

Innofactor Plc Interim Report July 19, 2016, at 8:30 Finnish time

Innofactor Plc's Interim Report for January 1–June 30, 2016 (IFRS)

The best second quarter in history in terms of net sales and operating margin (EBITDA)

April–June 2016 in brief:

- The net sales were approximately EUR 15.2 million, which shows an increase of 34.1%.
- The operating margin (EBITDA) was approximately EUR 1.1 million (7.0% of the net sales), which shows an increase of 119.1%.
- Operating profit was EUR 446 thousand (2015: 139) and grew 220.9%. The net sales were lowered by increased write-offs related to acquisitions, in accordance with IFRS 3, EUR 445 thousand (2015: 120).

January–June 2016 in brief:

- The net sales were approximately EUR 29.8 million, which shows an increase of 32.3%.
- The operating margin (EBITDA) was approximately EUR 2.0 million (6.6% of the net sales), which shows an increase of 64.1%.
- Operating profit was EUR 752 thousand (2015: 510) and grew by 47.5%. The net sales were affected by increased depreciations related to acquisitions, in accordance with IFRS 3, EUR 910 thousand (2015: 241).
- Innofactor's operating cash flow in the review period remained strong and was approximately EUR 2.9 million.

	Apr 1– Jun 30 2016	Apr 1– Jun 30 2015*	Change	Jan 1– Jun 30 2016	Jan 1– Jun 30 2015*	Change	Jan 1– Dec 31 2015*
Net sales, EUR thousand	15,224	11,352	34.1%	29,821	22,540	32.3%	44,452
Operating margin (EBITDA), EUR thousand	1,067	487	119.1%	1,982	1,208	64.1%	3,705
percentage of net sales	7.0%	4.3%		6.6%	5.4%		8.3%
Operating profit/loss (EBIT), EUR thousand**	446	139	220.9%	752	510	47.5%	2,542
percentage of net sales**	2.9%	1.2%		2.5%	2.3%		5.7%
Earnings before taxes, EUR thousand**	396	-204	294.1%	567	55	930.9%	1,935
percentage of net sales**	2.6%	-1.8%		1.9%	0.2%		4.4%
Earnings, EUR thousand**	294	-163	280.4%	436	44	900.0%	1,548
percentage of net sales**	1.9%	-1.4%		1.5%	0.2%		3.5%
Net gearing	52.2%	35.1%		52.2%	35.1%		34.1%
Equity ratio	39.3%	52.3%		39.3%	52.3%		56.9%
Active personnel on average during the review period***	500	407	22.9%	501	402	24.6%	427
Earnings per share (EUR)	0.0096	-0.0050	290.7%	0.0137	0.0014	893.7%	0.0475

*) 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, for the year 2015 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 was a decrease of approximately EUR 552 thousand in the operating margin (EBITDA). Of this, approximately EUR 155 thousand was for the period of April 1–June 30, 2015, and approximately EUR 238 thousand for the period of January 1–June 30, 2015, and the entire year 2015. 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.

**) In accordance with IFRS 3, the operating profit for April 1–June 30, 2016, includes EUR 455 thousand (2015: 120) in depreciations related to acquisitions, concerning the allocations of the purchase price to intangible assets. Adjusted for the said depreciations, Innofactor's operative business profit for the review period of April 1–June 30, 2016, would have been EUR 901 thousand (2015: 259), the operative business result before taxes EUR 851 thousand (2015: -84), the operative business result EUR 681 thousand (2015: -67), and the operative business result per share EUR 0.0207 (2015: -0.0021). The operating profit for January 1–June 30, 2016, includes EUR 910 thousand (2015: 241) in depreciations related to acquisitions, concerning the allocations of the purchase price to intangible assets. Adjusted for the said depreciations, Innofactor's operative business profit for the review period of January 1–June 30, 2016, would have been EUR 1,662 thousand (2015: 751), the operative business result before taxes EUR 1,477 thousand (2015: 296), the operative business result EUR 1,182 thousand (2015: 236), and the operative business result per share EUR 0.0358 (2015: 0.0073).

***) The Innofactor Group monitors the number of active personnel. The number of active personnel does not include employees who are on a leave of over 3 months.

Innofactor's future outlook for 2016 remains the same

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 (EBITDA) was EUR 3.7 million.

CEO Sami Ensio's review: Profitable growth in Q2

In the second quarter of 2016, Innofactor continued profitable growth in accordance with its strategy. The net sales grew 34.1 percent (net sales EUR 15.2 million). Innofactor estimates that the Nordic IT market will grow slightly faster in 2016 than in the previous year. The estimate remains the same regardless of Brexit. The market growth is believed to also increase Innofactor's growth possibilities.

In the second quarter of 2016, the operating margin (EBITDA) was EUR 1.1 million (7.0 percent of the net sales) and grew 119.1 percent from the previous year. In Innofactor's history, the end of the year has typically been better in terms of operating margin (EBITDA) than the beginning of the year.

In the first half of 2016, Innofactor's net sales grew 32.3 percent (net sales approximately EUR 29.8 million). The operating margin (EBITDA) was approximately EUR 2.0 million, which shows an increase of 64.1 percent since last year. The cash flow from business activities in the first half of the year remained strong and was approximately EUR 2.9 million.

The name of the Swedish company Cinteros AB, acquired by Innofactor at the beginning of 2016, was changed to Innofactor AB at the beginning of June. The company's integration, net sales and profitability have developed favorably. We believe that we can finish the main parts of the integration according to the plan and in schedule by the end of 2016.

Innofactor got some significant orders during the second quarter. Innofactor's order book grew, for example, due to the agreement for delivering an Azure-based Integrated Management System, which is based on Innofactor's out-of-the-box Quality First product, to ABB Oy in Finland and the Baltic countries, valued at approximately EUR 925 thousand.

Innofactor's Board of Directors appointed Patrik Pehrsson as the Group's new Chief Financial Officer (CFO) starting from October 1, 2016. He assumes this task after working as the CFO at Microsoft Oy. I am very happy to get Patrik into our team. I have known him for a long time, due to our cooperation with Microsoft. I am convinced that as the CFO, he can offer us the kind of business outlook and management support that Innofactor's growth and globalization needs. Our goal is to change our financial management so that it will guide our future development more than before. Our current CFO Janne Martola will continue in his position until Pehrsson will start.

We think that Innofactor has good prerequisites to continue growing its business operations profitably in 2016.

Innofactor is still actively looking for new strategic partnerships in the Nordic Countries. The Group's goal is to grow both organically and through acquisitions.

Strategy and its realization in January–June 2016

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 customers include companies and public and third sector organizations. At the moment, Innofactor's operations are focused on Finland, Sweden and Denmark. Innofactor's strategy is to actively expand its operations in the Nordic Countries, which may happen either organically or through acquisitions.

Innofactor's mission: We 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 companies, public sector and third sector 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

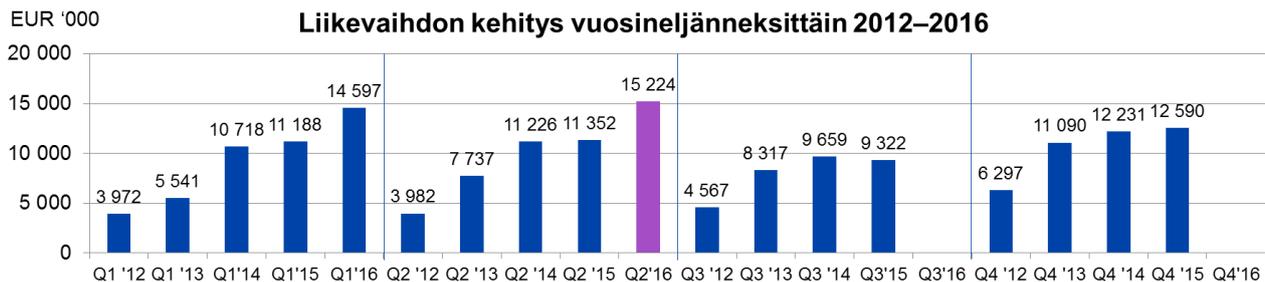
The growth of 32.3 percent in Innofactor's net sales in the review period of January 1–June 30, 2016, matched the planned growth rate stated in the strategy.

Innofactor's operating margin (EBITDA) in relation to net sales was 6.6 percent in the review period of January 1–June 30, 2016. According to the strategy, the annual EBITDA should be over 10 percent. Typically, Innofactor's profitability has improved towards the end of the year.

Innofactor's operating cash flow in the review period of January 1–June 30, 2016, was EUR 2.9 million positive (2015: EUR 3.5 million). Innofactor's financial stability is good. Net gearing at the end of the review period was 52.2 percent (2015: 35.1 percent).

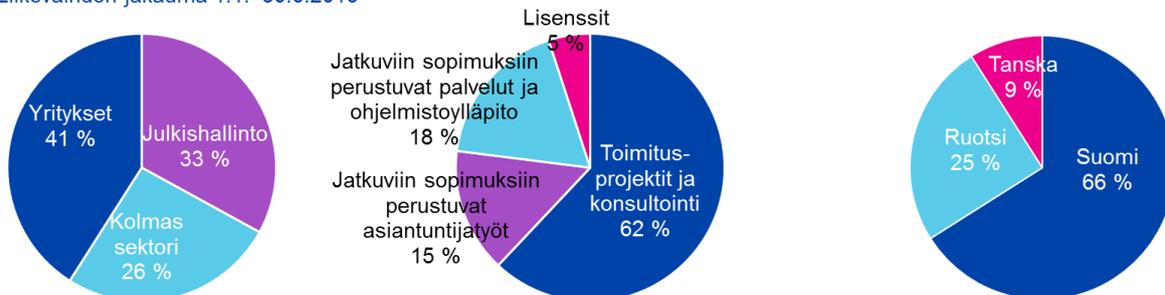
The acquisition of Cinteros AB, agreed on in December 2015, was realized on January 8, 2016.

Innofactor's net sales and operating margin (EBITDA) grew significantly during the review period



Innofactor's net sales on April 1–June 30, 2016, were EUR 15,224 thousand (2015: 11,352), which shows an increase of 34.1 percent, and on January 1–June 30, 2016, the net sales were EUR 29,821 thousand (2015: 22,540), which shows an increase of 32.3 percent.

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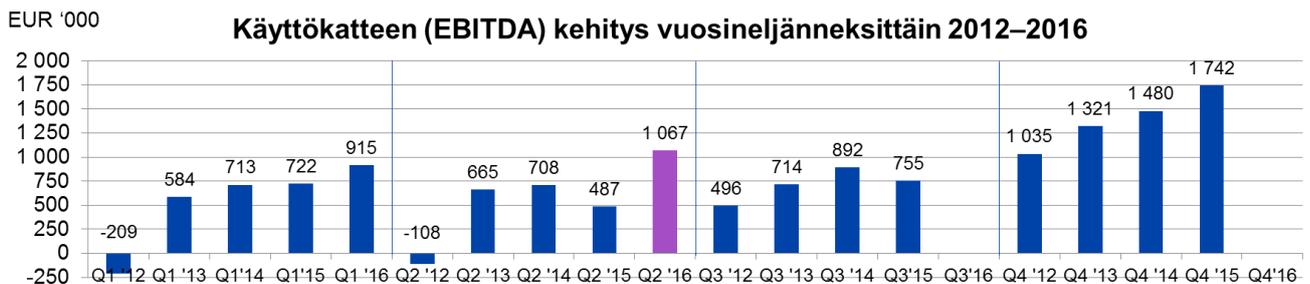
Innofactor's business operations were focused on Finland, Sweden and Denmark. In January 1–June 30, 2016, approximately 66 percent of the net sales came from Finland, approximately 25 percent from Sweden and approximately 9 percent from Denmark.

Of the net sales in January 1–June 30, 2016, approximately 41% came from commercial clients, approximately 33% from public sector clients and approximately 26% from third sector clients.

Innofactor's net sales in the review period of January 1–June 30, 2016, came from the following sources:

- approximately 61% from IT system delivery projects and consulting
- approximately 15% from specialist work based on recurring service contracts, such as smaller customer-specific changes and further development of IT systems
- approximately 18% from services based on recurring service contracts, such as SaaS, cloud and hosting services, and from software maintenance
- approximately 5% from licenses, of which the share of licensing income to third parties was about 3% of net sales

Innofactor's 10 largest clients accounted for approximately 33 percent of the net sales during the review period January 1–June 30, 2016. The significant growth compared to the previous year (2015: 22 percent) is mainly due to the fact that the Swedish subsidiary Innofactor AB (former Cinteros AB), which became part of Innofactor on January 1, 2016, has several ongoing major projects at the moment.



Innofactor's operating margin (EBITDA) on April 1–June 30, 2016, was EUR 1,067 thousand (2015: 487), which shows an increase of 119.1 percent. EBITDA accounted for 7.0 percent of the net sales (2015: 4.3%). Innofactor's operating profit in April 1–June 30, 2016, was EUR 446 thousand (2015: 139), which shows an increase of 220.9 percent. Operating profit accounted for 2.9 percent of the net sales (2015: 1.2%).

Innofactor's operating margin (EBITDA) on January 1–June 30, 2016, was EUR 1,982 thousand (2015: 1,208), which shows an increase of 64.1 percent. EBITDA accounted for 6.6 percent of the net sales (2015: 5.4%). Innofactor's operating profit in January 1–June 30, 2016, was EUR 752 thousand (2015: 510), which shows an increase of 47.5 percent. Operating profit accounted for 2.5 percent of the net sales (2015: 2.3%).

Acquisitions are a central part of Innofactor's strategy. Depreciations of intangible rights resulting from acquisitions vary greatly depending on how valuable the customer contracts and technology of the acquired company are estimated to be and also in what kind of schedule the resulting intangible rights will be depreciated. For this reason, the company's view is that instead of the operating profit, the primary measure for profitability should be the operating margin (EBITDA), because it is not affected by the said depreciations.

The growth of Innofactor's net sales and operating margin (EBITDA) in the review period was affected by the acquisition of the Swedish company Cinteros AB (current Innofactor AB), whose figures have been incorporated into Innofactor figures as of January 1, 2016.

In accordance with IFRS 3, the operating profit for April 1–June 30, 2016, includes EUR 455 thousand (2015: 120) in depreciations related to acquisitions, concerning the allocations of the purchase price to intangible assets. Adjusted for the said depreciations, Innofactor's operative business profit for the review period of April 1–June 30, 2016, would have been EUR 901 thousand (2015: 259), which shows an increase of 247.5 percent. The operating profit for January 1–June 30, 2016, includes EUR 910 thousand (2015: 241) in depreciations related to acquisitions, concerning the allocations of the purchase price to intangible assets. Adjusted for the said depreciations, Innofactor's operative business profit for January 1–June 30, 2016, would have been EUR 1,662 thousand (2015: 751), which shows an increase of 121.4 percent.

Innofactor's operating cash flow in the review period remained strong

Innofactor's balance sheet total at the end of the review period was EUR 56,667 thousand (2015: 45,480). The growth in the balance sheet total was mainly due to the acquisition of Cinteros AB. The Group's liquid assets totaled EUR 1,272 thousand (2015: 1,138), consisting totally of cash funds.

The operating cash flow remained strong, and in January 1–June 30, 2016, it was EUR 2,913 thousand (2015: 3,528). The investment cash flow was significantly affected by the acquisition of Cinteros AB, realized during the review period, and it was EUR -2,423 thousand (2015: -293).

The equity ratio at the end of the review period was 39.3 percent (2015: 52.3%) and net gearing was 52.2 percent (2015: 35.1%). During the review period, Innofactor redeemed the EUR 3.2 million hybrid bond, which decreased the equity ratio and increased the net gearing.

At the end of the review period, the company had EUR 5,707 thousand in current interest bearing liabilities (2015: 3,078) and EUR 6,839 thousand in non-current interest bearing liabilities (2015: 6,153). The total amount of interest bearing liabilities was EUR 12,546 thousand (2015: 9,231). For the acquisition of Cinteros AB, the company took loans for approximately EUR 4.1 million during the review period, which increased the amount of interest bearing liabilities.

The return on investment in January 1–June 30, 2016, grew from the previous year and was 4.5 percent (2015: 3.2%).

The return on equity in January 1–June 30, 2016, grew from the previous year and was 3.9 percent (2015: 0.4%).

The non-current assets in Innofactor's balance sheet at the end of the review period were EUR 38,596 thousand in total and consisted of the following items:

- Tangible assets EUR 490 thousand
- Goodwill EUR 22,195 thousand
- other intangible assets EUR 8,779 thousand
- Shares and holdings EUR 62 thousand
- Receivables EUR 663 thousand
- Deferred tax assets EUR 6,407 thousand

Innofactor's gross investments in tangible assets in the review period of January 1–June 30, 2016, were EUR 166 thousand (2015: 259), consisting of normal additional and replacement investments required by growth.

The write-offs on intangible assets were EUR 964 thousand (2015: 418). The growth was mainly due to increased write-offs on intangible assets resulting from the Cinteros AB acquisition.

Innofactor's research and product development investments increased significantly

In the Innofactor strategy, renewed at the end of 2015, the role of product and service development has gained more importance and investments for 2016 have been increased. The acquisition of Cinteros AB, realized at the beginning of 2016, and its products that have thus become Innofactor's products support this strategic development.

In the product development during the review period, focus was on further development of existing products and supporting the growth of product-based business. A significant part of the Group's research and product development costs in the review period were due to the further development of the Membership Management Solutions product that Innofactor gained in the Cinteros AB acquisition.

Innofactor's research and development costs recognized in profit or loss for April 1–June 30, 2016, were approximately EUR 895 thousand (2015: 668), which accounts for 5.9 percent of the net sales (2015: 5.9%).

Innofactor's research and development costs recognized in profit or loss for January 1–June 30, 2016, were approximately EUR 1,748 thousand (2015: 1,071), which accounts for 5.9 percent of the net sales (2015: 4.8%).

Innofactor's net sales per person continued to grow

Primarily, Innofactor monitors the number of active personnel. The number of active personnel does not include employees who are on a leave of over 3 months.

In the Cinteros AB acquisition, realized at the beginning of the year, approximately 100 new employees were transferred to Innofactor in Sweden.

The average number of active personnel in April 1–June 30, 2016, was 500 persons (2015: 407), which shows an increase of 22.9 percent.

The average number of active personnel in January 1–June 30, 2016, was 501 persons (2015: 402), which shows an increase of 24.6 percent.

In the review period January 1–June 30, 2016, net sales per active person was approximately EUR 59.5 thousand (2015: 56.1), which shows an increase of EUR 3.5 thousand per person.

At the end of the review period, the number of active personnel was 502 (2015: 412), which shows an increase of 21.8 percent.

At the end of the review period, the average age among personnel was slightly lowered and was 39.5 years (2015: 39.6).

Women's share continue to grow and was 29 percent (2015: 25%) of the personnel. Men accounted for 71 percent (2015: 75%) of the personnel.

Other events in the review period

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 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 load to redeem the hybrid bond. Currently, Innofactor has bank loans for a total of approximately EUR 11.3 million.

On March 29, 2016, Innofactor announced in a stock exchange release that the share repurchase program started in autumn 2015 has ended. The Board of Directors decided to cancel the 552,360 treasury shares.

On April 18, 2016, Innofactor announced in a stock exchange release that the company had cancelled 552,360 treasury shares. The cancellation of the shares has been registered in the Trade register on April 18, 2016. After the registrations, the total number of Innofactor Plc shares is 32,901,377.

On May 13, 2016, Innofactor announced in a stock exchange release that Innofactor Plc's CFO and deputy CEO Janne Martola has handed in his resignation on his own initiative on May 12, 2016. Innofactor's Board of Directors and Martola have agreed that Martola will continue as the CFO until the end of the third quarter on September 30, 2016.

On June 7, 2016, Innofactor announced in a stock exchange release that in its meeting on June 6, 2016, 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 2.43% 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 29, 2016, to acquire a maximum of 8,000,000 shares. The acquisition of own shares will start at the earliest on July 1, 2016, and will end on March 31, 2017, at the latest.

On June 23, 2016, Innofactor announced in a stock exchange release that ABB Oy in Finland and Innofactor Plc signed an agreement on June 23, 2016, concerning the delivery of an Azure-based Integrated Management System to be used by ABB in Finland and the Baltic countries. The total value of the agreement is approximately EUR 925 thousand. The solution is based on Innofactor's Quality First out-of-the-box product, and the management system is used in a Microsoft Azure cloud environment. The three-year agreement encompasses management system licenses and their maintenance, the delivery project, support and maintenance services as well as Innofactor's Azure Managed Services.

Share and shareowners

At the end of the review period, Innofactor Plc's share capital was EUR 2,100,000.00 and the total number of shares was 32,901,377. The company held no treasury shares at the end of the review period. Innofactor Plc has one series of shares. Each share is entitled to one vote.

On April 1–June 30, 2016, the highest price of the company share was EUR 0.96 (2015: EUR 1.16), the lowest price was EUR 0.75 (2015: EUR 0.92), and the average* price was EUR 0.84 (2015*: EUR 1.04).

On January 1–June 30, 2016, the highest price of the company share was EUR 1.00 (2015: EUR 1.20), the lowest price was EUR 0.75 (2015: EUR 0.76), and the average* price was EUR 0.85 (2015*: EUR 1.03).

The closing price for the review period on June 30, 2016, was EUR 0.82 (2015: EUR 0.94).

* 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 on April 1–June 30, 2016, a total of 1,546,931 shares were traded (2015: 1,373,650 shares), which corresponds to 4.7 percent (2015: 4.3%) of the average number of shares on the said period. On April 1–June 30, 2016, there were 32,954,980 shares on the average (2015: 32,318,572*). The share trading increased by 12.6 percent compared to the corresponding period in 2015.

In public trading on January 1–June 30, 2016, a total of 3,955,144 shares were traded (2015: 4,461,303 shares), which corresponds to 12.0 percent (2015: 13.8%) of the average number of shares on the said period. On January 1–June 30, 2016, there were 33,024,053 shares on the average (2015: 32,236,610*). The share trading decreased by 11.3 percent compared to the corresponding period in 2015.

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

The market value of the share capital at the closing price of the review period, EUR 0.82, on June 30, 2016, was EUR 26,979 thousand (2015: 30,695), which shows a decrease of 12.1 percent.

On June 30, 2016, the company had 10,585 shareowners (2015: 11,084), including administrative registers.

The Board of Directors has the following authorizations:

- Until June 30, 2017, 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 29, 2016); the authorization has not been used.
- Until June 30, 2017, to decide on a transfer of a maximum of 1,000,000 treasury shares (decided by the General Meeting of March 29, 2016); the authorization has not been used.

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.

Share owning by the Board of Directors at the end of the review period on June 30, 2016:

- Ari Rahkonen, 30 000 shares, 0.09%
- Sami Ensio, 7,460,715 shares, 22.68%
 - Sami Ensio, 5,286,955 shares, 16.07%
 - minor under guardianship, 724,588 shares, 2.20%
 - minor under guardianship, 724,586 shares, 2.20%
 - minor under guardianship, 724,586 shares, 2.20%
- Jukka Mäkinen, 83,491 shares, 0.25%
- Ilari Nurmi, 63,328 shares, 0.19%
- Pekka Puolakka, 194,403 shares, 0.59%
 - Hillside Ou, 105,670 shares, 0.32%
 - Pekka Puolakka, 88,733 shares, 0.27%

Share owning by the CEO at the end of the review period on June 30, 2016:

- Sami Ensio, 7,460,715 shares, 22.68%
 - Sami Ensio, 5,286,955 shares, 16.07%
 - minor under guardianship, 724,588 shares, 2.20%
 - minor under guardianship, 724,586 shares, 2.20%
 - minor under guardianship, 724,586 shares, 2.20%

Share owning by other members of the Executive Board at the end of the review period on June 30, 2016:

- Robert Erlandsson, 0 shares, 0%
- Anthony Gyursanszky, 83,044 shares, 0.25%
- Jari Hahl, 66,793 shares, 0.20%
- Janne Heikkinen, 83,044 shares, 0.25%
- Elina Jokinen, 53,979 shares, 0.16%
- Jørgen Kaufmann, 83,044 shares, 0.25%
- Janne Martola, 183,044 shares, 0.56%

Treasury shares

The General Meeting of March 29, 2016, 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, 2017. This authorization replaces the Board's earlier authorizations concerning share repurchase. The authorization was not used during the review period.

On March 29, 2016, Innofactor announced in a stock exchange release that that the share repurchase program started in autumn 2015 has ended. The Board of Directors decided to cancel the 552,360 treasury shares the company had on March 31, 2016. They were cancelled on April 18, 2016.

On June 7, 2016, Innofactor announced in a stock exchange release that in its meeting on June 6, 2016, 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 2.43% 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 29, 2016, to acquire a maximum of 8,000,000 shares. The acquisition of own shares started on July 1, 2016, and will end on March 31, 2017, at the latest.

Management of the company

Innofactor Plc complies with the recommendations of the Corporate Governance Code 2015 for Finnish listed companies, published by the Securities Market Association.

The General Meeting of March 29, 2016, decided that the number of Board members is five. Of the current members of the Board of Directors, Sami Ensio, Jukka Mäkinen, Ilari Nurmi, Pekka Puolakka and Ari Rahkonen were re-elected. 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 appoint the auditing firm PricewaterhouseCoopers Oy as the auditor for the company, with Samuli Perälä, 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: www.innofactor.com/investors/corporate_governance

Market outlook and business environment

Innofactor's market outlook and business environment in their entirety are described in the financial statement and annual report.

There have been no significant changes in Innofactor's market outlook and business environment during the review period nor can any be seen.

Short term risks and uncertainty factors

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.

Financing risks: In January 2016, Innofactor took a bank loan package totaling approximately EUR 4.1 million for the Cinteros AB acquisition, on February 29, 2016, the company redeemed the EUR 3.2 million hybrid bond, and in March 2016, the company reorganized its other loans. In all, the Innofactor's financing risk is estimated to be lower than in 2015, due to redeeming the hybrid bond and the more favorable covenants resulting from the reorganizing of loans in March 2016. In total at the end of the review period, Innofactor had approximately EUR 12.5 million in interest bearing debts.

Innofactor has committed itself to the following covenants: equity ratio calculated every 6 months is at least 35% on June 30, 2016, at least 38% on December 31, 2016, and a minimum of 40% on June 30, 2017, 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 3.0 on two review points (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.

There have been no other significant changes in Innofactor's short-term risks and uncertainty factors during the review period nor can any other significant changes be seen.

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. The acquisition was realized and Cinteros AB and its financial figures have been consolidated into the Innofactor Group as of January 1, 2016. Cinteros AB is 100% owned by the Swedish subsidiary Innofactor Holding AB, which Innofactor Plc acquired in connection with the

acquisition and which is 100% owned by Innofactor Plc. The name of Cinteros AB was changed to Innofactor AB on May 31, 2016.

No other significant acquisitions or other changes in the group structure were carried out during the review period.

Events after the review period

On July 1, 2016, Innofactor announced in a stock exchange release that Innofactor's Board of Directors had appointed Patrik Pehrsson as Innofactor Plc's new Chief Financial Officer (CFO) as of October 1, 2016. Previously, Pehrsson has worked as a CFO at Microsoft Oy since 2008. In his new role, Pehrsson, M.Sc. (Econ. & Bus. Adm.), will be a member of Innofactor's Executive Board, reporting to CEO Sami Ensio.

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

Innofactor's future outlook for 2016 remains the same

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 (EBITDA) was EUR 3.7 million.

Espoo, July 19, 2016

INNOFACTOR PLC

Board of Directors

Additional information:

CEO Sami Ensio, Innofactor Plc
Tel. +358 50 584 2029
sami.ensio@innofactor.com

Briefings concerning the Interim Report January 1–June 30, 2016

On July 19, 2016, at 9:00 Finnish time, Innofactor will hold a briefing concerning the interim report in Finnish for the media, investors and analysts at the company's premises at Keilaranta 9, Espoo.

The report will be presented by CEO Sami Ensio and CFO Janne Martola. The presentations of the briefing will be available on Innofactor's web site after the briefing.

We ask you to register for the briefing beforehand by sending email to ir@innofactor.com.

Innofactor will also hold a conference call in English for analysts, media and investors on July 19, 2016, at 16:00 Finnish time. Registrations to ir@innofactor.com before 12:00 Finnish time on Tuesday, July 19, 2016.

Financial releases in 2016

The schedule for financial releases in 2016 is as follows:

October 11–24, 2016: Silent period

October 25, 2016: Interim report January–September 2016

Distribution:
NASDAQ Helsinki
Main media
www.innofactor.com

Financial statement summary and appendixes January 1–June 30, 2016 (IFRS)

Drafting principles

Innofactor operates on a single segment, offering software, systems and related services.

This Interim Report has been drafted in accordance with the IAS 34 Interim financial reporting standard. The interim report adheres to the same drafting principles and calculation methods as the last annual financial statement. The principles for calculating the key figures and the calculation formulas have not been changed and they have been presented in the financial report 2015.

Innofactor has taken into use the instructions given by the European Securities and Market Authority, ESMA, concerning alternative key figures. In addition to the IFRS key figures, Innofactor publishes certain alternative key figures in order to present the financial development of the actual business operations and to improve comparisons between different periods. Acquisitions are a central part of Innofactor's strategy. Depreciations of intangible rights resulting from acquisitions vary greatly depending on how valuable the customer contracts and technology of the acquired company are estimated to be and also in what kind of schedule the resulting intangible rights will be depreciated. For this reason, the company's view is that instead of the operating profit, the primary measure for profitability should be the operating margin (EBITDA), because it is not affected by the said depreciations. In addition to the operating margin (EBITDA), the company also publishes the operative business result adjusted for the above-mentioned depreciations, operative business result before taxes, operative business result, and operative business result per share. Depreciations related to acquisitions, adjusted from the above-mentioned key figures, in the period April 1–June 30, 2016, were EUR 455 thousand (2015: 120), and in the period January 1–June 30, 2016, EUR 910 thousand (2015: 241).

Other alternative key figures used by Innofactor are equity ratio, net gearing, return on investment, return on equity, and net sales per person. The formulas for calculating the other alternative key figures are presented at the end of this interim report.

Drafting a financial statement in accordance with the IFRS standards requires the management of Innofactor to use estimates and presuppositions, which affect the amounts of assets and debts at the time of drafting the balance sheet and the amounts of earnings and costs for the review period. The application of the accounting policies also requires judgment. As estimates and presuppositions are based on the views held at the time of drafting the statement, they contain risks and uncertainty factors. The actual figures may deviate from the estimates and presuppositions. The figures of the profit and loss statement and the balance sheet are figures for the group. The figures of the statement have been rounded, so the sum of individual figures may differ from the sum presented.

The figures in this interim report have not been audited.

Consolidated Profit and Loss Statement, IFRS

EUR thousand	Apr 1–Jun 30, 2016	Apr 1–Jun 30, 2015	Jan 1–Jun 30, 2016	Apr 1–Jun 30, 2015	Jan 1–Dec 31, 2015
Net sales	15,224	11,352	29,821	22,540	44,452
Other operating income	13	30	34	43	234
Materials (–)	-1,451	-1,030	-2,919	-1,702	-3,464
Employee benefits/expenses (–)	-10,669	-8,184	-20,905	-16,196	-30,708
Depreciation (–)	-621	-348	-1,230	-698	-1,163
Other operating expenses (–)	-2,050	-1,681	-4,049	-3,477	-6,809
Operating profit/loss	446	139	752	510	2,542
Financial income	1	0	1	0	1
Financial expenses (–)	-51	-343	-186	-455	-608
Profit/loss before taxes	396	-204	567	55	1,935
Income taxes	-79	41	-113	-10	-387
Profit/loss for the financial period	317	-163	454	45	1,548
Items that may be later recognized in profit or loss:					
Exchange differences	-27	0	-22	-1	0
Total comprehensive income	290	-163	432	44	1,548

Earnings per share calculated from the profit attributable to equity holders of the parent:

basic earnings per share (EUR)	0.0096	-0.0050	0.0137	0.0014	0.0475
diluted earnings per share (EUR)	*)	*)	*)	*)	*)

* The dilution effect has not been calculated, because the remaining Innofactor SW Oy warrant programs

have no financial value after the business operations of the company have been sold.

Consolidated Balance Sheet, IFRS

EUR thousand	Jun 30, 2016	Jun 30, 2015	Dec 31, 2015
Non-current assets			
Tangible assets	490	574	541
Goodwill	22,195	19,584	19,584
Other intangible assets	8,779	3,183	2,934
Shares and holdings	62	0	62
Receivables	663	0	663
Deferred tax assets	6,407	7,159	6,704
Non-current assets	38,596	30,500	30,488
Current assets			
Trade and other receivables	16,799	13,842	12,652
Cash and cash equivalents	1,272	1,138	843
Current assets	18,071	14,980	13,495
TOTAL ASSETS	56,667	45,480	43,983

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR thousand	Jun 30, 2016	Jun 30, 2015	Dec 31, 2015
Equity attributable to the shareholders of the parent company			
Share capital	2,100	2,100	2,100
Share premium reserve	72	72	72
Other reserves (+/-)	59	59	59
Fund for invested unrestricted equity	16,153	15,526	16,153
Hybrid bond	0	3,200	3,200
Treasury shares	0	0	-345
Retained earnings	3,195	2,079	3,295
Total shareholders' equity	21,579	23,037	24,534
Non-current liabilities			
Loans from financial institutions	6,839	6,153	4,791
Deferred tax liabilities	2,201	875	840
Long term liabilities total	9,040	7,028	5,631
Current liabilities			
Loans from financial institutions	5,707	3,078	4,428
Trade and other payables	20,341	12,337	9,390
Current liabilities total	26,048	15,415	13,818
Total liabilities	35,088	22,443	19,449
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	56,667	45,480	43,983

Statement of change in shareholders' equity, IFRS

EUR thousand	Share capital	Share premium reserve	Reserve fund	Fund for invested unrestricted equity	Treasury shares	Retained earnings	Hybrid bond	Total shareholders' equity
Shareholders' equity Jan 1, 2016	2,100	72	59	16,153	-345	3,295	3,200	24,534
Comprehensive income								
Profit for the financial period						454		454
Correction								0
Other comprehensive income:								
Exchange differences						-22		-22
Total comprehensive income	0	0	0	0	0	432	0	432
Share issue								0
Purchase of treasury shares					-140			-140
Share issue								0
Cancellation of treasury shares					485	-485		0
Transactions with shareholders in total	0	0	0	0	345	-485	0	-140
Redemption of the hybrid bond							-3,200	-3,200
Interest payments on the hybrid bond						-47		-47
Shareholders' equity Jun 30, 2016	2,100	72	59	16,153	0	3,195	0	21,579

EUR thousand	Share capital	Share premium reserve	Reserve fund	Fund for invested unrestricted equity	Treasury shares	Retained earnings	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						45		45
Correction								0
Other comprehensive income:								
Exchange differences						-1		-1
Total comprehensive income	0	0	0	0	0	44	0	44
Share issue				531				531
Purchase of treasury shares								0
Transactions with shareholders in total	0	0	0	531	0	0	0	531
Interest payments on the hybrid bond								0
Shareholders' equity Jun 30, 2016	2,100	72	59	15,526	0	2,079	3,200	23,037

Consolidated Cash Flow Statement, IFRS

EUR thousand	Jan 1–Jun 30, 2016	Jan 1–Jun 30, 2015	Jan 1–Dec 31, 2015
Cash flow from operating activities			
Operating profit	752	510	2,542
Adjustments:			
Depreciation	1,229	698	1,163
Non-cash transactions		0	0
Changes in working capital:			
Change in trade or other receivables (+/-)	-1,047	1,655	2,120
Change in trade and other payables (+/-)	2,163	849	-1,535
Interests paid (-)	-185	-184	-348
Interests received	1	0	1
Total cash flow from operating activities	2,913	3,528	3,943
Investment cash flow			
Acquisition of subsidiaries	-2,215	-1,685	-1,685
Investments in intangible and tangible assets (-)	-209	-294	-477
Total cash flow from investments	-2,424	1,979	-2,162
Cash flow from financing			
Loans withdrawn	7,156	7	1,390
Loans paid	-3,829	-1,415	-2,809
Payments received from share issue	0	0	117
Redemption of the hybrid bond	-3,200	0	0
Interest payments on the hybrid bond	-47	0	-288
Purchase of treasury shares	-140	0	-345
Total cash flow from financing	-60	-1,408	-1,935
Change in cash and cash equivalents (+/-)	429	141	-154
Cash and cash equivalents, opening balance	843	997	997
Cash and cash equivalents, closing balance	1,272	1,138	843

Consolidated Profit and Loss Statement by Quarter, IFRS

EUR thousand	Jan 1– Mar 31 2016	Apr 1– Jun 30 2016	Jul 1– Sep 30 2016	Oct 1– Dec 31 2016	Jan 1– Mar 31 2015	Apr 1– Jun 30 2015	Jul 1– Sep 30 2015	Oct 1– Dec 31 2015
Net sales	14,597	15,224			11,188	11,352	9,322	12,590
Other operating income	21	13			13	30	27	164
Materials (–)	-1,468	-1,451			-672	-1,030	-700	-1,062
Employee benefits/expenses (–)	-10,236	-10,669			-8,012	-8,184	-6,542	-7,970
Depreciation (–)	-609	-621			-350	-348	-193	-272
Other operating expenses (–)	-1,999	-2,050			-1,796	-1,681	-1,352	-1,980
Operating profit/loss	306	446			372	139	562	1,470
Financial income	0	1			0	0	1	0
Financial expenses (–)	-135	-51			-112	-343	-78	-75
Profit/loss before taxes	171	396			260	-204	485	1,395
Income taxes	-34	-79			-51	41	-97	-279
Profit/loss for the financial period	137	317			209	-163	388	1,116

Commitments and contingent liabilities

<u>EUR thousand</u>	<u>Jun 30, 2016</u>	<u>Jun 30, 2015</u>	<u>Dec 31, 2015</u>
Collateral given for own commitments			
Collateral for rent	181	81	85
Mortgages on company assets*	16,568	16,250	16,250
Bank guarantees	303	303	303
Other own guarantees			
Lease liabilities			
Current lease liabilities	76	197	137
Lease liabilities maturing in 1-5 years	157	197	144
Total	233	394	281
Rental liabilities			
Current rental liabilities	1,735	1,268	1,244
Rental liabilities maturing in 1-5 years	2,500	3,076	2,563
Total	4,235	4,344	3,807
Other own guarantees total	4,468	4,738	4,088

* Of the mortgages on company assets, EUR 500 thousand was in the company's possession on June 30, 2016.

	Apr 1–Jun 30, 2016	Apr 1–Jun 30, 2015	Change	Jan 1–Jun 30, 2016	Jan 1–Jun 30, 2015	Change	Jan 1–Dec 31, 2015
Net sales, EUR thousand	15,224	11,352	34.1%	29,821	22,540	32.3%	44,452
Growth of net sales	34.1%	1.1%		32.3%	2.7%		1.4%
Operating margin (EBITDA), EUR thousand*	1,067	487	119.1%	1,982	1,208	64.1%	3,705
percentage of net sales*	7.0%	4.3%		6.6%	5.4%		8.3%
Operating profit/loss (EBIT), EUR thousand*	446	139	220.9%	752	510	47.5%	2,542
percentage of net sales	2.9%	1.2%		2.5%	2.3%		5.7%
Earnings before taxes, EUR thousand** ***	396	-204	294.1%	567	55	930.9%	1,935
percentage of net sales	2.6%	-1.8%		1.9%	0.2%		4.4%
Earnings, EUR thousand** ***	294	-163	280.4%	436	44	900.0%	1,548
percentage of net sales	1.9%	-1.4%		1.5%	0.2%		3.5%
Shareholders' equity, EUR thousand	21,579	23,037	-6.3%	21,579	23,037	-6.3%	24,534
Return on equity****	5.5%	-2.9%		3.9%	0.4%		6.6%
Interest bearing liabilities, EUR thousand	12,546	9,231	35.9%	12,546	9,231	35.9%	9,219
Cash and cash equivalents, EUR thousand	1,272	1,138	11.8%	1,272	1,138	11.8%	843
Deferred tax assets, EUR thousand	6,407	7,159	-10.5%	6,407	7,159	-10.5%	6,704
Return on equity****	5.3%	1.7%		4.5%	3.2%		7.6%
Net gearing	52.2%	35.1%		52.2%	35.1%		34.1%
Equity ratio	39.3%	52.3%		39.3%	52.3%		56.9%
Balance sheet total, EUR thousand	56,667	45,480	24.6%	56,667	45,480	24.6%	43,983
Research and development, EUR thousand	895	668	34.0%	1,748	1,071	63.2%	2,495
percentage of net sales	5.9%	5.9%		5.9%	4.8%		5.6%
Active personnel on average during the review period*****	500	407	22.9%	501	402	24.6%	427
Active personnel on average at the end of the review period*****	502	412	21.8%	502	412	21.8%	432
Number of shares at the end of the review period	32,901,377	32,653,737	-5.4%	32,901,377	32,653,737	-5.4%	33,453,737
Earnings per share (EUR)	0.0096	-0.0050	290.7%	0.0137	0.0014	893.7%	0.0475
Shareholders' equity per share (EUR)	0.656	0.705	-7.0%	0.656	0.705	-7.0%	0.733

*) 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, for the year 2015 and only the last quarter of 2014 for the previous financial periods. The assessment error has been corrected for the above-mentioned periods in accordance with IAS 8: 41–42. The total effect of the error on the net sales for April 1–June 30, 2015, was a decrease of approximately EUR -155 thousand in the operating margin (EBITDA) and operating profit. The total effect of the error on the net sales for January 1–June 30, 2015, and for the net sales of the entire year 2015 was a decrease of approximately EUR -238 thousand in the operating margin (EBITDA) and operating profit. 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.

***) 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, for the year 2015 and only the last quarter of 2014 for the previous financial periods. The assessment error has been corrected for the above-mentioned periods in accordance with IAS 8: 41–42. The total effect of the error on the net sales for April 1–June 30, 2015, was a decrease of approximately EUR -155 thousand in the earnings before taxes, which decreased the profit of the period April 1–June 30, 2015, for EUR -124 thousand. The effect of the error on the net sales for January 1–June 30, 2015, and for the entire year 2015 was a decrease of approximately EUR -238 thousand in the earnings before taxes, which decreased the profit of the financial period of 2015 by EUR -190 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.

****) In accordance with IFRS 3, the operating profit for April 1–June 30, 2016, includes EUR 455 thousand (2015: 120) in depreciations related to acquisitions, concerning the allocations of the purchase price to intangible assets. Adjusted for the said depreciations, Innofactor's operative business profit for the review period of April 1–June 30, 2016, would have been EUR 901 thousand (2015: 259), the operative business result before taxes EUR 851 thousand (2015: -84), the operative business result EUR 681 thousand (2015: -67), and the operative business result per share EUR 0.0207 (2015: -0.0021). The operating profit for January 1–June 30, 2016, includes EUR 910 thousand (2015: 241) in depreciations related to acquisitions, concerning the allocations of the purchase price to intangible assets. Adjusted for the said depreciations, Innofactor's operative business profit for the review period of January 1–June 30, 2016, would have been EUR 1,662 thousand (2015: 751), the operative business result before taxes EUR 1,477 thousand (2015: 296), the operative business result EUR 1,182 thousand (2015: 236), and the operative business result per share EUR 0.0358 (2015: 0.0073).

*****) The percentages for the return on equity and return on investment have been adjusted to correspond with the figures for a 12-month period.

*****) The Innofactor Group monitors the number of active personnel. The number of active personnel does not include employees who are on a leave of over 3 months.

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 (EBITDA) 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 were 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 was changed to Innofactor AB around on May 31, 2016, after which the Cinteros services are 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.

Values registered for consolidation (EUR thousand)

Tangible assets	82
Intangible assets	6,696
Deferred tax assets	64
Non-current deposits	97
Trade and other receivables	2,856
Cash and cash equivalents	1,858
Total assets	11,654
Other payables	4,923 (includes a deferred tax liability of 1,473)
Total liabilities	4,923
Net assets	6,731 (total assets - total debts)
Acquisition cost	9,342 (cash 4,073, conditional compensation 5,269)
Goodwill	2,611 (acquisition cost - net assets)
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 2,805 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 value of the products and technologies included in the intangible assets (EUR 3,891 thousand) has been defined on the basis of the new customers' license orders and estimated license income from other new customers and the discounted net cash flows resulting from estimated maintenance agreement related to product licenses.

The acquisition created a preliminary goodwill of EUR 2,611 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.

The acquisition cost calculation is preliminary.

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 the review period on June 30, 2016, was as follows. Innofactor Plc had no treasury shares on June 30, 2016.

Name	Number of shares	% of share capital
1. Ensio Sami	7,460,715	22.68%
<i>Ensio Sami</i>	5,286,955	16.07%
<i>Minor under guardianship</i>	724,588	2.20%
<i>Minor under guardianship</i>	724,586	2.20%
<i>Minor under guardianship</i>	724,586	2.20%
2. Tilman Tuomo Tapani	2,772,169	8.43%
<i>Tilman Tuomo Tapani</i>	2,747,492	8.35%
<i>Mpire Capital Oy</i>	24,677	0.08%
3. Laiho Rami Tapani	1,418,519	4.31%
4. Linturi Kaija and Risto	1,271,411	3.86%
<i>R. Linturi Oyj</i>	504,107	1.53%
<i>Linturi Kaija Anneli</i>	430,000	1.31%
<i>Linturi Risto Erkki Olavi</i>	337,304	1.03%
5. Ilmarinen Mutual Pension Insurance Company	1,250,000	3.80%
6. Salminen Jyrki Kalle Tapio	1,111,149	3.38%
7. Ärje Matias Juhanoika	941,278	2.86%
8. Mäki Antti-Jussi	930,201	2.83%
9. Lampi Mikko Olavi	881,770	2.68%
10. Muukkonen Teemu	522,230	1.59%
11. Bergqvist J.T.	350,000	1.06%
12. Kukkonen Heikki-Harri	336,021	1.06%
13. Järvenpää Janne-Olli	322,804	0.98%
14. Laiho Jari Olavi	270,000	0.82%
15. Damen Klaus Antero	250,001	0.76%
17. Karppinen Antti Sakari	200,000	0.61%
18. Martola Janne Matti Juhani	183,044	0.56%
18. Hellen Stefan Andreas	180,000	0.55%
19. Mäkinen Antti Vilho Juhani	154,000	0.47%
20. Insurance company Henki-Fennia	150,000	0.46%

Formulas for calculating the key figures

Operating margin (EBITDA):

Operating profit/loss - Depreciations

Percentage of return on equity:

Profit or loss before taxes - Taxes

Shareholders' equity

Percentage of return on investment:

Profit or loss before taxes + Interest and other financial expenses

Shareholders' equity + Interest bearing financing liabilities

Net gearing:

Interest bearing liabilities - Cash funds

Shareholders' equity

Equity ratio, %:

Shareholders' equity

Balance sheet total - Received advances

Result/share:

Profit before taxes attributable to equity holders of the parent - Taxes

Average number of shares on the financial period adjusted after the share issue

Shareholders' equity / share:

Equity attributable to the shareholders of the parent company

Undiluted number of shares on the date of the financial statement

Net sales / person

Net sales

Active personnel on average during the review period