

A man with glasses and a dark suit over a light blue shirt is smiling and looking upwards. He is juggling a Rubik's cube. The background is a blurred green forest. A white outline of a large letter 'U' is visible on the right side of the image. A semi-transparent blue box is on the left side, containing text.

Innofactor Interim Report Q1/2018

May 8, 2018
Sami Ensio, CEO

INNOFACTOR®

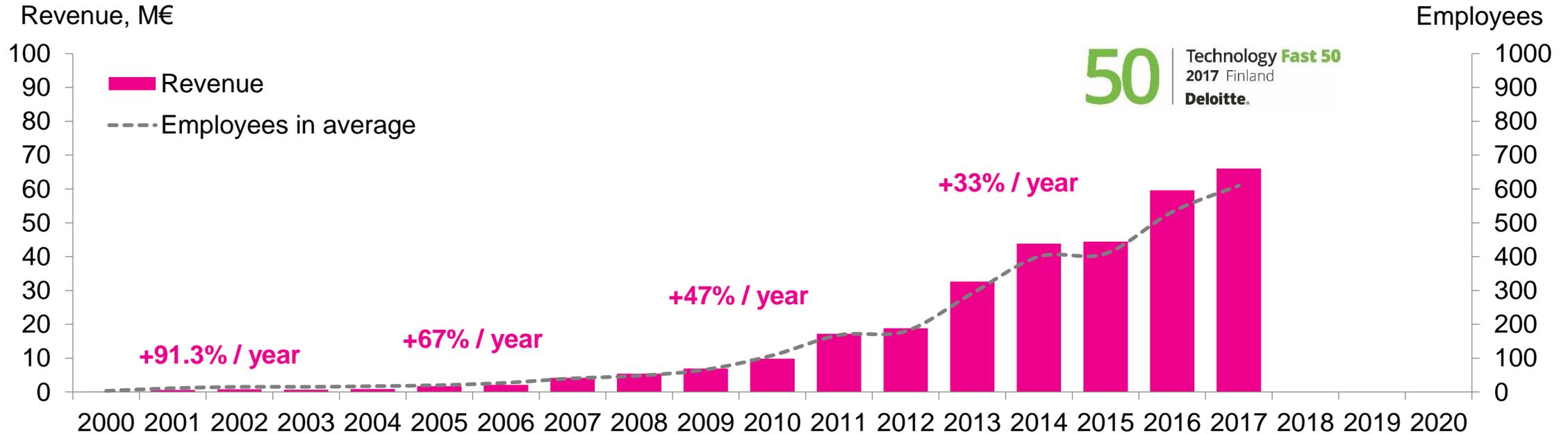


Innofactor's Business

Leading Provider of Cloud Solutions and
Digital Transformation in the Nordics

INNOFACTOR®

Systematic Growth since 2000



Start Up – Everything for Everyone

- Innofactor founded by Sami Ensio in Jan 2000
- Innofactor's first Microsoft-based product "Prime" released

#1 in Selected Micro Segments

- Microsoft SharePoint pioneer
- First M&A activities

#1 Microsoft-based Provider in Finland

- CRM, BI and case management included in the offering
- Reverse IPO, NASDAQ Helsinki

#1 Microsoft-based Provider in the Nordics

- Cloud transition
- Several acquisitions in the Nordic countries

#1 Provider of Cloud Solutions and Digital Transformation in the Nordics

- Harmonizing offering across the Nordics
- 20% growth and 20% EBITDA

Innofactor – Leading Nordic Provider of Cloud Solutions and Digital Transformation

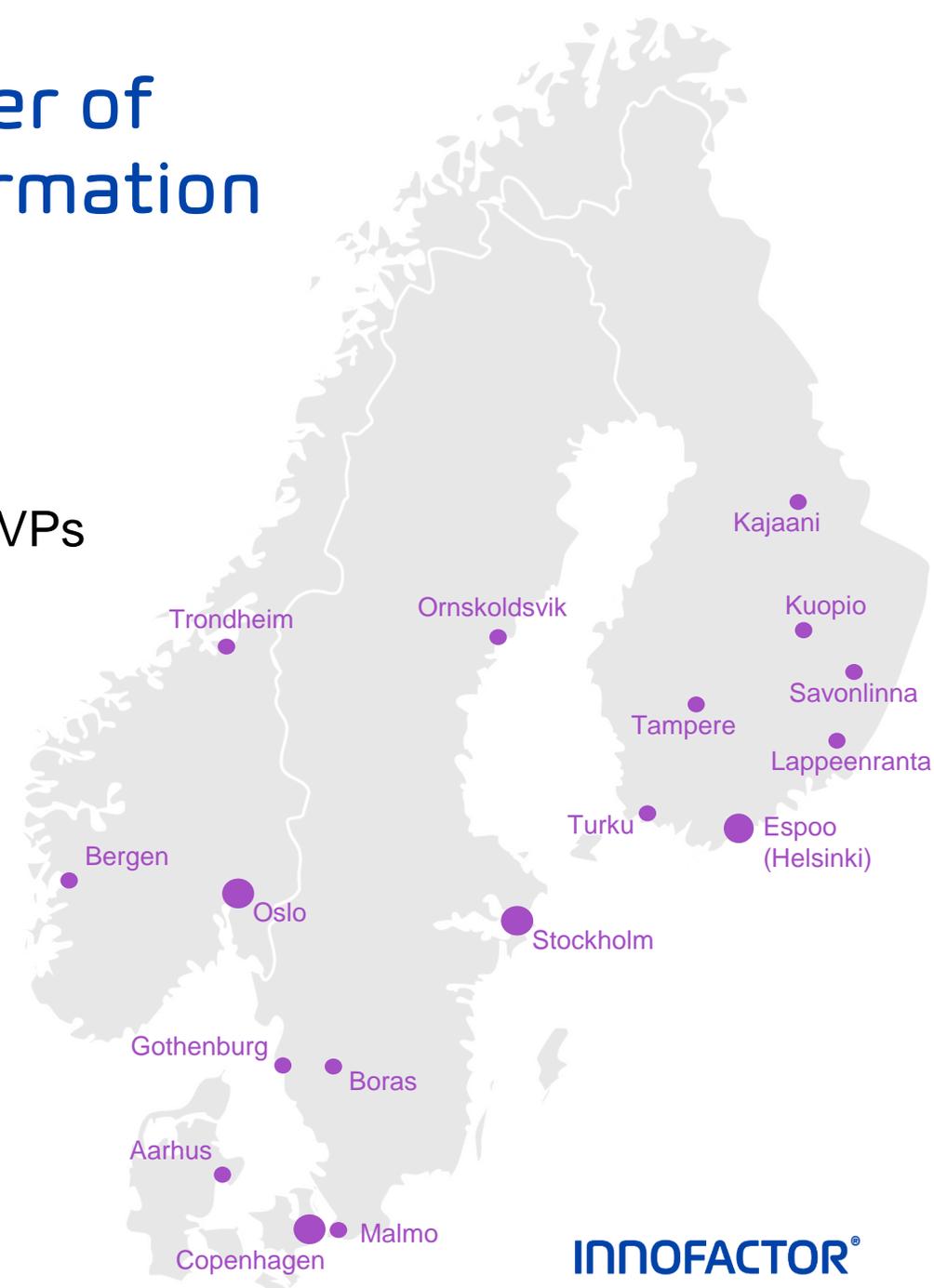
- 1,500+ customers from commercial, public sector and membership-based organizations
- 15 enterprise-level Microsoft Gold Competencies
- 600+ professionals, 1,600+ Microsoft certificates, 10+ MVPs
- Revenue EUR 66M (2017), growth 20+% and EBITDA 7.5+% (2013 to 2017 CAGR)
- Listed in NASDAQ Helsinki, 10,000+ shareholders



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 Datacenter
Gold Data Platform
Gold Devices and Deployment
Gold Enterprise Mobility Management
Gold Enterprise Resource Planning
Gold Identity and Access
Gold Project and Portfolio Management

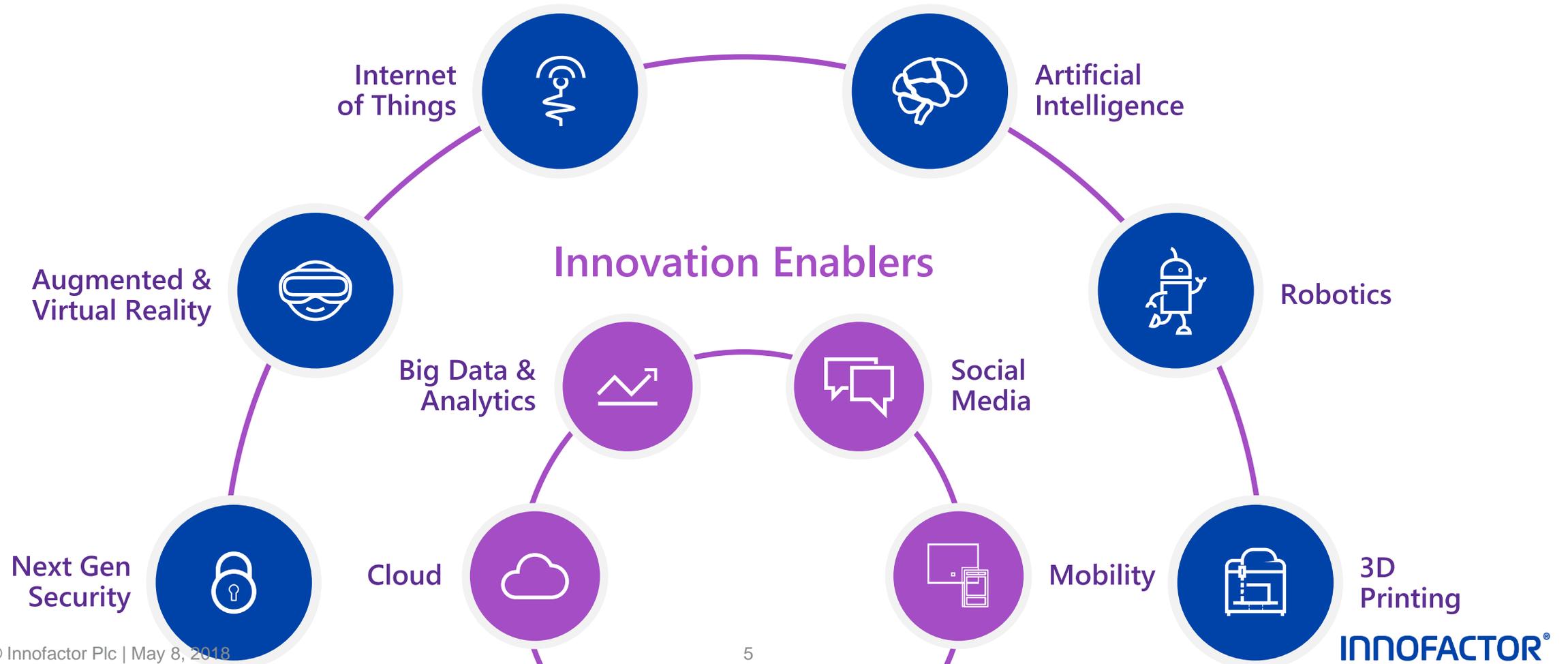


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ISO/IEC 27001
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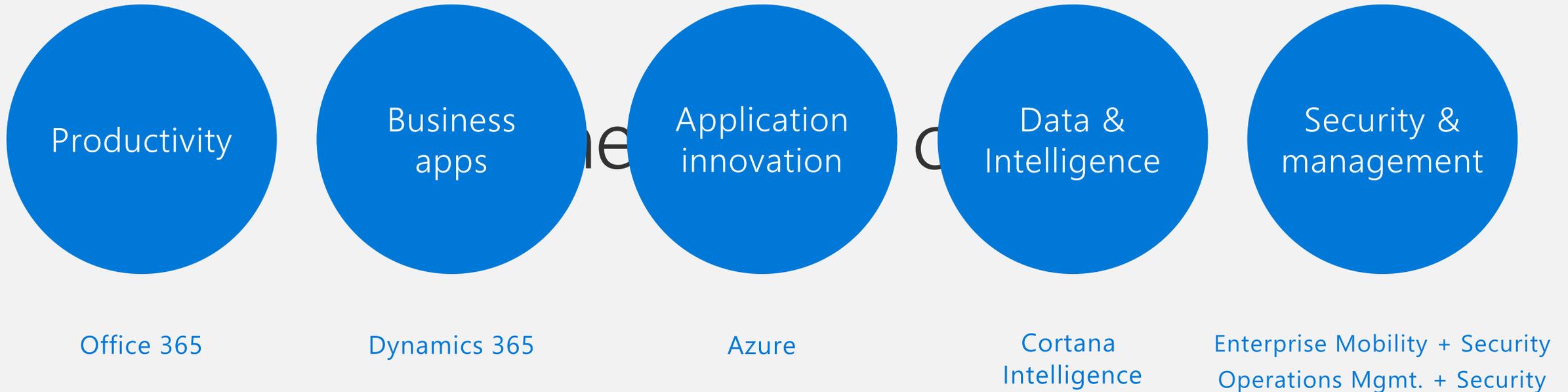


Digital Transformation Changes Our Society

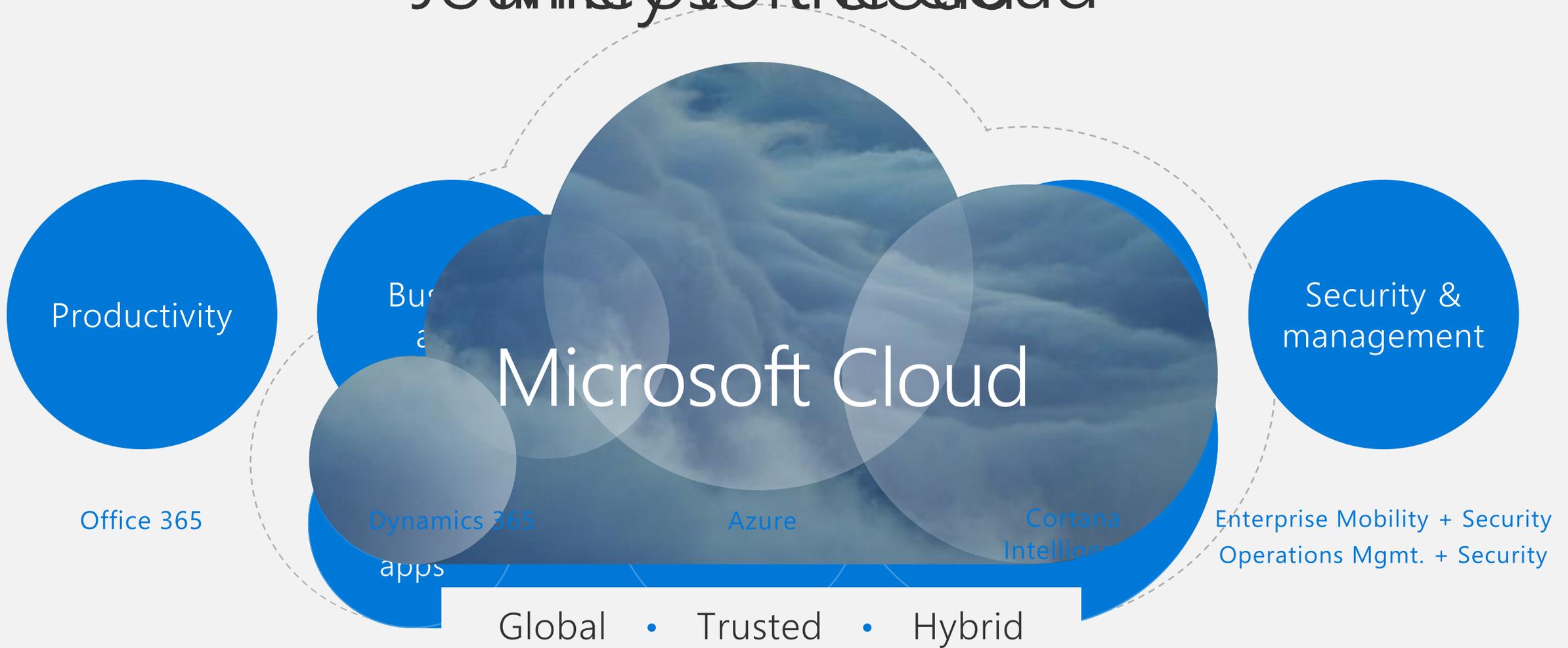
Key Trends Driving Innovation



Journey to the cloud



Journey to the cloud



Our Solutions for Building a Modern Digital



Modern Digital Organization



More Personal Digital Customer Experience

- Service Design
- Websites & Mobile Apps
- Digital Customer Service & Marketing



Higher Operational Productivity

- Customer Relationship Management (CRM)
- Enterprise Resource Planning (ERP)
- Project & Portfolio Management (PPM)
- Quality & Management Solutions
- Case & Document Management
- HR & Talent Management



Modern Employee Experience

- Digital Collaboration & Modern Work



Secure Cloud Platform

- Cloud Infrastructure, Governance, Security & GDPR
- Identity & Access Management
- Enterprise Mobility + Security
- Managed Cloud Services



Data-driven Business

- Business Intelligence
- Advanced Analytics, Artificial Intelligence & Machine Learning
- Internet of Things (IoT)

Our Cloud-era Delivery Model Ensures our Solutions are Adopted Effectively and Deliver



Top Nordic customers: 1500+ Commercial, Public Sector and Membership-based Customers



Our Mission:

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

Our Vision:

We are the leading provider of cloud solutions and digital transformation in each of the Nordic Countries.

Our long-term financial goal is to grow profitably:

- By achieving annual growth of about 20 percent, most of which should be organic
- By achieving about 20 percent EBITDA in relation to the net sales
- By keeping the cash flow positive and securing solid financial standing in all situations

Our Strategy:



Microsoft Has the Leading Ecosystem in Innofactor's Strategic Focus Areas

- Microsoft is the leading global provider in Innofactor's strategic focus areas
- By focusing on the Microsoft ecosystem Innofactor can attract the best talent and know-how and have close relations to Microsoft
- If Microsoft were to lose its leading position in some areas Innofactor could transition to other partners in these areas

Cloud infrastructure*



Analytics*



CRM*



ERP**



Innofactor Competitive Positioning in the Nordic EUR 10 Billion Microsoft IT Services Market

Nordic IT services market
25 billion euro*

Large companies, in every Nordic Country, all solution areas, and several technologies
- E.g. Tieto, CGI, Fujitsu and Accenture

Nordic Microsoft IT-services market
10 billion euro**

Mid-sized, not in all Nordic Countries, several technologies
- E.g. Siili, Solita, Digia, Netcompany and Precio

Our Competitive Advantage:
- leading know-how in Microsoft-based solutions
- productized offering

Our Competitive Advantage:
- more skilled local professionals
- better productized offering
- more flexible mode of operation

INNOFACTOR®

Our Competitive Advantage:
- Trustworthiness of a listed company
- Established processes
- Strong customer references.

Our Competitive Advantage:
- leading know-how in Microsoft-based solutions
- stronger industry focus & knowledge
- Broader offering

Mid-sized, in every Nordic Country, focusing on specific solutions
- E.g. Atea, HiQ, Knowit and EG

Small companies, usually only in home market, one solution or one technology
- E.g. Sulava, Cloudriven ja Proactive

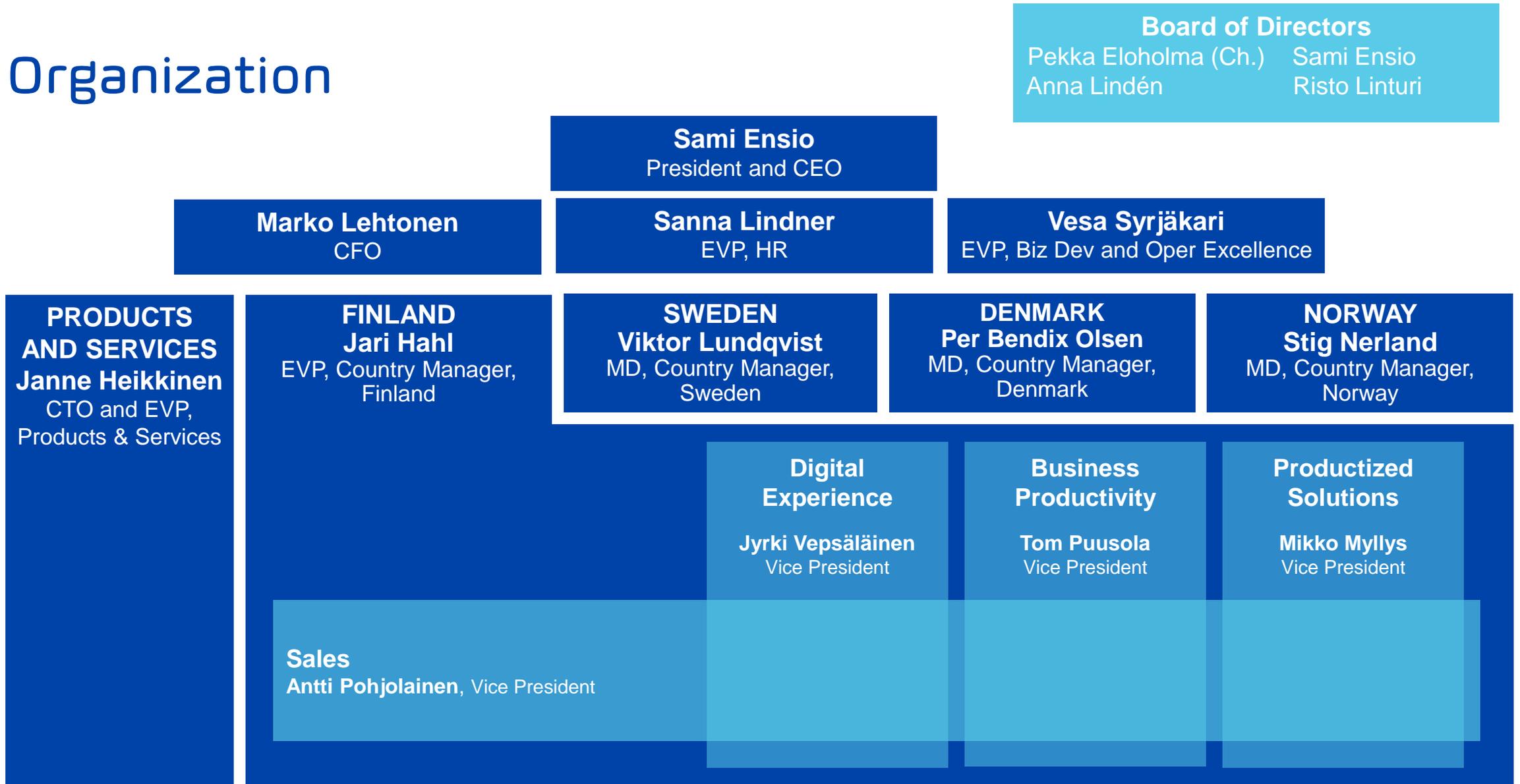
>+5%

+3–5%

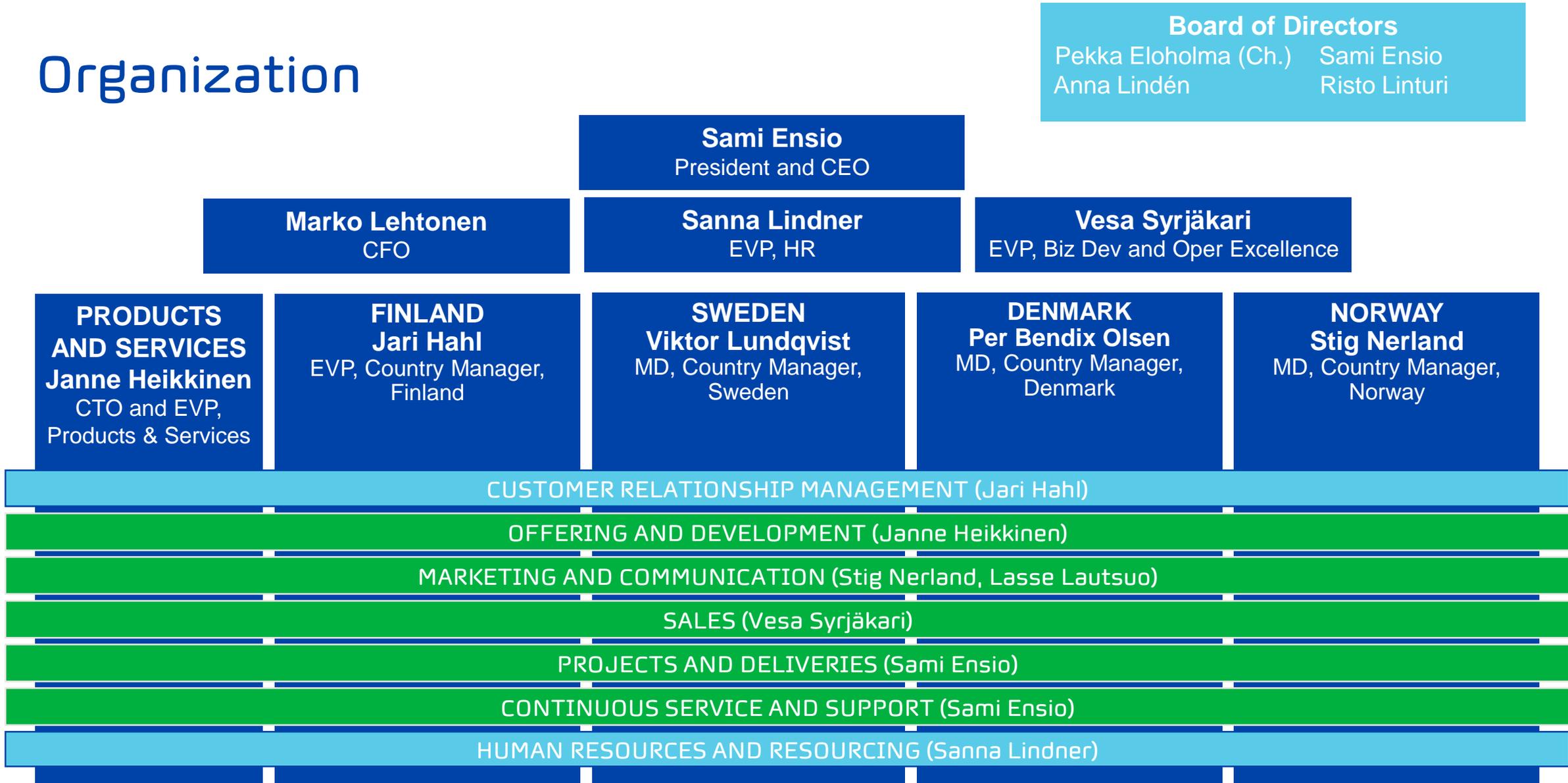
* Source: IDC, internet

** Estimate Microsoft market share to approx. 40 %

Organization



Organization



Innofactor's Founder and CEO

Sami Ensio, born 1971, M.Sc. (Tech.)

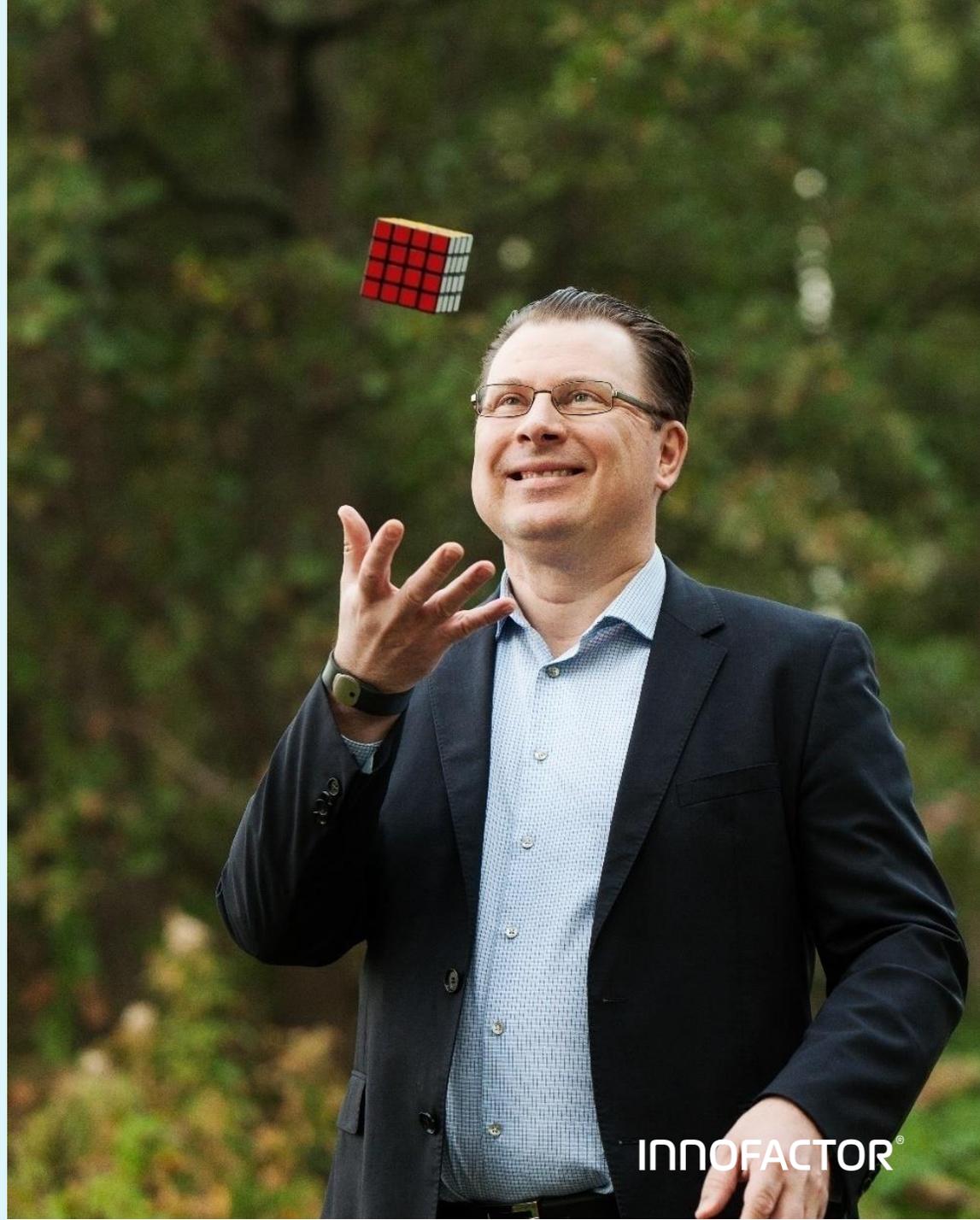
Founder and CEO of Innofactor. Previously member of the Omnitele Management Team. Several positions of trust in the Federation of Finnish Technology Industries and Confederation of Finnish Industries. Member of Partner Advisory Council in Microsoft Corporation.

Sami Ensio's specialties include solid and comprehensive know-how of the software industry as well as strategic and operational leadership and managing profitable growth. Sami Ensio was, for example, selected Software Entrepreneur of the year by the Finnish Software Entrepreneurs Association.

Education: Master of Science (Technology), technical physics, Helsinki University of Technology (Aalto University), legal studies at the University of Helsinki and general business studies at University of California, Los Angeles UCLA.

Shareholding: about 7.7 million shares (about 21%)

More information: <https://fi.linkedin.com/in/ensio>



Other Group Executive Board



Per Bendix
MD (acting), Country Manager, Denmark. Employed by Innofactor since 2017. Born in 1958. Ownership: 11,800 shares.



Jari Hahl
Diploma in Business Information Technology. EVP, Country Manager, Finland. Employed by Innofactor since 2016. Born in 1962. Ownership: 66,793 shares.



Janne Heikkinen
M.Sc. (Tech.) Chief Technology Officer and EVP Products and Services. Employed by Innofactor since 2015. Born in 1974. Ownership: 83,044 shares.



Marko Lehtonen
M.Sc. Chief Finance Officer. Employed by Innofactor since 2018. Born in 1972. Ownership: 200 shares.



Sanna Lindner
M.Sc. (Psychology) EVP, HR. Employed by Innofactor since 2017. Born in 1973. Ownership: 0 shares.



Viktor Lundqvist
M.Sc. (Computer Engineering) MD, Country Manager, Sweden. Employed by Innofactor since 2016. Born in 1982. Ownership 0 shares.



Stig Nerland
M.Sc. (Marketing) MD, Country Manager, Norway. Employed by Innofactor since 2016. Born in 1979. Ownership: 0 shares (Earn Out option).



Vesa Syrjäkari
M.Sc. Executive Vice President, Business Development and Operational Excellence. Employed by Innofactor since 2017. Born in 1960. Ownership: 50,000 shares.

Board of Directors



Pekka Eloholma, Chairman

M.Sc. (Tech.) CEO of Nebula 2014–2017. CEO of Affecto 2006–2013. Former management positions in, for example, Setec, Siemens, FinnetCom, and Helsingin Puhelin (current Elisa). Born in 1960. Ownership: No shares at the moment.



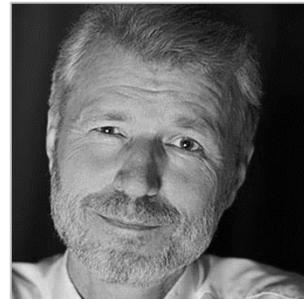
Sami Ensio

M.Sc. (Tech.) Innofactor's founder and CEO since 2000. Member of the Microsoft Corporation's Partner Advisory Council since 2014. Several positions of trust in the Federation of Finnish Technology Industries and the Confederation of Finnish Industries since 2013. Born in 1971. Ownership with related parties: 7,700,823 shares.



Anna Lindén

M.A. COO of the Nokia Mobile Networks business group. Several positions at Nokia since 1998. Born in 1973. Ownership with related parties: 7,000 shares.



Risto Linturi

M.Sc. (Tech.) Chairman of the Board of Sovolto. Director of Aalto University's Radical innovations program 2004–2014. Previously CTO of Helsingin Puhelin (current Elisa). One of Finland's most acknowledged researchers of future and has drawn up reports, for example, for the Finnish Parliament. Born in 1957. Ownership with related parties: 1,256,411 shares.

How to Achieve Long-term Financial Goals

20% Organic Growth:

Focus on industries that provide the highest growth opportunities and allow us best to scale existing offering in the Nordics, e.g. healthcare

Focus on current customers and cross sales getting bigger share of wallet of customer's digital transformation budget

Improving modern digital marketing and sales skill to achieve better and more cost-effective sales results

Focus on competence planning, recruiting and resource optimization across Nordics

20% EBITDA:

Shifting revenues from projects and professional services toward products, IP-based and continuously managed services

Getting increasing hour price because of the best Nordic professionals (seniors and juniors) and leading offering

Continuously improving our flexible value-adding delivery model minimizing number of non-invoiced hours and maximizing customer satisfaction

Drive Operational Excellence to improve Financial Quarterly Accountability (FQA), internal information systems and predictability

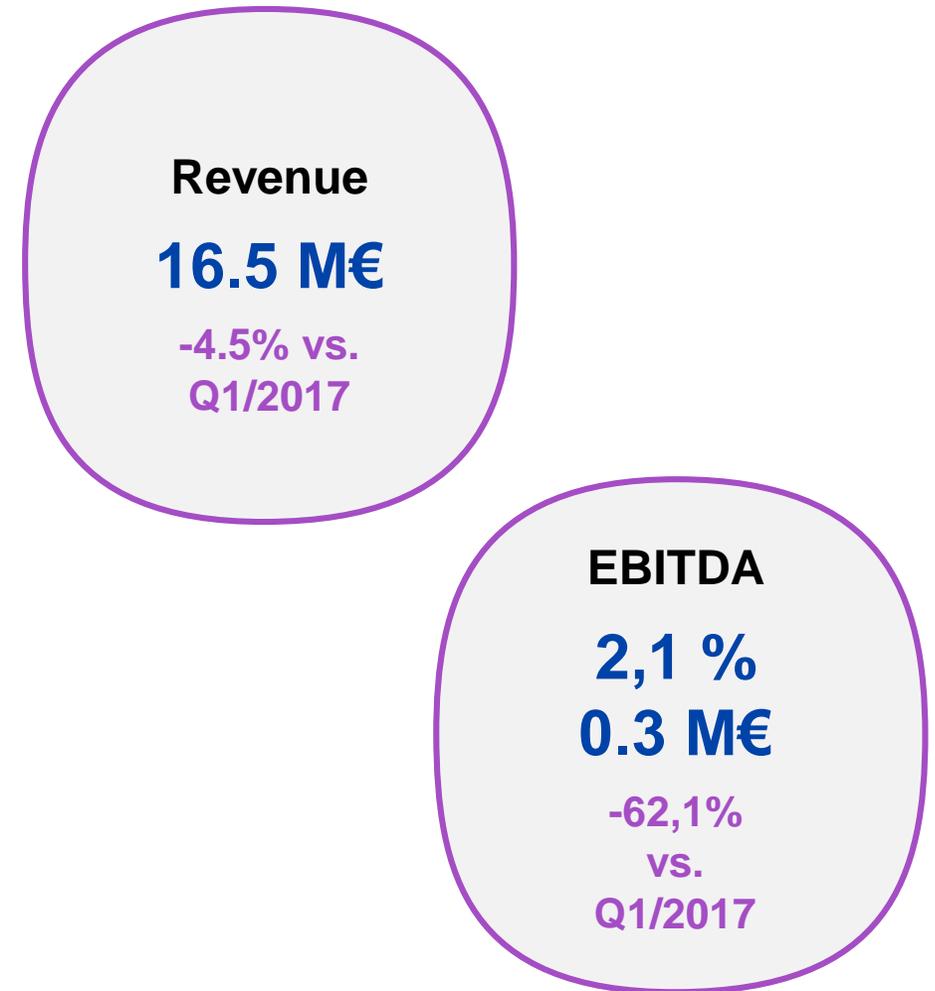
Q1/2018 Results

Challenging first quarter

The weaker than targeted profitability was primarily contributed by the lower than expected revenue.

Improvement of profitability requires still special attention.

We have progressed significantly with completing the ERP project and unification of the Nordic operating models. These projects are central in ensuring future profitability and Nordic growth strategy.

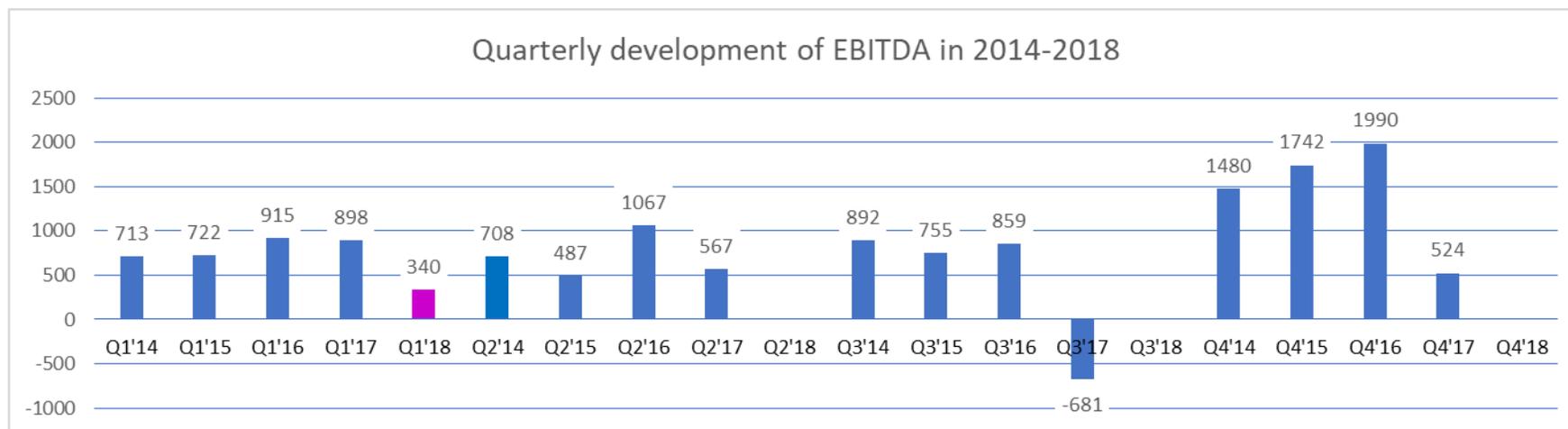
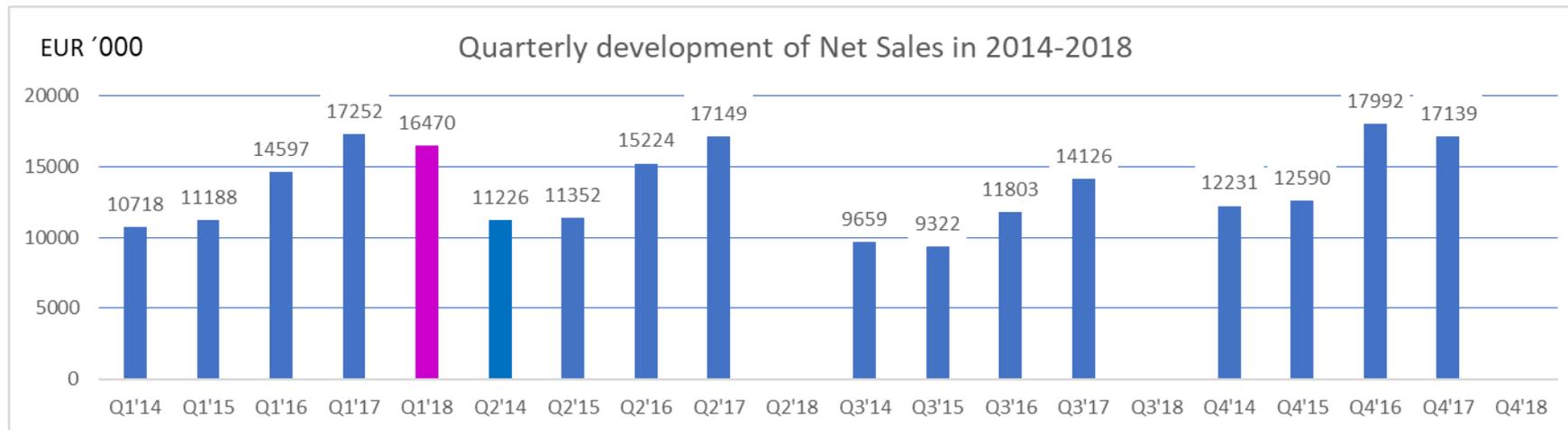


Q1/2018 Actuals

Selected Key Figures

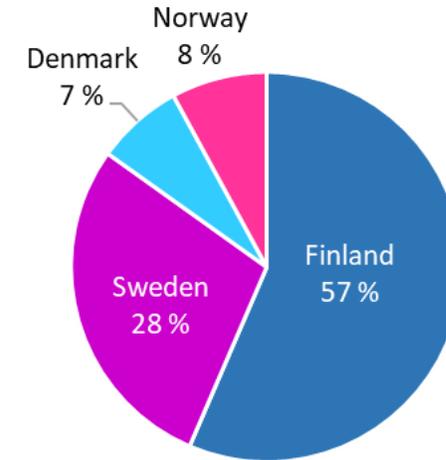
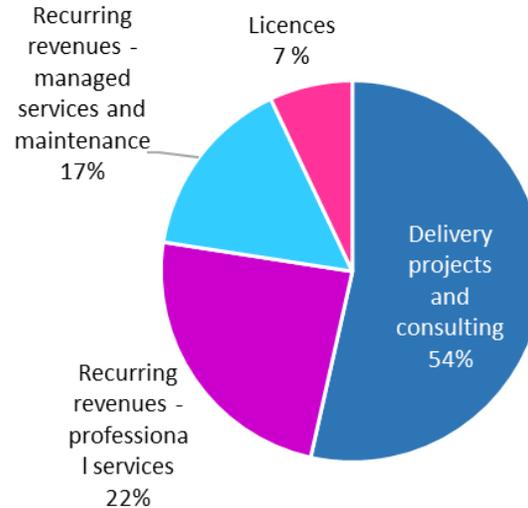
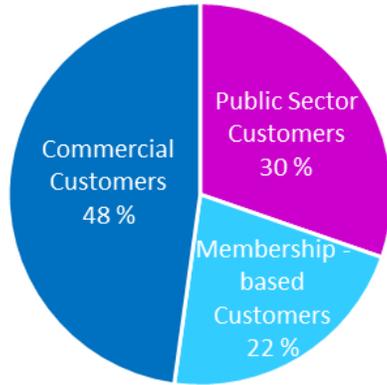
	Q1 /2018	Q1 /2017	Change (%)	CEO's comment
Net Sales (kEUR)	16 470	17 252	-4,5%	<i>"Targeted revenue was not achieved in first quarter. Innofactor received several significant orders, as for example Legal Register Centre selected Innofactor as the provider of the HAIPA system value ca. 2,0 million euros. New orders are estimated to have positive impact in revenue development in future"</i>
EBITDA (kEUR)	340	898	-62,1%	<i>"The weak profitability was especially due to the lower than expected net sales on the first quarter, and the resulting decrease in the operating margin. We estimate turn in business to take place in second quarter"</i>
Equity Ratio (%)	44,0%	43,0%	+1,0%	<i>"The cash flow from business activities remained satisfactory despite challenging EBITDA level and long term debt repayments were paid as planned."</i>

Quarterly Development of Innofactor Group Financials



Broad Customer Base, Long-term Contracts and Business Footprint in Nordic Countries Bring Stability

Distribution of net sales Jan 1 to Marc 31, 2018



- Strong customers in both public and private sectors bring stability in economic fluctuations
- 10 largest customers account for approximately 28% of net sales
- Recurring revenues from service agreements and license sales bring competitive advantage and business stability
- Sales of labor moving increasingly to frame agreements and continuous maintenance work
- Sweden, Denmark and Norway represented a significant portion of Innofactor's revenues.
- Innofactor's objective is to create a strong position in all Nordic countries

Innofactor Key Financials, IFRS

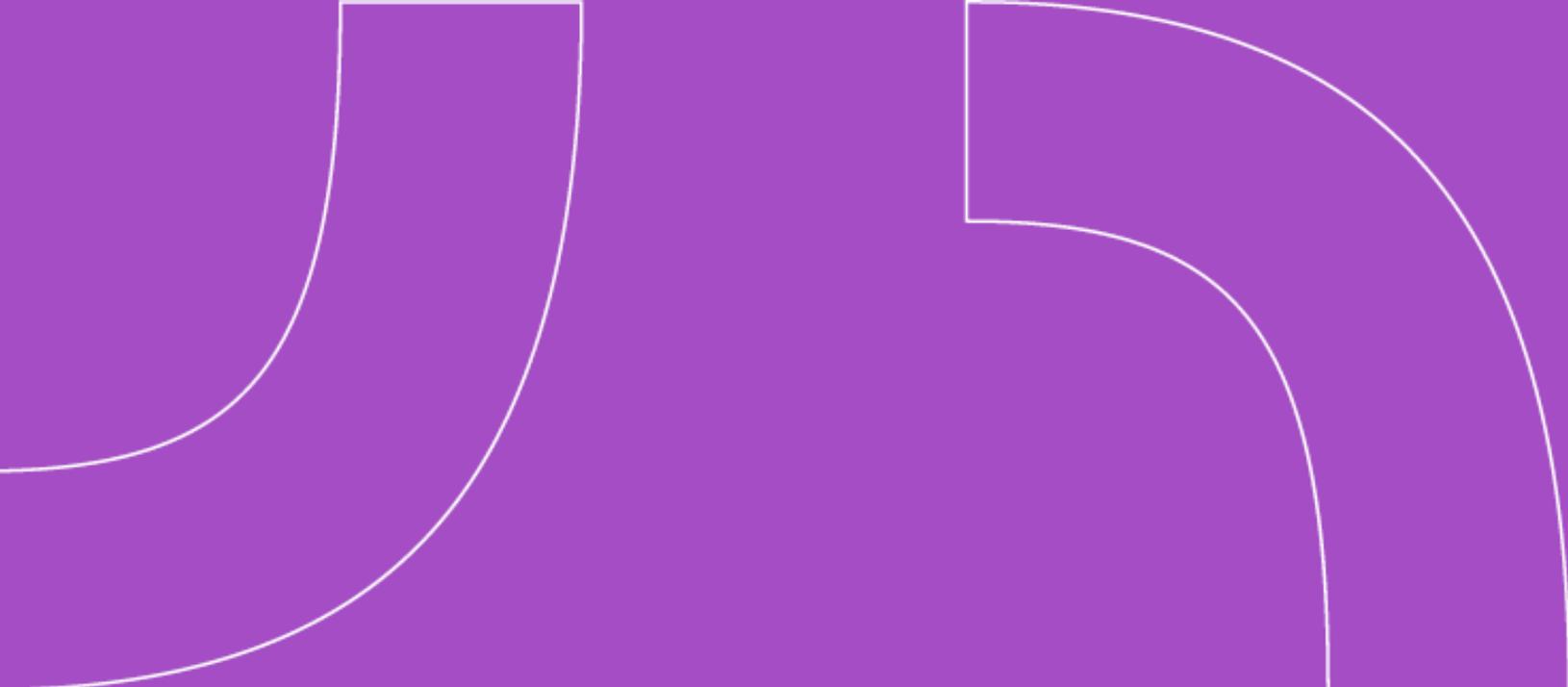
	Jan 1–Mar 31, 2018*	Jan 1–Mar 31, 2017*	Change	Jan 1–Dec 31, 2017*
Net sales, EUR thousand	16,470	17,252	-4.5%	65,666
Growth of net sales	-4.5%	18.2%		10.1%
Operating profit before depreciation and amortization (EBITDA), EUR thousand	340	898	-62.1%	1,308
percentage of net sales	2.1%	5.2%		2.0%
Operating profit/loss (EBIT), EUR thousand*	-364	222	-264.0%	-1,461
percentage of net sales*	-2.2%	1.3%		-2.2%
Earnings before taxes, EUR thousand*	-477	81	-688.9%	-1,579
percentage of net sales*	-2.9%	0.5%		-2.4%
Earnings, EUR thousand*	-699	-134	-421.6%	-2,007
percentage of net sales*	-4.2%	-0.8%		-3.1%
Net gearing	53.2%	53.3%		53.8%
Equity ratio	44.0%	43.0%		43.4%
Active personnel on average during the review period**	605	596	1.5%	610
Earnings per share (EUR)	-0.0106	0.0020	-631.9%	-0.0357

*) In accordance with IFRS 3, the operating result for January 1–March 31, 2018, includes EUR 507 thousand (2017: 507) in depreciations related to acquisitions, consisting of allocations of the purchase price to intangible assets.

***) 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 revenue and EBITDA in 2018 is estimated to increase from 2017, during which the revenue was EUR 65,7 million and EBITDA was EUR 1,3 million.



Other Issues

Innofactor received several significant orders during the first quarter of the year

The Most Significant Stock Exchange Releases Q1

- On January 2, 2018, Innofactor announced in a stock exchange release that Marko Lehtonen has been appointed as Innofactor's Chief Financial Officer.
- On January 24, 2018, Innofactor announced in a stock exchange release that Folkuniversitetet, a Swedish adult educational association, had selected Innofactor as the partner for implementing a Course and Event Management System with the value of the deal being approximately EUR 0.5 million.
- On January 24, 2018, Innofactor published a flagging announcement pursuant to Chapter 9, Section 10 of the Finnish Securities Markets Act, stating that Tuomo Tilman's ownership of the Innofactor Plc votes and shares had decreased below five percent (5%).
- On February 6, 2018, Innofactor announced in a stock exchange release that Innofactor's operating margin (EBITDA) for the fourth quarter (Q4) of 2017 is less than estimated in the Interim Report for the third quarter (Q3) of 2017.
- On February 7, 2018, Innofactor announced in a stock exchange release that the Swedish Teachers' Union (Läraryrket) selected Innofactor as the partner for a pilot project for membership management, recruiting and membership analysis. The value of the deal is approximately EUR 0.5 million.
- On March 5, 2018, Innofactor announced in a stock exchange release that the Supreme Administrative Court did not overrule HKL's decision to cancel the procurement decision of November 26, 2015, awarded to Innofactor in a bidding competition concerning the situational information system for the Metro's total security. The framework arrangement of the procurement was intended to remain in effect for a maximum of 15 years. For this total time, Innofactor had stated that the total price according to the tender would be approximately EUR 7 million.
- On March 16, 2018, Innofactor announced in a stock exchange release that the Legal Register Centre selected Innofactor as the provider of the HAIPA system. The value of the deal is approximately EUR 2 million during 2018 and 2019.

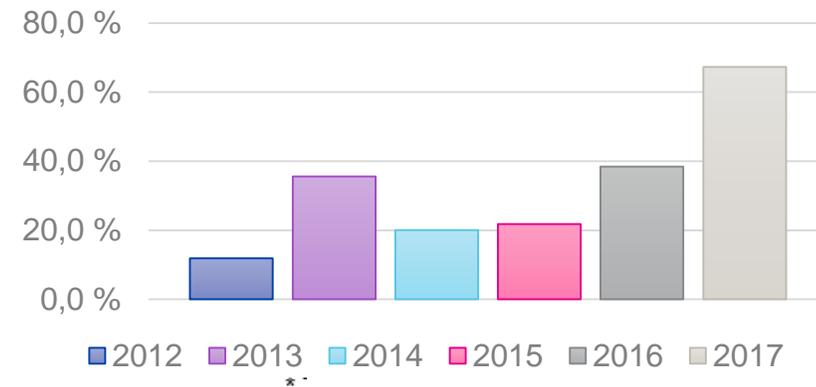
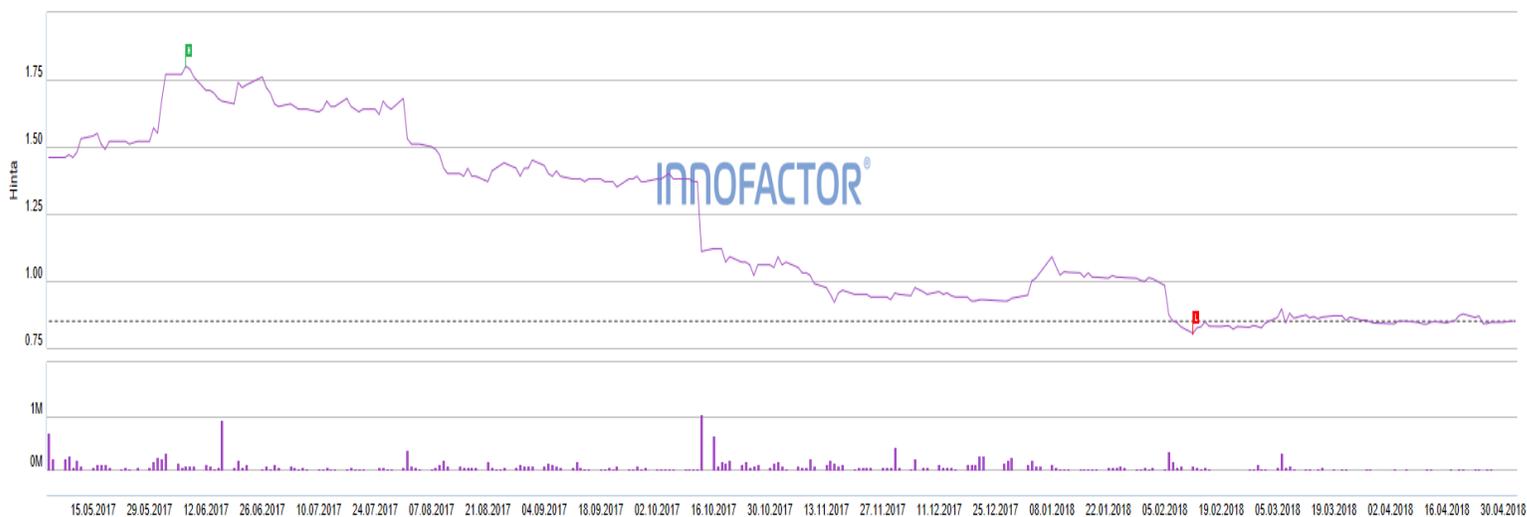
The Most Significant Stock Exchange Releases after Q1

- On May 7, 2018, Innofactor announced in a stock exchange release that 2017 IFRS standard adjusted annual results have been published.

Largest shareholders March 31, 2017

Name	Number of shares	% of share capital
1. Ensio Sami	7,700,823	21.28%
<i>Ensio Sami</i>	5,527,063	15.27%
<i>Minor under guardianship</i>	724,588	2.00%
<i>Minor under guardianship</i>	724,586	2.00%
<i>Minor under guardianship</i>	724,586	2.00%
2. Ilmarinen Mutual Pension Insurance Company	1,800,000	4.97%
3. Tilman Tuomo Tapani	1,659,416	4.59%
4. Laiho Rami Tapani	1,268,159	3.50%
5. Linturi Kaija and Risto	1,256,411	3.47%
<i>R. Linturi Oyj</i>	489,107	1.35%
<i>Linturi Kaija Anneli</i>	430,000	1.19%
<i>Linturi Risto Erkki Olavi</i>	337,304	0.93%
6. Ärje Matias Juhanpoika	882,065	2.44%
7. Mäki Antti-Jussi	877,192	2.42%
8. Muukkonen Teemu Heikki	522,230	1.44%
9. Ingman Finance Oy Ab	500,000	1.38%
10. Järvenpää Janne-Olli	315,211	0.87%
11. Kukkonen Heikki-Harri	286,931	0.79%
12. Rausanne Oy	273,040	0.75%
13. Hellen Stefan Andreas	250,000	0.69%
14. Laiho Jari Olavi	235,000	0.65%
15. Heikki Tervonen Oy	153,000	0.42%
16. Mäkinen Antti Vilho Juhani	148,000	0.41%
17. Salmela Alpo Jalmari	128,500	0.36%
18. Muurinen Hannu Olavi	125,750	0.35%
19. Mandatum Life	123,752	0.34%
20. Räsänen Heimo Juhani	112,979	0.31%

Innofactor Share Price Development and Turnover (Closing May 3, 2018 at €0.85)

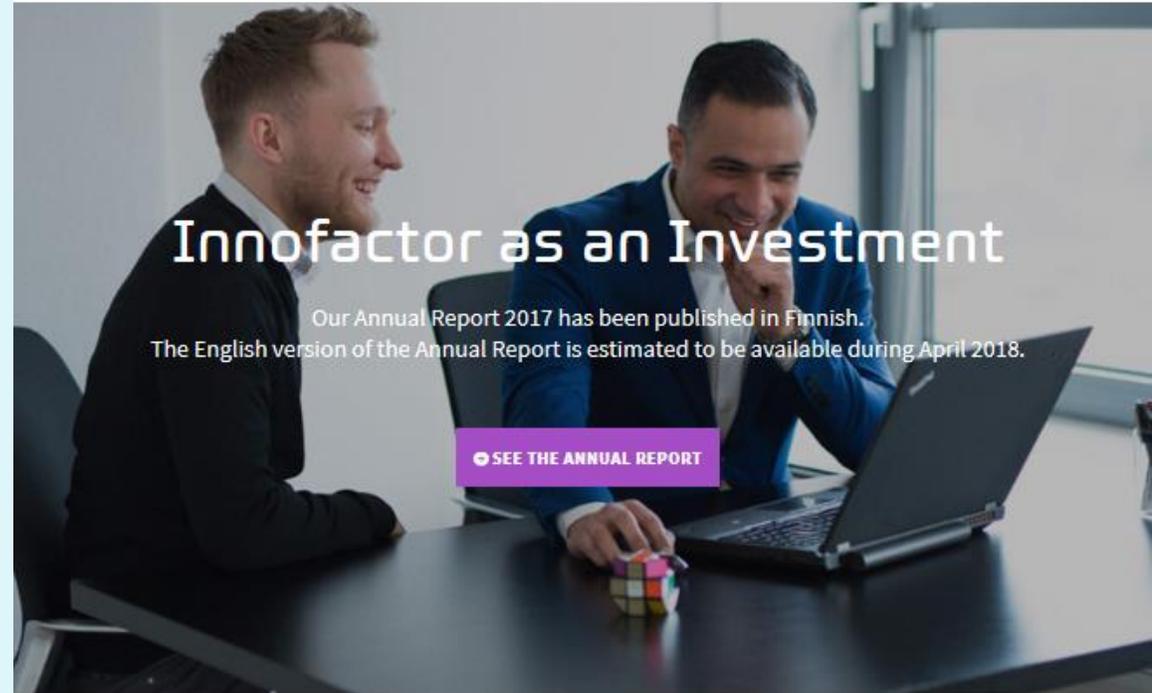


* The high turnover in 2013 is due to the atBusiness acquisition and an option relating to this where Innofactor purchased approx. 4.7 million of its own shares. This constitutes approx. 29 percent of the share turnover in 2013.

Share Price Development

Beginning of 2018	-10.24%		
1 year change	-41.71%	Year highest	1.13EUR
3 year change	-16.57%	Year lowest	0.79EUR
5 year change	+60.57%		

In public trading on January 1–March 31, 2018, a total of 3 245 441 shares were traded (2017: 4 400 918 shares), which corresponds to 9,0 percent (2017: 13,3%) of the average number of shares on the said period. The share trading decreased by 26,3 percent compared to the corresponding period in 2017.



Innofactor as an Investment

Our Annual Report 2017 has been published in Finnish.
The English version of the Annual Report is estimated to be available during April 2018.

SEE THE ANNUAL REPORT

A Leading Nordic Provider of Digitalization and Cloud Solutions

€ 0.85

04.08.2018 09:18 pm EET

Change	%	High	Low
€ +0.00	+0.12%	€ 0.85	€ 0.85

Innofactor is a leading Nordic provider of digitalization and cloud solutions. We have Microsoft Ecosystem's leading expertise, the most comprehensive offering in the Nordics, and over 600 eager and motivated top professionals in Finland, Sweden, Denmark and Norway. We serve over 1,500 commercial, public, and third sector organizations. In 2013 to 2017, the annual growth of our net sales has been approximately over 20%. The Innofactor Plc share is listed in the technology section of the main list of NASDAQ Helsinki Ltd.

Latest Stock Exchange Releases

<p>07.03.2018</p> <p>Innofactor publishes new financial figures for 2017 adjusted for th...</p>	<p>24.04.2018</p> <p>Publishing of Innofactor's Interim Report January -March 2018</p>	<p>04.04.2018</p> <p>Innofactor Plc: Managers' Transactions - Per Bendix Olsen</p>
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For more information

<https://www.innofactor.com/invest-in-us/innofactor-as-an-investment/>

Sami Ensio

CEO

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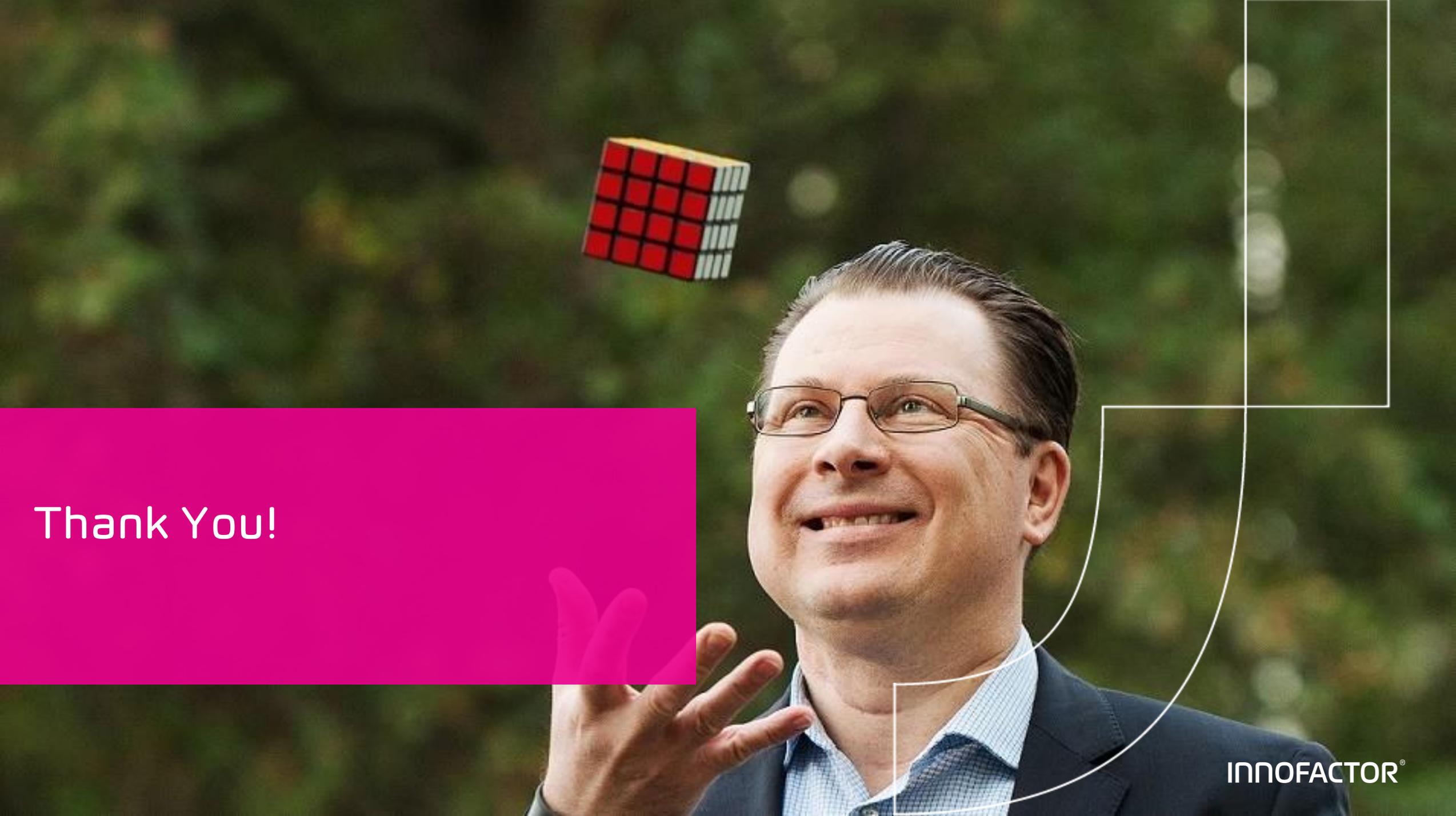
sami.ensio@innofactor.com

Marko Lehtonen

CFO

+358 50 575 5006

marko.lehtonen@innofactor.com

A man with glasses and a dark suit over a light blue shirt is smiling and looking upwards. He is juggling a Rubik's cube. The background is a blurred green forest. A white outline of a large letter 'U' is overlaid on the right side of the image. A pink rectangular box is on the left side, containing the text 'Thank You!'.

Thank You!

INNOFACTOR®



Appendix 1: Customer References

Hospital District of Helsinki and Uusimaa

Digital Channels in Hospitals – the Health Village Brings Technology to People

“The aim of developing virtual and electronic services that are closely intertwined with patients’ service paths is to design customer-focused and multi-channel services, enhance the prevention of illnesses and the efficiency of care, facilitate customers’ timely access to treatment and increase the effectiveness of remote appointments. The use of eHealth services makes it possible to allocate human resources to more demanding service areas in which patient counseling and care requires a broader range of competencies.”

Sirpa Arvonen

Project Director, HUS Virtual Hospital Project



Finnish Red Cross

My Red Cross – digital tools for volunteering

“The Finnish Red Cross has taken an energetic approach to solving the equation of digitality, volunteering and NGO activity. The success of this project can have a significant impact on Finnish society and the people in Finland. Our development strategy is focused on making volunteering easy. As our local activities are reliant on volunteers, the second key point of the strategy is to build digital services for local key volunteers to make organizing and leadership easier. The starting point for our digital program has been to identify which services are important from the users’ perspective. This has helped us establish the foundation on which we are now building together with Innofactor.”

Ilpo Kiiskinen

Communications Manager, Finnish Red Cross



Mitsubishi Motors

Better and more personal customer service with Microsoft Dynamics CRM

“We have had the pleasure to work with Innofactor in this business-critical project. It's a major initiative, that will strengthen our customer relationships and dialogue, building lasting and profitable relations between our customers, retailers and garages. Taking into account the significance of the investment, it feels particularly good to be able to trust Innofactor's experience and knowhow.”

Karl-Thomas Albinsson
CRM Manager
Mitsubishi Motors Sweden



Kommunal

Better and More Personalized Services and Communications for Members

“We chose Innofactor because they genuinely understood our needs. They offered a ready-to-use solution customized to the needs of this membership-based organization. We also found that their Microsoft Dynamics CRM expertise was the most comprehensive in all of Sweden.”

Hanna Stenholm

Head of Membership Administration, Kommunal



Linco Food Systems A/S

Innofactor QualityFirst helps with updating and sharing the organization's quality documentation

“We chose Innofactor QualityFirst because it met with our requirements, and did not need any further development. The solution was adapted directly into our current process management model”

Mogens From Winther
Quality Manager
Linco Food System A/S



Sparebanken Vest

Using Microsoft Azure to manage growth and operating expenses

“The local infrastructure has now been moved to the cloud. This was made possible by Innofactor’s specialists, who have a strong understanding of the big picture as well as in-depth expertise. We had used Innofactor’s consultants before, so it was an easy decision to turn to them for assistance and advice. Our cooperation with Innofactor has become even stronger after we selected Microsoft Azure as our solution. Innofactor knows Azure inside and out!”

Jørn Torsvik

CIO

Sparebanken Vest

