

# INNOFACTOR®

**The Fastest Growing ICT Company in Finnish Stock Exchange**

Interim report for January 1–June 30, 2012

Sami Ensio, CEO

Mikko Karvinen, CFO

July 31, 2012



**Microsoft** Partner

- Gold Application Integration
- Gold Business Intelligence
- Gold Content Management
- Gold Customer Relationship Management
- Gold Data Platform
- Gold Digital Marketing
- Gold Independent Software Vendor (ISV)
- Gold Portals and Collaboration
- Gold Web Development

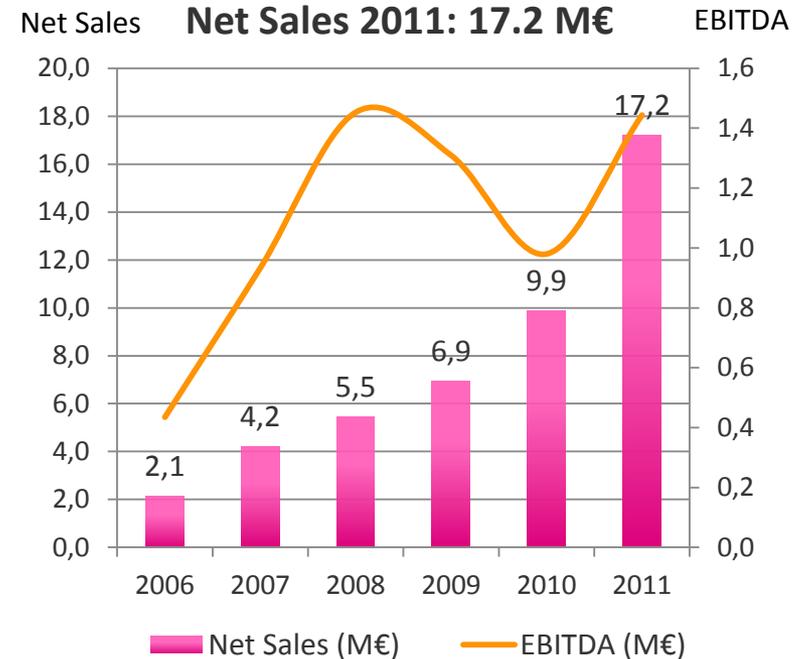
[www.innofactor.com](http://www.innofactor.com)

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**2012 MICROSOFT®  
PARTNER OF THE YEAR**

# Innofactor in Brief

- Largest Microsoft-focused IT service provider in Finland
  - System integrator
  - Independent software vendor
- Microsoft Partner of the Year 2011 in Finland and Public Sector Global Finalist of the Year 2012.
- Excellent track record on being able to grow fast and profitably
  - Net sales growth 2006–2011: 52.0 % p.a.
  - EBIT margin 2006–2011: 12.8 % in average
  - EBIT growth 2006–2011: 31.2 % p.a.
- Over 200 employees, 6 offices located in Finland and 1 in Denmark, over 1,500 customers
- Listed in NASDAQ OMX Helsinki, over 12,000 shareholders

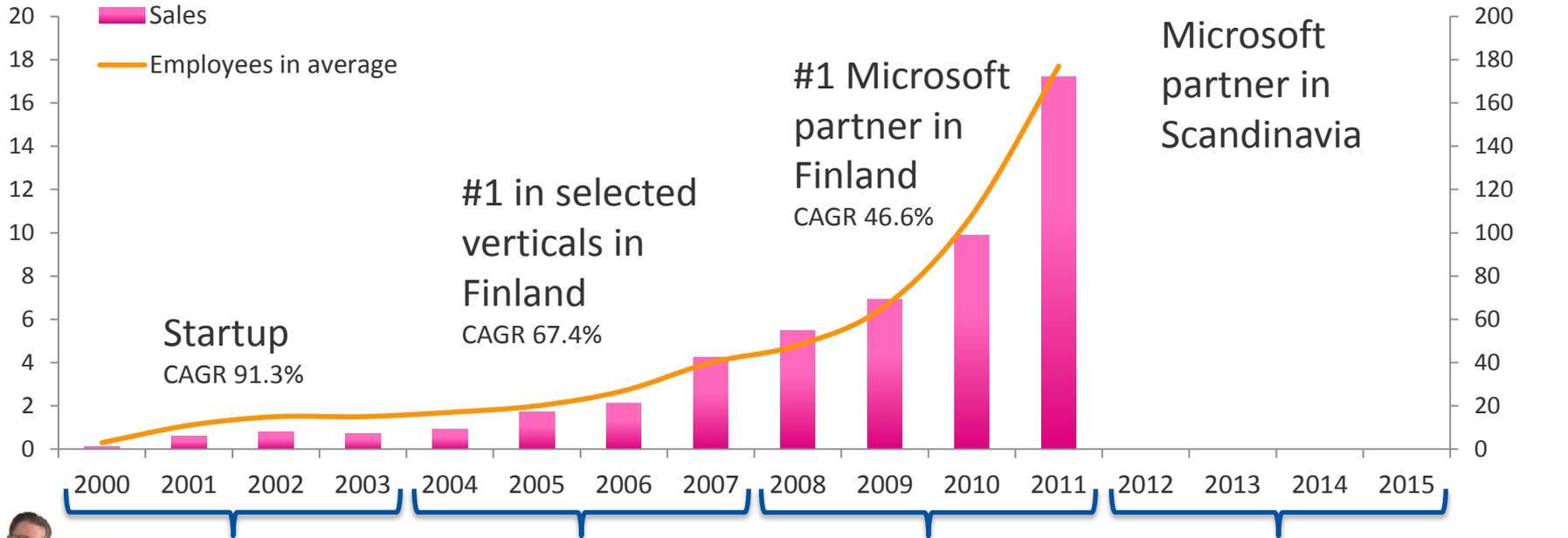


**Net Sales 2011 division, approx.**



# Innofactor growth track

Net Sales, M€



Objective to become #1 Microsoft partner in Scandinavia

**Startup**  
CAGR 91.3%

**#1 in selected verticals in Finland**  
CAGR 67.4%

**#1 Microsoft partner in Finland**  
CAGR 46.6%



- Innofactor was founded by Mr. Sami Ensio in 2000
- Focus on Microsoft technologies
- Innofactor® Prime™: ERP system for Public Sector customers

- Two acquisitions: Business Units from TietoEnator and Enfo
- One of the pioneers in delivering SharePoint projects

- Profitable growth despite financial crisis
- Three acquisitions: CRM, BI and Document Management
- Reverse IPO: Nasdaq OMX HEX
- First cloud services
- Microsoft Partner of the Year 2011

- Organization tuned to support future growth
- Acquisition of a leading Microsoft BI company in Denmark; Bridgeconsulting A/S
- Microsoft Public Sector Global Finalist of the Year 2012

# Innofactor has a leading Microsoft-based solution portfolio...



**Microsoft® Partner**

- Gold Application Integration
- Gold Business Intelligence
- Gold Content Management
- Gold Customer Relationship Management
- Gold Data Platform
- Gold Digital Marketing
- Gold Independent Software Vendor (ISV)
- Gold Portals and Collaboration

**Certificated for High Quality and Security**

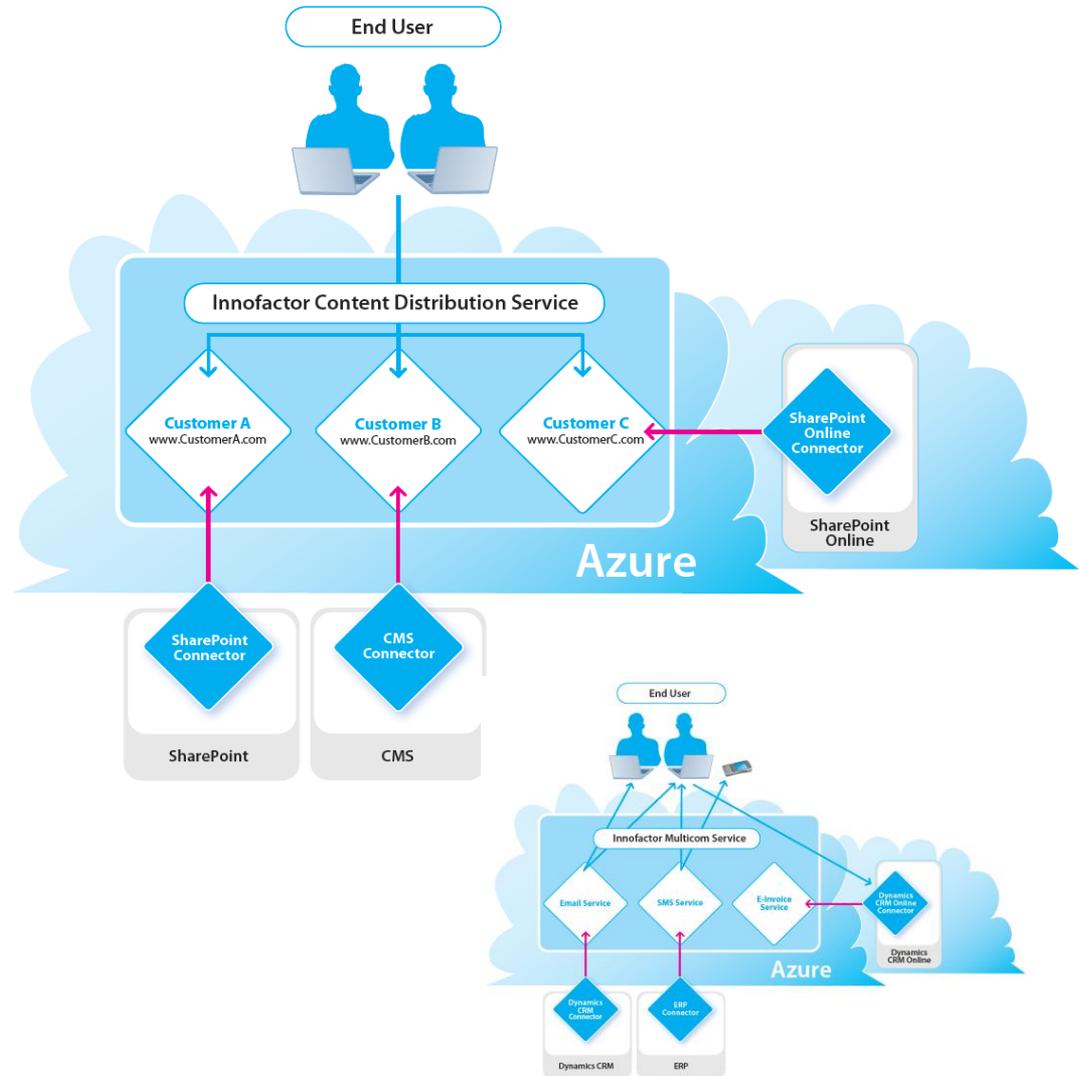


ISO 9001  
ISO/IEC 27001  
AQAP-2120

# ... Including Value-Added Cloud & Mobile Services ...

Innofactor strives to develop value-adding components by offering:

- Better user experience
- More features
- Easier integration
- More cost-effective implementation project



Launched July 2011 at Microsoft Worldwide Partner Conference in Los Angeles



# ... and over 1,500 customers in several industries

	Manufacturing	Services	Public & 3 <sup>rd</sup> Sector
<i>eServices and Web Stores</i>	  	  	     
<i>CRM, ERP and Vertical Solutions</i>	    	     	   
<i>Business Intelligence and Enterprise Search</i>	     	        	     
<i>Document and Quality Management</i>	   	  	     
<i>Web Communications</i>	   	  	   

Our **Vision** is ...

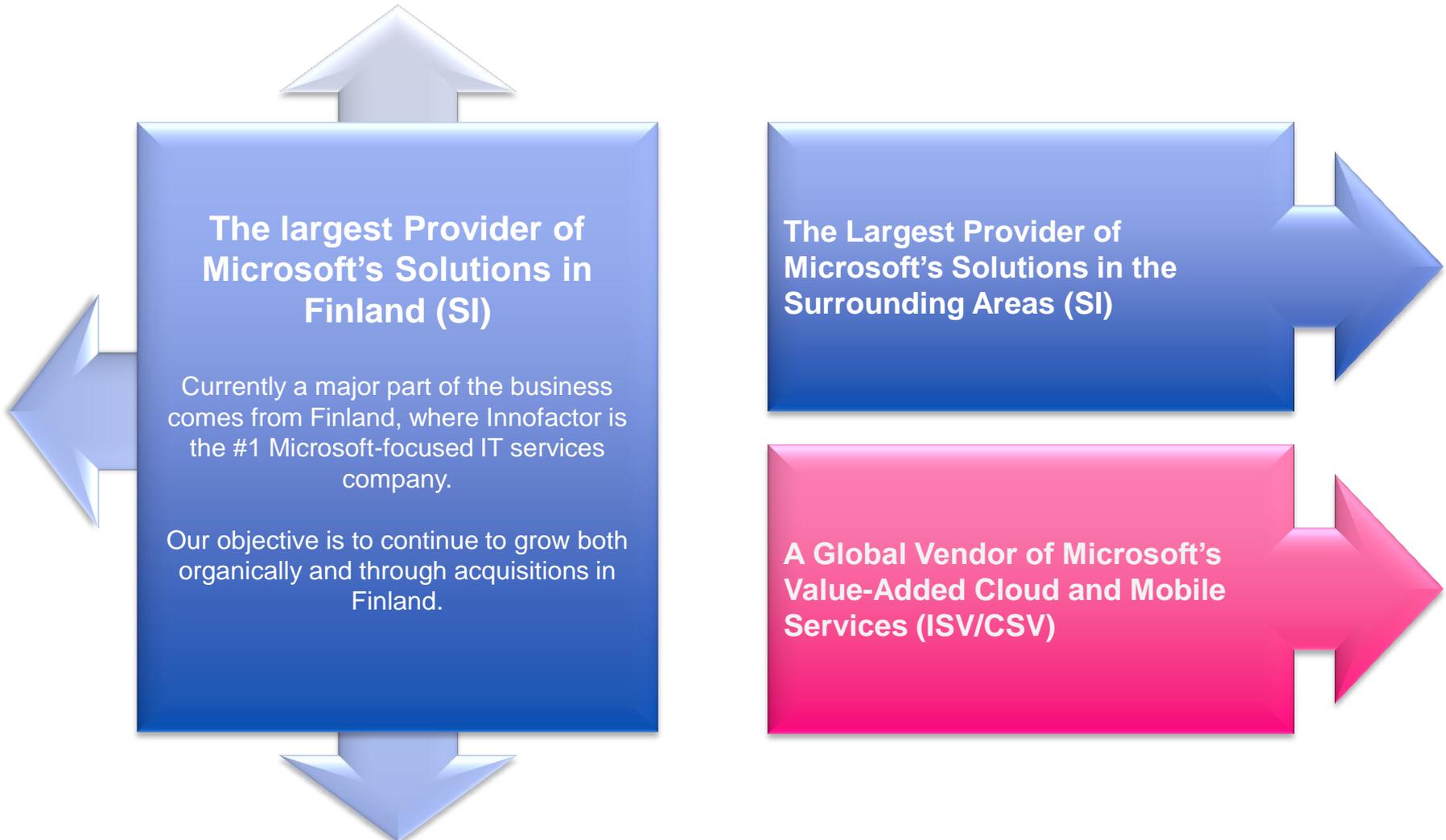
to become

Microsoft's **#1** Partner as an Independent Software Vendor (ISV) in value-added cloud and mobile services globally

and

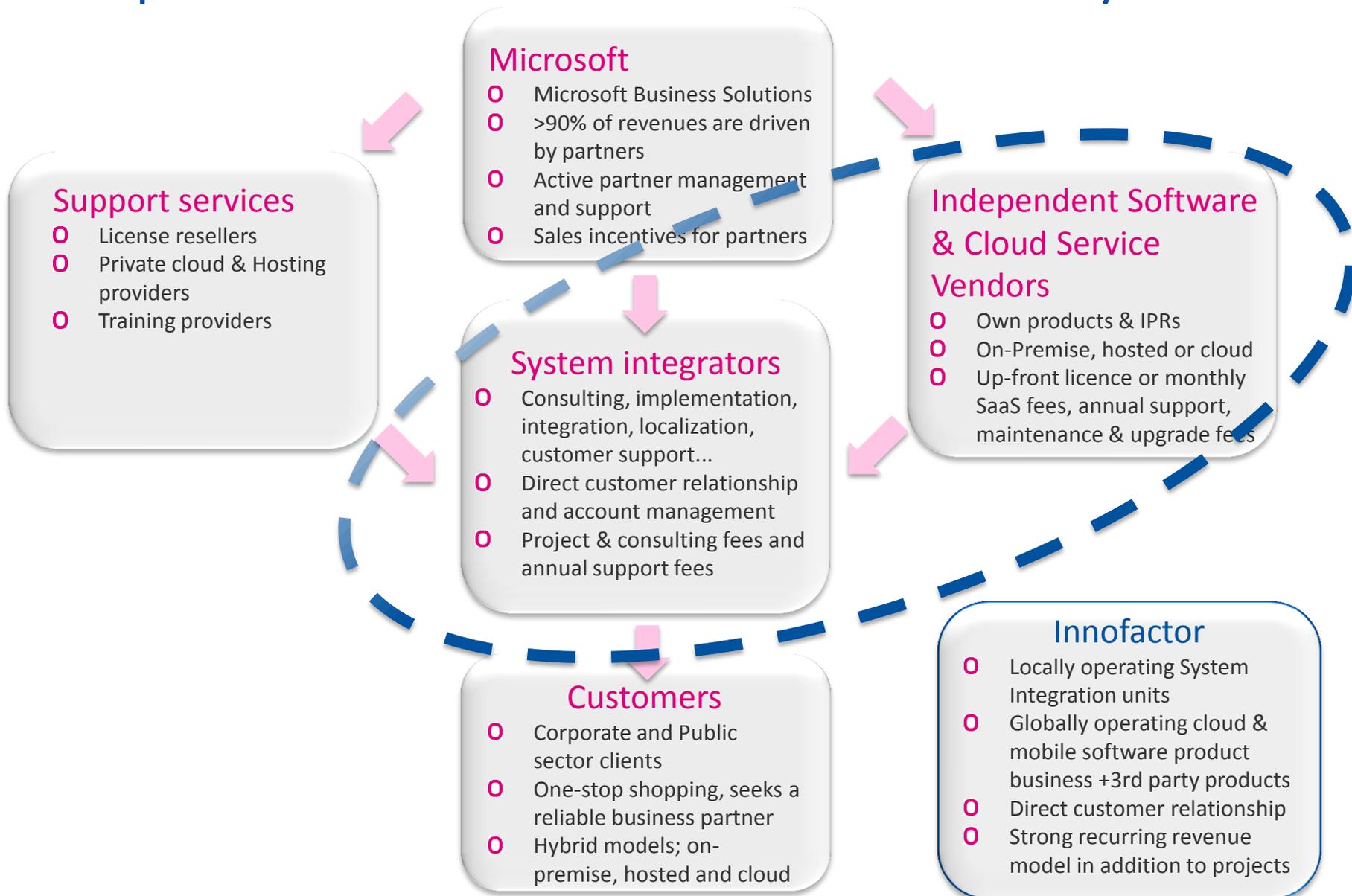
Microsoft's **#1** Partner as an System Integrator (SI) in selected markets, first in Scandinavia

# We plan to grow in Three Dimensions ...



*Based on strategy outlined in 2011*

# ...as part of Microsoft Business solutions ecosystem



## Microsoft

- Microsoft Business Solutions
- >90% of revenues are driven by partners
- Active partner management and support
- Sales incentives for partners

## Support services

- License resellers
- Private cloud & Hosting providers
- Training providers

## Independent Software & Cloud Service Vendors

- Own products & IPRs
- On-Premise, hosted or cloud
- Up-front licence or monthly SaaS fees, annual support, maintenance & upgrade fees

## System integrators

- Consulting, implementation, integration, localization, customer support...
- Direct customer relationship and account management
- Project & consulting fees and annual support fees

## Customers

- Corporate and Public sector clients
- One-stop shopping, seeks a reliable business partner
- Hybrid models; on-premise, hosted and cloud

## Innofactor

- Locally operating System Integration units
- Globally operating cloud & mobile software product business +3rd party products
- Direct customer relationship
- Strong recurring revenue model in addition to projects

# The Enterprise IT Service Market is changing ...

## Consumerization of IT & Unification of Devices

- Consumer applications give guidance on what kind of services, connectivity, software and hardware business users want to use today
- The IT ecosystem is becoming more unified and users want same applications and user experiences across different hardware and software platforms (desktop PCs, laptops, tablets, readers, smartphones, entertainment devices and TVs) with new natural user interfaces



... affecting the way IT solutions are being used ...

## Increasing Adoption of Cloud & Mobile Services

- Enterprises and consumers are changing their view of IT services and are looking for better scalability, usability and new business models
- We believe that in order to have a competitive offering, the IT services providers need to be able to provide hybrid solutions from the cloud and (more traditionally) on the premise



## ... and we believe that Microsoft is well positioned for this change...

We trust that Microsoft is the leading IT company with compelling offering and market share in corporate-, public sector and consumer segments

- Strong offering in growing Enterprise Applications space (Communication, ERP, CRM, BI, Office) which being offered hybrid on-premise and from the cloud (e.g. Azure)
- Windows 8 will provide unified user experience across devices
- Microsoft cooperation with mobile device manufacturers



## ...enhancing Innofactor's competitive advantage

We trust that Innofactor has a competitive advantage to leverage Microsoft product portfolio and to create value-added solutions to its customers

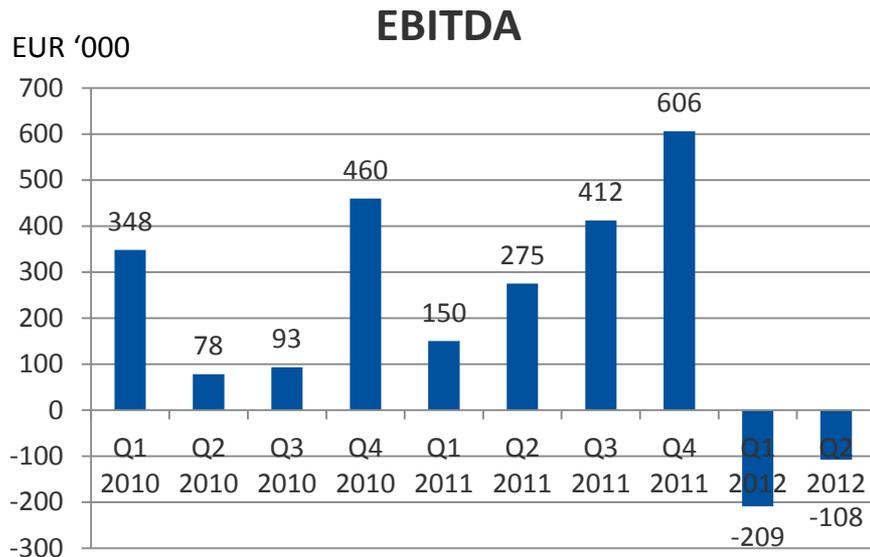
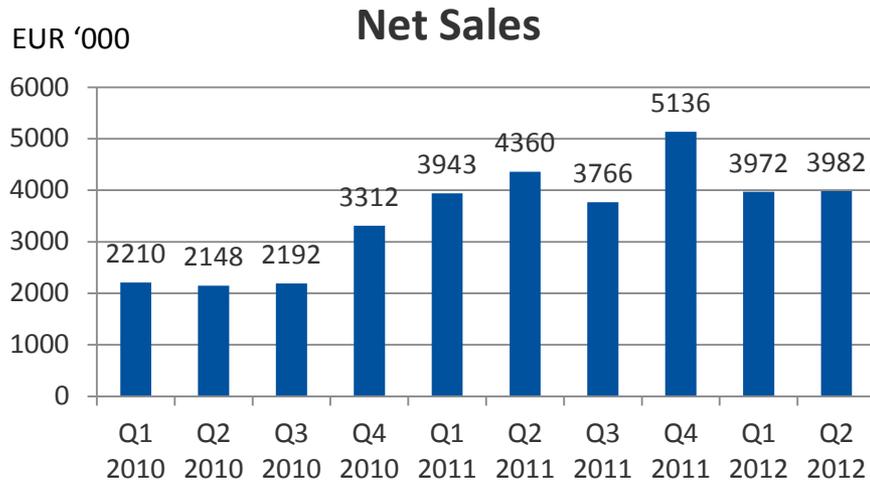
- The #1 player in Microsoft business in Finland
  - Purely focused on Microsoft platforms; betting on a winner
  - Sufficient critical mass and delivery capabilities to attract even blue-chip customers
  - Breadth of Microsoft's product expertise ,services and track-record
  - Extensive customer base of both Corporate and Public Sector customers
- Unique business model and organizational capabilities in executing both System Integration and Value Adding Cloud & Mobile strategies
- Unique track record on fast and profitable growth as well as successful M&As

# Key Achievements in 2012

- New organization was implemented on January 2<sup>nd</sup>, 2012
  - System integrator function (SI) and the software business (Independent Software Vendor, ISV) were separated in different units
  - The Finnish system integrator unit was further divided into four business units:
    - Web communications and eCommerce
    - Productivity and Operational Solutions
    - Document and Case Management
    - Third Sector Solutions
- Innofactor enters into Danish market by acquiring Bridgeconsulting A/S
  - The leading Microsoft-focused Business Intelligence player
  - Profitable growth since its foundation in 2006. Very good and satisfied customer base.
- Innofactor was listed among the top global finalists for the 2012 Microsoft Public Sector Government Partner of the Year 2012 Award
- Published deals since Q1 2012
  - A resource booking system for the City of Espoo. The contract value is approximately EUR 475,000
  - A Microsoft Sharepoint application maintenance service for Finnish VTT. The contract value is estimated to be EUR 1,580,000.

*\* The 2010 pro-forma figures are non-audited*

# Innofactor has grown profitably...



- Innofactor has been able to grow 6.8 % per quarter in average (CAGR Q1/2010–Q2/2012)
- Due to the organizational change on January 2, 2012, projects were rearranged, which had a one-off effect of lowering the net sales in January by about EUR 300 thousand
- The EBITDA figures for years 2011-2012 include following extraordinary cost items:
  - Q1 2011: Reverse IPO costs of about EUR 100 thousand
  - Q2 2011: Reverse share split costs of about EUR 200 thousand
  - Q1 2012: The personnel and office space arrangements related to the organizational change on January 2, 2012 led to a one-off costs of about EUR 100 thousand. Together with the project reorganization, these reduced the EBITDA by about EUR 400 thousand

## Q2 2012 results

**Net Sales  
Q2 2012**

**4.0 M€**

**Decrease 8.7 %  
from Q2 2011**

**EBITDA  
Q2 2012**

**-2.7 %  
-0.1 M€**

**Decrease 139.3 %  
from Q2 2011**

- The Q2 2012 net sales were EUR 4.0 million, decrease of 8.7 % from Q2 2011
- The Q2 2012 EBITDA was EUR -0.1 million, decrease of 139.3 % from Q2 2011
- The R&D expenses in Q2 2012 (recognized in the P&L) were EUR 0.7 million, i.e. 16.4% of net sales
- There were no extraordinary cost items in Q2 2012.
- At the end of 2Q 2012 equity ratio was 76.8% (75.6 % at end of 2Q 2011)
- The group's liquid assets at end of 2Q 2012 totaled EUR 1.0 million (EUR 0.8 million at end of 2Q 2011), consisting totally of cash funds.

# January - June 2012 results

**Net Sales  
H1 2012**

**8.0 M€**

**Decrease 4.2%  
from H1 2011**

**EBITDA  
H1 2012**

**-4.0%  
-0.3 M€**

**Decrease 174.4%  
from H1 2011**

- The H1 2012 net sales were EUR 8.0 million, decrease of 4.2 % from H1 2011
- The H1 2012 EBITDA was EUR -0.3 million, decrease of 174.4 % from H1 2011
- The R&D expenses in H1 2012 (recognized in the P&L) were EUR 1.3 million, i.e. 16.9% of net sales
- Due to the organizational change on January 2, 2012, projects were rearranged, which had a one-off effect of lowering the net sales in January by about EUR 0.3 million. Additionally, the personnel and office space arrangements related to the organizational change led to a one-off costs of about EUR 0.1 million. In total, these reduced the EBITDA by about EUR 0.4 million

# Key figures of the group, IFRS

	mo. 1–6 /2012	mo. 1–6 /2011	Change	mo. 1–12 /2011
Net sales, EUR thousand*	7,954	8,303	-4.2%	17,205
Operating profit/loss before depreciation and amortization (EBITDA), EUR thousand**	-316	425	-174.4%	1,443
<i>percentage of net sales**</i>	<i>-4.0%</i>	<i>5.1%</i>		<i>8.4%</i>
Operating profit/loss (EBIT), EUR thousand**	-598	161	-471.4%	904
<i>percentage of net sales**</i>	<i>-7.5%</i>	<i>1.9%</i>		<i>5.3%</i>
Earnings, EUR thousand**	-592	121	-589.2%	687
<i>percentage of net sales**</i>	<i>-7.4%</i>	<i>1.5%</i>		<i>4.0%</i>
Shareholders' equity, EUR thousand	12,846	12,399	+3.6%	12,905
Interest bearing debt, EUR thousand	0	0	+0.0%	0
Cash and equivalents, EUR thousand	1,013	758	+33.6%	696
Deferred tax assets, EUR thousand	7,895	8,091	-2.4%	7,895
Return on equity***	-9.2%	1.9%		5.5%
Return on investment***	-9.2%	2.6%		7.2%
Net gearing	-7.9%	-6.1%		-5.4%
Equity ratio	76.8%	75.6%		74.5%
Research and development, EUR thousand	1,347	1,246		2,086
<i>percentage of net sales</i>	<i>16.9%</i>	<i>15.0%</i>		<i>12.1%</i>
Personnel on average during the review period	181	173	+4.6%	177
Personnel at the end of the review period	181	185	-2.2%	189
Number of shares at the end of the review period****	30,165,900	29,261,800	+3.1%	29,261,800
Earnings per share (EUR)****	-0.0199	0.0041	-585.4%	0.0235
Shareholders' equity per share (EUR)****	0.426	0.424	+0.5%	0.441

\* Due to the organizational change on January 2, 2012, projects were rearranged, which had a one-off effect of lowering the net sales in January by about EUR 0.3 million.

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Additionally, the personnel and office space arrangements related to the organizational change led to a one-off cost of about EUR 0.1 million. In total, these reduced the EBITDA by about EUR 0.4 million.

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

\*\*\*\* In accordance with the decision of the Innofactor Plc's Annual General Meeting on April 28, 2011, twenty old shares were consolidated into one new share (registered in the Trade Register on May 7, 2011), which reduced the total number of shares to 1/20 of the previous number. The key figures presented in the table have been adjusted to correspond with the current number of shares.

# Our Financial Targets for 2015

- Innofactor aims to grow profitably. The target is:
  - To achieve an average annual growth of 30-40% in 2011-2015 through both organic growth and acquisitions
    - 2011: growth 74.5%
  - To achieve an average annual operating profit of 10-15% before depreciation and amortization (EBITDA) in relation to the net sales in 2011-2015
    - 2011: EBITDA-margin 8.4%
  - To keep the cash flow positive and secure good financial standing in all situations

# Guidance for 2012 and Dividend policy

## Guidance for 2012

- There are notable uncertainties related to the outlook for 2012 due to the instability of the global financial situation, so no detailed forecasts for 2012 can be provided. In 2012, the organic growth of Innofactor is estimated to continue. The profitability of the business operations is expected to remain positive

## Dividend Policy

- Innofactor is a growing company and intends to use its operating profit on actions promoting growth, for example, on realizing mergers.
- To provide an opportunity for the shareholders to distribute, from the part of the operating profit exceeding 10 % before depreciation and amortization (EBITDA), the maximum dividend allowed by the state of the business

# Largest shareholders as of June 30, 2012

Name	Number of shares	% of share capital
1. Ensio Sami	7,392,136	24.50%
<i>Ensio Sami</i>	5,218,376	17.30%
<i>minor under guardianship</i>	724,588	2.40%
<i>minor under guardianship</i>	724,586	2.40%
<i>minor under guardianship</i>	724,586	2.40%
2. Tilman Tuomo Tapani	2,886,777	9.57%
<i>Tilman Tuomo Tapani</i>	2,747,492	9.11%
<i>Mpire Capital Oy</i>	139,285	0.46%
3. Salminen Jyrki Kalle Tapio	2,747,492	9.11%
4. Laiho Rami Tapani	1,489,888	4.94%
5. Linturi Risto	1,397,011	4.60%
<i>R. Linturi Oyj</i>	1,369,707	4.51%
<i>Linturi Risto</i>	27,304	0.09%
6. Mäki Antti-Jussi	1,310,201	4.34%
7. Lampi Mikko Olavi	1,045,543	3.47%
8. Riski Tuomas Mikael	995,543	3.30%
9. Ärje Matias Juhanpoika	946,278	3.14%
10. Luostarinen Juha Markku T	929,438	3.08%
11. Jokinen Klaus Antero	584,161	1.94%
12. Muukkonen Teemu Heikki	507,468	1.68%
13. Kukkonen Heikki-Harri	401,946	1.33%
14. Järvenpää Janne-Olli	372,804	1.24%
15. Ementor Norge As	269,299	0.89%
16. Laiho Jari Olavi	266,851	0.88%
17. Gerdt Aino-Maija	180,000	0.60%
18. Myllys Mikko Juhani	176,981	0.59%
19. Salminen Petri Juhani	166,795	0.55%
20. Nurmi Mika	139,553	0.46%

# Appendices

# Our Mission

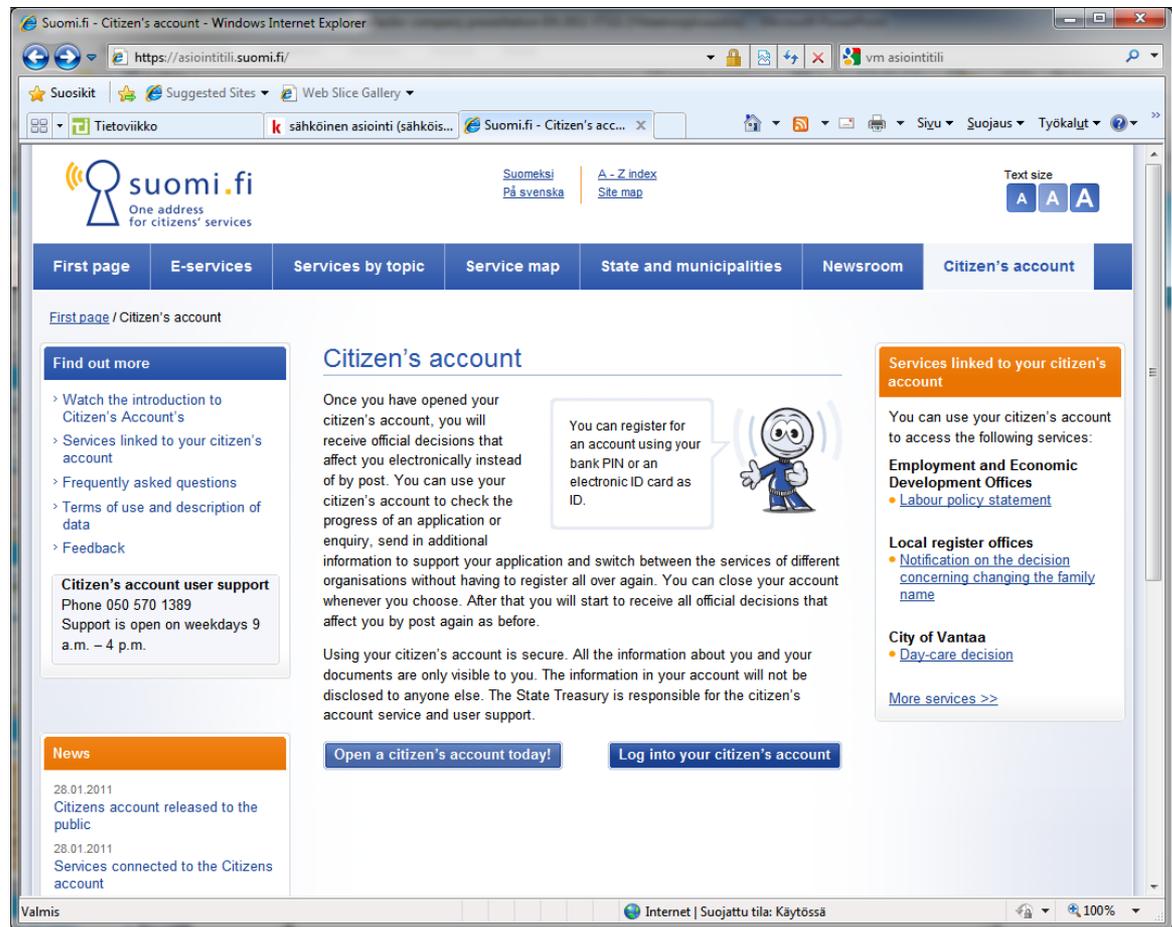


Sami Ensio,  
Founder,  
CEO

- We will help our customers offer their customers increasingly better services and strengthen their own activities
  - by providing globally significant value-added services for the Microsoft cloud and mobile environments
  - by creating packaged solutions for our customers in Finland and its neighboring countries
- We will provide our employees and partners with an innovative and supportive environment in which they can continue to develop themselves

# Case: State Treasury – Citizen’s Account

- “One address for all citizen’s services”
- All decisions by public authorities easily to all citizens either from portal, e-mail or SMS
- Personal service history available for the citizen
- A secure way to communicate with all authorities
- 24/7 service



# Case: Metso

- Electronic services for Metso brand management
- Enables managing all brand related materials, information and communication
- Includes several dynamic templates for versatile material production

The screenshot displays the Metso Brand Center website. At the top, there are search bars for 'Phonebook search' and 'Intranet search', along with navigation links like 'Home', 'My settings', 'My profile', 'Admin controls', and 'Statistics'. The main content area is divided into several sections:

- Interaction:** A sidebar with icons for 'Most active', 'Discussion', 'Wikis', 'Groups', 'Blogs', and 'My page'.
- Most active blogs:** A table listing recent blog posts with columns for 'Author', 'Latest posting', 'Latest comments', and 'At time'.
- Search:** A search bar with 'Advanced search' and 'Search' buttons.
- metso Expect results:** The main header with the Metso logo and tagline.
- Metso Brand Center:** A central section with a navigation menu including 'Reception', 'Lounge', 'Design studio', 'News room', 'Library', 'Info desk', and 'Admin'.
- Latest News:** A news article titled 'Dear colleagues, brochure guidelines have now been updated to reflect one Metso. In addition, we have made some small modifications to the guidelines based on user feedback.' with a 'Get the news' link.
- Brochure guidelines updated:** A notification box.
- Organizational terminology finetuned:** Another notification box.
- All InDesign files in one place:** A notification box.
- Talk about email signatures:** A notification box.
- Expect results in action:** A photo of a bus with the Metso logo, captioned 'Shanghai, September 2008'.
- From the CEO's table:** A section featuring a photo of Jorma Eloranta and text stating 'Expect results reflects what we do, says Jorma Eloranta.' with a 'Read more' link.
- Our customer promise:** A section with text: 'Expect results is our promise to our customers and the essence of our strategy. It is the attitude we share globally. Our business is to deliver results to our customers, to help them reach their goals. Our customer promise builds on three themes: proven results, leading technology and keeping promises. Expect results poster Background material on Expect results'.
- Check this out:** A list of items: 'Brand presentations', 'Dynamic template, business card', 'Business card (Chinese)', 'Brochures', 'Other applications', and 'Events'.
- New and updated:** A list of items: 'Business card', 'Downloadable logos', 'InDesign files', and 'Invitation'.
- Most popular:** A list of items: 'Business card', 'Downloadable logos', 'InDesign files', and 'Invitation'.

At the bottom, it says 'Page last updated: 02.02.2009 15:03'.

# Case: Energy Market Authority

- Tools for bidding electricity providers
- Electricity prices and comparisons
- Timely information about electricity sellers' campaigns

Jämförelse av elpriser - Windows Internet Explorer

http://www.sahkonhinta.fi/results

energiamarkkinavirasto

Tietoviikko k sähköinen asiointi (sähköi... Jämförelse av elpriser

emv Energiamarkkinavirasto  
Energiamarknadverket

Jämförelse av elpriser - Sök prisuppgifter - Resultaten av prisjämförelsen

Käyttämäsi hakuehdot: \_sv

Årsförbrukning (kWh) 15000  
 Ursprunget till leverantörernas el Obegränsad  
 Säkringsstorlek 3x25A  
 Förbrukningsställe Permanent bostad

PRECISERA JÄMFÖRELSEN INFORMATION OM FÖRNYBARA ENERGIKÄLLOR

Produkter som gäller tillvidare (21.2.2011)

Säljare	Produktnamn	Totalt €/år	Medelpris cent/kWh	Ursprunget till leverantörernas el	Produkts ursprung	Erbjudandets utgångsdatum
Market Energia Sähkömyynti Oy	Market Basic	866,88	5,78			Tillsvidare ikraft varande
Vaasan Sähkö Oy	Yleissähkö tarjous	970,20	6,47			Tillsvidare ikraft varande
Kokkolan Energia	Yleissähkö U	994,86	6,63			Tillsvidare ikraft varande
Kokkolan Energia	Ekoyleissähkö U	1006,98	6,71			Tillsvidare ikraft varande
Jyväskylän Energia Oy	Yleissähkö toistaiseksi voimassa	1010,94	6,74			Tillsvidare ikraft varande
Kokkolan Energia	Tuuliyleissähkö U	1019,10	6,79			Tillsvidare ikraft varande
Korpelan Voima Kuntayhtymä	Yleiskorpela	1027,50	6,85			Tillsvidare ikraft varande
VAPO Oy	Vapo Kotimainen yksiaika 2	1034,40	6,90			Tillsvidare ikraft varande
Haminan Energia	Yksiaika	1035,00	6,90			Tillsvidare ikraft varande

Valmis Internet | Suojattu tila: Käytössä 100%

# INNOFACTOR<sup>®</sup>

Your Partner. Your Solution.<sup>™</sup>

