, 2015, Innofactor Plc signed an agreement on acquiring the entire share capital of Cinteros AB from the company's management. According to the agreement published by the company on December 22, 2015, the purchase price will be determined by Cinteros' realized operating margin in 2016 and growth of sales in 2017. The Enterprise Value (EV) is a minimum of approximately SEK 25 million (approximately EUR 2.7 million) and it was paid in SEK as the agreement was signed on January 8, 2016, and all of Cinteros AB shares were transferred to the ownership of Innofactor. In connection with signing the agreement, the sellers were paid approximately SEK 28 million in cash (approximately EUR 3.1 million). The payment in its entirety was financed with a new bank loan.

The rest of the Enterprise Value, which is a maximum of SEK 49 million (at the exchange rate of the time of publishing the deal, a maximum of EUR 5.3 million), is intended to be paid mainly in Innofactor shares during 2017 and 2018. The Enterprise Value (EV) is a maximum of SEK 74 million (at the exchange rate of the time of publishing the deal, a maximum of EUR 8.0 million). The part of the purchase price to be paid in shares includes a transfer restriction, which will be gradually released during a period of 36 months and which concerns 75 percent of the shares.

The figures for Cinteros AB will be consolidated into the Innofactor Group's balance sheet as of January 1, 2016, and, thus, they are not included in the balance sheet of December 31, 2015. Cinteros AB's name will be changed to Innofactor AB around the middle of 2016, after which the Cinteros services will be offered under the Innofactor brand.

The acquisition cost according to IFRS is the estimated purchase price of the shares, which in the preliminary acquisition cost calculation is EUR 9,342 thousand and has been presented in more detail in the following

calculation. The calculation is preliminary and is based on the unaudited figures of Cinteros AB for 2015.

The values of the assets and liabilities arising from acquisitions were the following at acquisition:

The values are based on a preliminary acquisition cost calculation.

EUR thousand	Preliminary values registered for consolidation
Tangible assets	82
Intangible assets	2,198
Deferred tax assets	67
Non-current deposits	97
Trade and other receivables	2,856
Cash and cash equivalents	1,858
Total assets	7,159
Other payables *)	3,877
Total liabilities	3,877
Net assets	3,281
Acquisition cost **)	9,342
Goodwill	6,060
*) Includes a deferred tax liability of 440	
**) Cash 4,073, conditional compensation 5,269	
Purchase price paid in cash	4,073
Cash funds of the acquired subsidiary	1,858
Cash flow effect	-2,215

The value of the customer contracts and the related customer relationships included in the intangible assets (EUR 2,198 thousand) has been defined on the basis of the estimated life time of customer relationships and the discounted net cash flows resulting from current customer relationships.

The acquisition created a preliminary goodwill of EUR 6,060 thousand. The goodwill is based on the expected synergy benefits arising from the acquisition of Cinteros AB and on making use of the common sales and marketing network in the group and expanding customer relationships.

Parent Company Financial Statements, FAS

EUR

PARENT COMPANY FINANCIAL STATEMENTS	Note	Jan 1–Dec 31, 2015	Jan 1–Dec 31, 2014
		12 months	12 months
NET SALES	1	3,972,846	3,560,675
Other operating income	2	76,644	56,530
Personnel expenses	3	-2,185,382	-2,135,400
Depreciation			
Planned depreciation	4	-16,160	-7,503
Other operating expenses		-1,901,960	-1,558,131
OPERATING PROFIT		-54,012	-83,830
Financial income and expenses	5		
Interest and financial income		1,422,414	1,316,912
Interest and other financial expenses		-370,262	-467,892
EARNINGS BEFORE EXTRAORDINARY ITEMS		998,141	765,190
Extraordinary items			
Extraordinary income	6	0	1,500,000
PROFIT FOR THE FINANCIAL PERIOD		998,141	2,265,190

Balance Sheet, FAS

EUR

ASSETS	Note	Dec 31, 2015	Dec 31, 2014
NON-CURRENT ASSETS			
Intangible assets			
Intangible rights		5,642	4,333
Tangible assets			
Machinery and equipment	7	45,635	22,460
Investments			
Shares in group companies	8	28,190,237	29,470,805
Other shares and holdings		62,100	0
TOTAL NON-CURRENT ASSETS		28,303,614	29,497,598
CURRENT ASSETS			
Receivables			
Long term			
Loan receivables		663,329	122,840
Other receivables		23,669,322	20,151,023
Short term			
Trade receivables	9	4,911,614	4,199,958
Accrued income		174,742	1,912,284
Cash and bank receivables		249,726	246,397
TOTAL CURRENT ASSETS		29,668,733	26,632,502
ASSETS		57,972,348	56,130,100

EUR

LIABILITIES	Note	Dec 31, 2015	Dec 31, 2014
SHAREHOLDERS' EQUITY			
	10		
Share capital		2,100,000	2,100,000
Revaluation fund		2,000,000	2,000,000
Fund for invested unrestricted equity		22,898,171	21,740,371
Treasury shares		-345,249	0
Profit from the previous financial periods		14,815,354	12,550,164
Profit/loss for the financial period		998,141	2,265,190
Total shareholders' equity		42,466,416	40,655,725
LIABILITIES			
	11		
Non-current			
Loans from financial institutions		1,464,230	2,308,938
Hybrid bonds		3,200,000	3,200,000
Current			
Loans from financial institutions		844,708	844,708
Trade payables		59,908	41,330
Other payables		9,422,814	6,951,727
Accrued expenses		514,272	2,127,672
Total liabilities		15,505,932	15,474,375
LIABILITIES		57,972,348	56,130,100

Parent Company Cash Flow Statement

EUR	Jan 1–Dec 31, 2015	Jan 1–Dec 31, 2014
Cash flow from operating activities		
Operating profit/loss	-54,012	-83,830
Adjustments:		
Depreciation	16,160	7,503
Non-cash transactions	1,223,621	1,092,519
Change in working capital		
Change in trade or other receivables	-143,987	-465,683
Change in trade and other payables	1,917,145	990,919
Interests received	198,793	224,393
Paid interests and other financial expenses	-370,262	-436,346
Total cash flow from operating activities	2,787,459	1,329,474
Cash flow from investments		
Investments in subsidiary shares	-1,853,141	0
Selling of subsidiary shares	3,133,708	0
Reinforcement of the shareholders' equity of the subsidiaries	0	-900,000
Investments in fixed assets	-40,644	-29,825
Total cash flow from investments	1,239,923	-929,825
Cash flow before financing	4,027,381	399,650
Cash flow from financing		
Changes in short-term and long-term loans	-844,708	-422,354
Loans granted	-2,951,016	-176,338
Payments received from share issue	116,920	0
Purchase of treasury shares	-345,249	0
Total cash flow from financing	-4,024,053	-598,692
Change in cash and cash equivalents as per cash flow statement	3,329	-199,042
Change in cash and cash equivalents	3,329	-199,042
Cash and cash equivalents, opening balance	246,397	445,440
Cash and cash equivalents, closing balance	249,726	246,397

Parent Company, Notes to Financial Statements

Accounting Principles Used in the Parent Company's Financial Statements

The financial statements of Innofactor Plc for the financial period of 2015 have been prepared in accordance with the provisions of the Finnish Accounting Act (FAS).

Intangible and Tangible Assets

The intangible and tangible assets have been recognized at historical cost less planned depreciation. Planned depreciation has been calculated on the basis of the assets' economic lives as follows:

- intangible assets 3 years
- tangible assets 3–5 years

Securities Included in Financial Assets

Securities included in financial assets have been measured at the acquisition price or the market price, whichever is lower.

Items in Foreign Currency

Items in foreign currency have been converted using the weighted average rate quoted by the European Central Bank at the closing date.

Notes to the Financial Statements (EUR)

1. Net sales (EUR) by market area	2015	2014
Finland	3,511,660	3,067,629
Rest of Europe	461,186	493,046
Total net sales	3,972,846	3,560,675
2. Other operating income	2015	2014
Rental revenue	36,000	56,530
Other operating income	40,644	0
Total other operating income	76,644	56,530
3. Personnel expenses	2015	2014
Wages and salaries	1,794,326	1,740,671
Pension expenses	319,870	305,886
Other indirect employee costs	71,186	88,844
Total personnel expenses	2,185,382	2,135,400
Management salaries and fees	598,213	606,844
Average number of personnel	24	18
4. Planned depreciation	2015	2014
For intangible rights	2,167	2,167
For machinery and equipment	13,994	5,336
Total	16,160	7,503

The CEO's retirement age and the basis for calculating the pension comply with the effective Employee Pensions Act. The mutual term of notice of the CEO is 6 months. If the company terminates the CEO's contract, the CEO will be paid the salary for the period of notice and also, as a compensation for the termination, a one-time payment equaling to the CEO's 12 months' salary.

5. Financial income and expenses	2015	2014
Interests and other financial income		
From companies of the group	1,422,258	1,316,361
From others	156	550
Total interests and other financial income	1,422,414	1,316,912
Interest and other financial expenses		
Interest expenses to others	-369,784	-467,145
Other financial expenses	-478	-747
Total interests and other financial expenses	-370,262	-467,892
Total financial income and expenses	1,052,152	849,019

6. Extraordinary income and expenses	2015	2014
Extraordinary income		
Group contribution	0	1,500,000
Total extraordinary income and expenses	0	1,500,000

Balance Sheet Notes (EUR)

7. Tangible assets	2015	2014
Intangible assets		
Opening balance	4,333	0
Increases during the financial period	3,475	6,500
Acquisition cost	7,808	6,500
Depreciation for the period	-2,167	-2,167
Closing balance	5,642	4,333
Tangible assets		
Opening balance	22,460	4,471
Increases during the financial period	37,168	23,324
Acquisition cost	59,628	27,795
Depreciation for the period	-13,994	-5,336
Closing balance	45,635	22,460

8. Investments	2015	2014
Opening balance	29,470,805	18,570,805
Increases during the financial period	1,853,141	10,900,000
Decreases during the financial period	-3,133,708	0
Closing balance	28,190,238	29,470,805

Shares and holdings of the parent company

Subsidiary shares:	Domicile	Country	Carrying amount
Innofactor Software Ltd	Espoo	Finland	22,405,715
Innofactor Holding ApS	Copenhagen	Denmark	2,384,522
Innofactor Business Solutions Ltd	Espoo	Finland	3,400,000
Innofactor SW Ltd	Espoo	Finland	0
Subsidiary shares in total			28,190,237

9. Receivables	2015	2014
Trade receivables from group companies:		
Trade receivables Innofactor Software Ltd	2,138,190	1,848,422
Trade receivables Innofactor A/S	0	179,170
Trade receivables Innofactor Business Solutions Ltd	2,148,482	1,902,095
Trade receivables Innofactor CS Ltd	52,585	49,906
Trade receivables Innofactor Business Solutions ApS	194,222	49,310
Trade receivables Innofactor Holding ApS	333,187	159,895
Total trade receivables from group companies	4,866,666	4,188,798

Other receivables from group companies		
Other receivables, group contribution	10,663,942	12,904,136
Loan receivable Innofactor A/S	0	256,338
Loan receivable Innofactor Holding ApS	5,040,000	2,088,985
Capital loan receivable Innofactor Business Solutions Ltd	7,965,379	6,741,757
Total other receivables from group companies	23,669,322	21,991,216

10. Shareholders' equity	2015	2014
Shareholders' equity, opening balance	2,100,000	2,100,000
Shareholders' equity, closing balance	2,100,000	2,100,000
Revaluation fund, opening balance	2,000,000	2,000,000
Revaluation fund, closing balance	2,000,000	2,000,000
Unrestricted shareholders' equity		
Fund for invested unrestricted equity, opening balance	21,740,370	20,172,067
Directed issue to the owners of atBusiness Oy	0	0
Directed issue to the personnel	626,400	0
Directed issue to the owners of Enabling	531,400	1,568,303
Purchase of treasury shares	-345,249	0
Fund for invested unrestricted equity, closing balance	22,552,921	21,740,370
Profit/loss from the previous periods, opening balance	14,815,355	12,550,165
Cancellation of treasury shares	0	0
Profit from the previous financial periods, closing balance	14,815,355	12,550,165
Result for the financial period	998,141	2,265,190
Total unrestricted shareholders' equity	38,366,416	36,555,725
Total shareholders' equity	42,466,416	40,655,725
Calculation of distributable funds	2015	2014
Result from the previous financial periods	14,815,355	12,550,165
Profit for the financial period	998,141	2,265,190
Fund for invested unrestricted equity	22,552,921	21,740,370
Total	38,366,416	36,555,725

11. Liabilities	2015	2014
Non-current liabilities		
Loans from financial institutions	1,464,230	2,308,938
Hybrid bonds	3,200,000	3,200,000
Total non-current liabilities	4,664,230	5,508,938
Current liabilities		
Loans from financial institutions	844,708	844,708
Trade payables	59,908	41,330
Other payables	836,326	719,593
Accrued expenses	514,272	2,127,672
Liabilities to group companies		
Loans Innofactor Software Oy	8,586,488	6,232,134
Total current liabilities	10,841,702	9,965,437
12. Commitments and contingent liabilities	2015	2014
Bank guarantees		
Bank guarantee has been given as collateral for rental agreements	252,960	252,960
Lease liabilities		
To be paid on the next financial period	62,126	39,605
To be paid later	113,398	128,716
Total	175,524	168,321
Rental liabilities	2015	2014
To be paid on the next financial period	1,025,238	1,025,238
To be paid later	2,563,096	3,588,334
Total	3,588,334	4,613,572
Mortgages on company assets as collateral for loan		
Mortgages on company assets as collateral for loan	4,000,000	4,000,000

Board of Directors' Proposal on the Distribution of Profits

At the end of the financial period of 2015, the distributable assets of Innofactor Plc are EUR 38,366,416.05. The Board of Directors proposes that no dividend be distributed for the financial period of 2015.

Company Shares

Innofactor Plc has one series of shares. The number of shares is 33,453,737. The share has no nominal value. One share entitles the holder to one vote at the General Meeting. All shares entitle their holders to dividends of equal value. Innofactor Plc's share capital, paid in full and entered in the Trade Register, is EUR 2,100,000.00.

Books of Account

- General ledger as computer printout
- Journal as computer printout
- Accounts payable ledger as computer printout
- Accounts receivable ledger as computer printout
- Balance book for the financial period in bound format

Voucher Types

- General ledger vouchers
- Purchase vouchers
- Sales vouchers
- Bank vouchers

Storing the Accounting Material

Innofactor Plc, Keilaranta 9, 02150 Espoo

INNOFACTOR PLC

SIGNATURES FOR THE FINANCIAL STATEMENTS AND ANNUAL REPORT

Espoo, February 29, 2016

Sami Ensio
CEO

Ari Rahkonen
Chairman of the Board of Directors

Jukka Mäkinen
Board Member

Ilari Nurmi
Board Member

Pekka Puolakka
Board Member

J.T. Bergqvist
Board Member

AUDITOR'S NOTE

The report on the audit has been issued today.

Helsinki, February 29, 2016

Ernst & Young Oy
Authorized Public Accountant Firm

Juha Hilmola, APA

Additional Information

Shareholding

On December 31, 2015, Innofactor Plc had 10 771 shareholders including the administrative registers (8). The share of administratively registered shares was 8.2% of the total number of shares.

Distribution of shareholding at December 31, 2015

Shares	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of shares
1-100	7,318	67.94	199,759	0.60
101-1 000	2,340	21.73	972,973	2.91
1 001-10 000	918	8.52	2,933,967	8.77
10 001-100 000	159	1.48	4,356,408	13.02
over 100 000	36	0.33	24,990,630	74.70
Total	10,771	100.0	33,453,737	100.0

Shareholders by shareholder group December 31, 2015 (% of shares)

Other foreign	1.28
Administratively registered	8.22
Financial and insurance institutions	0.51
Enterprises	4.61
Public entities	0.00
Non-profit organizations	0.00
Private households	85.38
Total	100.00

Calculation of Key Figures

Percentage of return on equity:

$$\frac{\text{Profit or loss before taxes} - \text{Taxes}}{\text{Shareholders' equity}}$$

Percentage of return on investment:

$$\frac{\text{Profit or loss before taxes} + \text{Interest and other financial expenses}}{\text{Shareholders' equity} + \text{Interest bearing financial liabilities}}$$

Net gearing:

$$\frac{\text{Interest bearing liabilities} - \text{Cash funds}}{\text{Shareholders' equity}}$$

Equity ratio, %:

$$\frac{\text{Shareholders' equity}}{\text{Balance sheet total} - \text{Advances received}}$$

Result / Share:

$$\frac{\text{Profit before taxes attributable to equity holders of the parent} - \text{Taxes}}{\text{Average number of shares on the financial period adjusted after the share issue}}$$

Shareholders' equity / Share:

$$\frac{\text{Shareholders' equity attributable to equity holders of the parent}}{\text{Undiluted number of shares on the date of the financial statement}}$$

Auditor's Report

To the Annual General Meeting of Innofactor Plc

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Innofactor Plc for the year ended 31 December, 2015. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

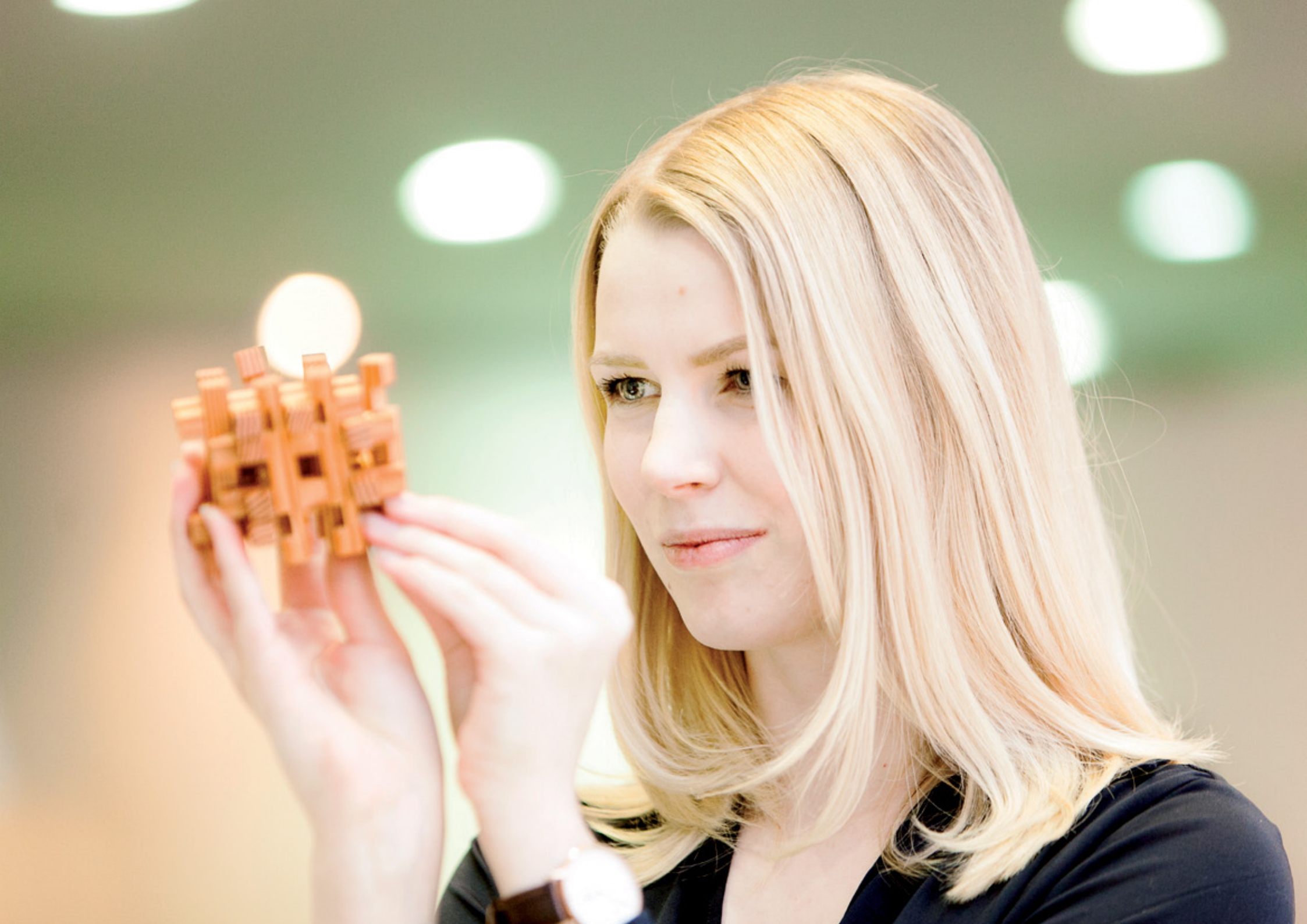
Opinion on the Company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, 29 February 2016

Ernst & Young Oy,
Authorized Public Accountant Firm

Juha Hilmola,
Authorized Public Accountant



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