

INNOFACTOR®

The Fastest Growing ICT Company in Finnish Stock Exchange

Interim report for January 1–September 30, 2012

Mikko Karvinen, CFO

October 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

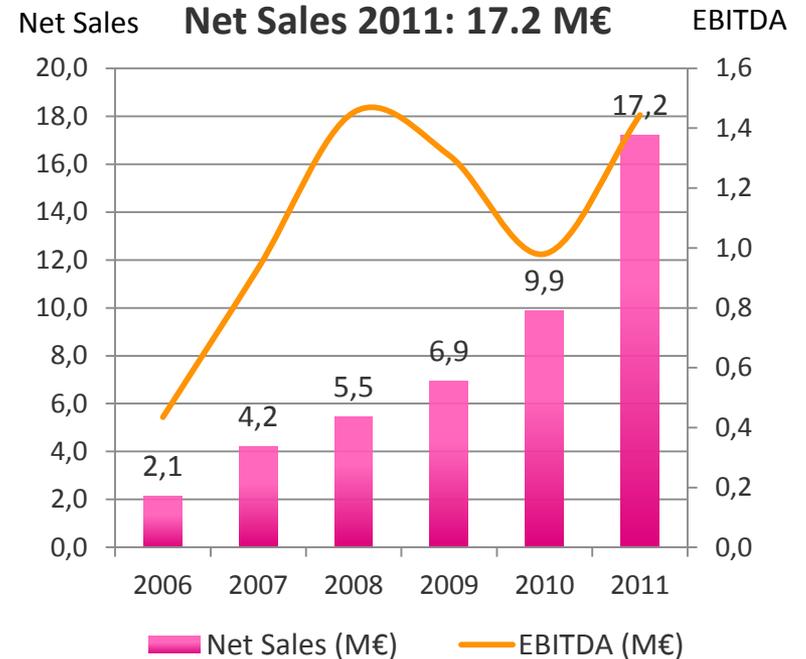
© Innofactor Plc 2000–2012

2012 MICROSOFT.
PARTNER OF THE YEAR
FINALIST

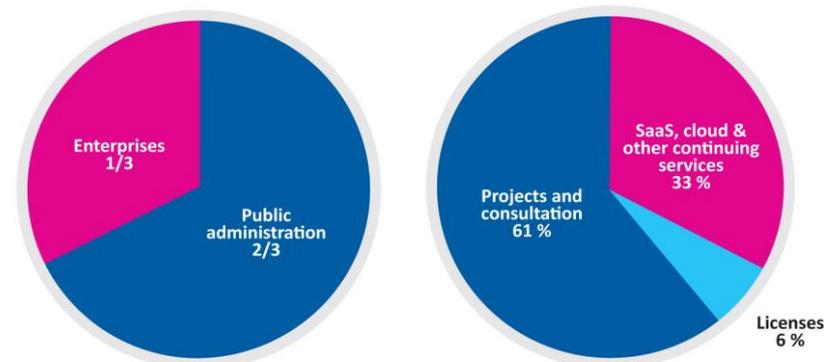


Innofactor in Brief

- Largest Microsoft-focused IT service provider in Finland
 - System integrator
 - Independent software vendor
- Microsoft Partner of the Year 2011 in Finland and Microsoft Business Intelligence Partner of the Year 2012 in Denmark
- 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.
- About 200 employees, 6 offices located in Finland and 1 in Denmark, over 1,500 customers
- Listed in NASDAQ OMX Helsinki, over 12,000 shareholders

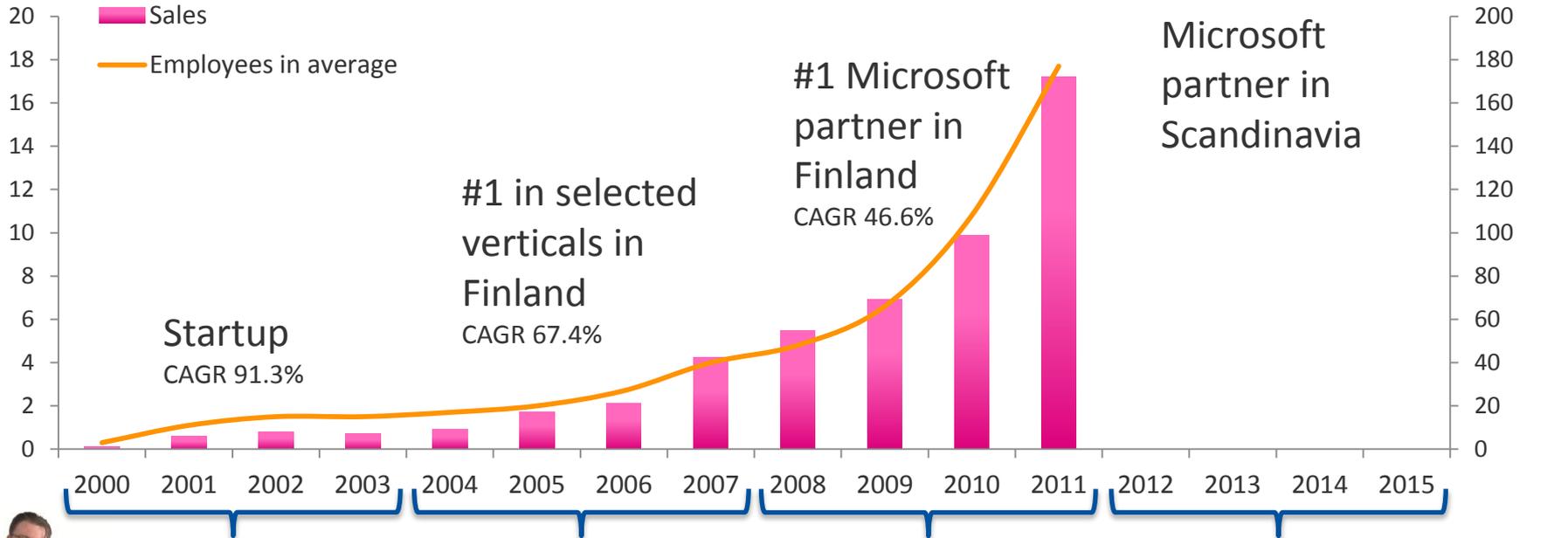


Net Sales 2011 division, approx.



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 offers 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

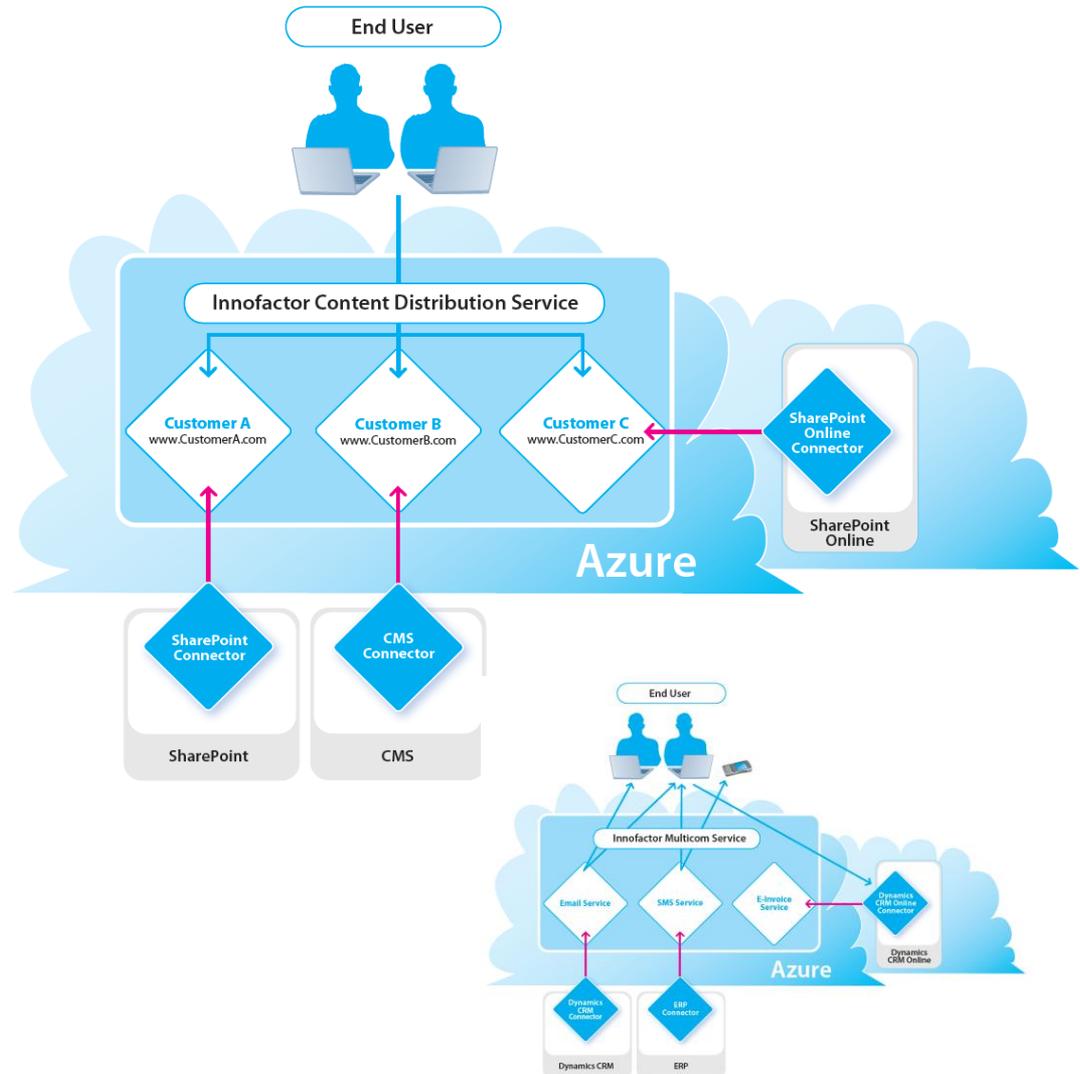


ISO 9001
ISO/IEC 27001
AQAP-2120

... 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 rd 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>	   	  	   

Innofactor mission is ...



Sami Ensio, Founder, CEO

to help our clients offer their customers increasingly better services and improve their operations, and

to provide our personnel and partners with an innovative and supportive environment in which they can continue to develop themselves.

Our **Vision** is ...

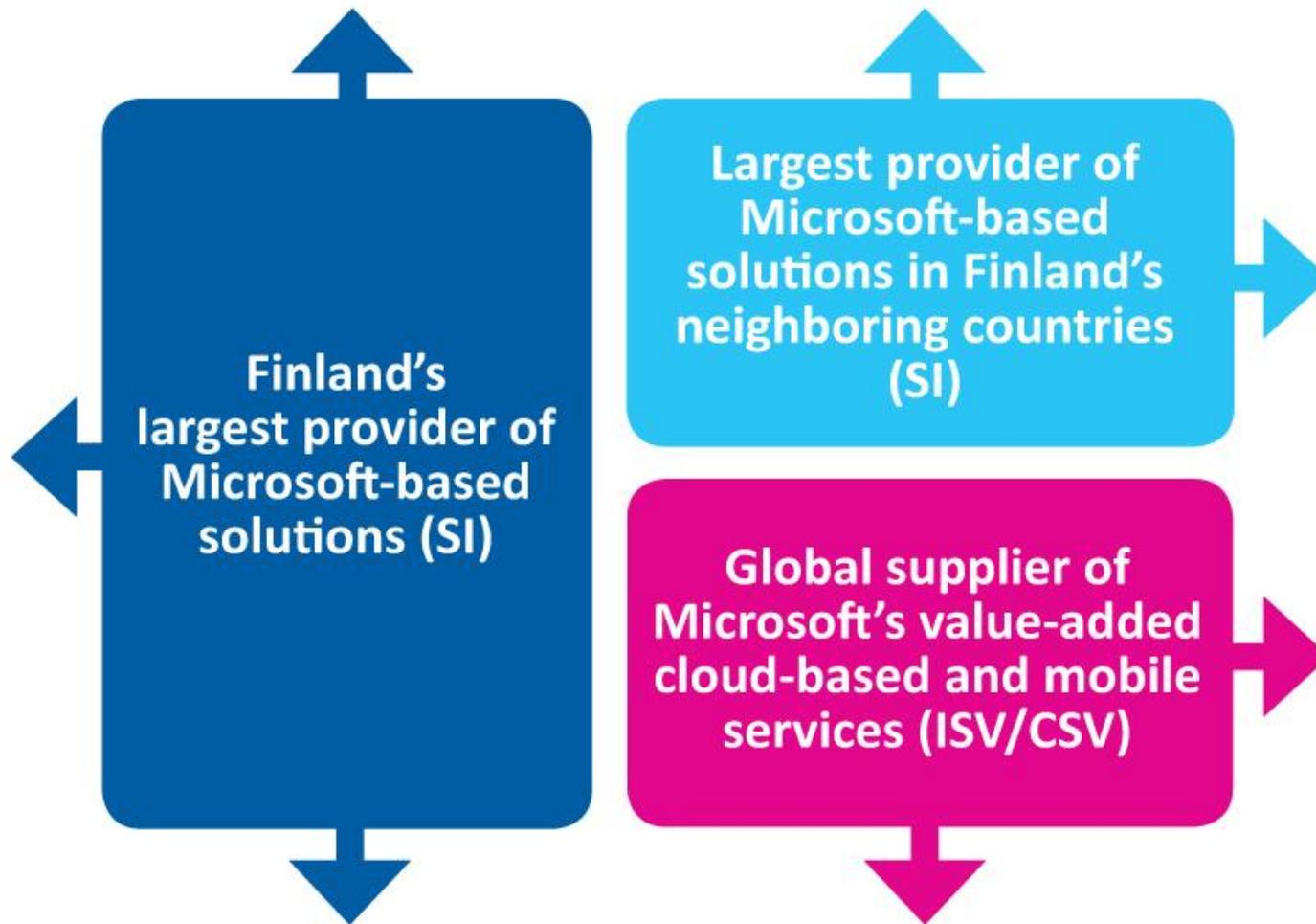
to become

#1 provider of Microsoft solutions for corporate clients and organizations in the Nordic Countries

and

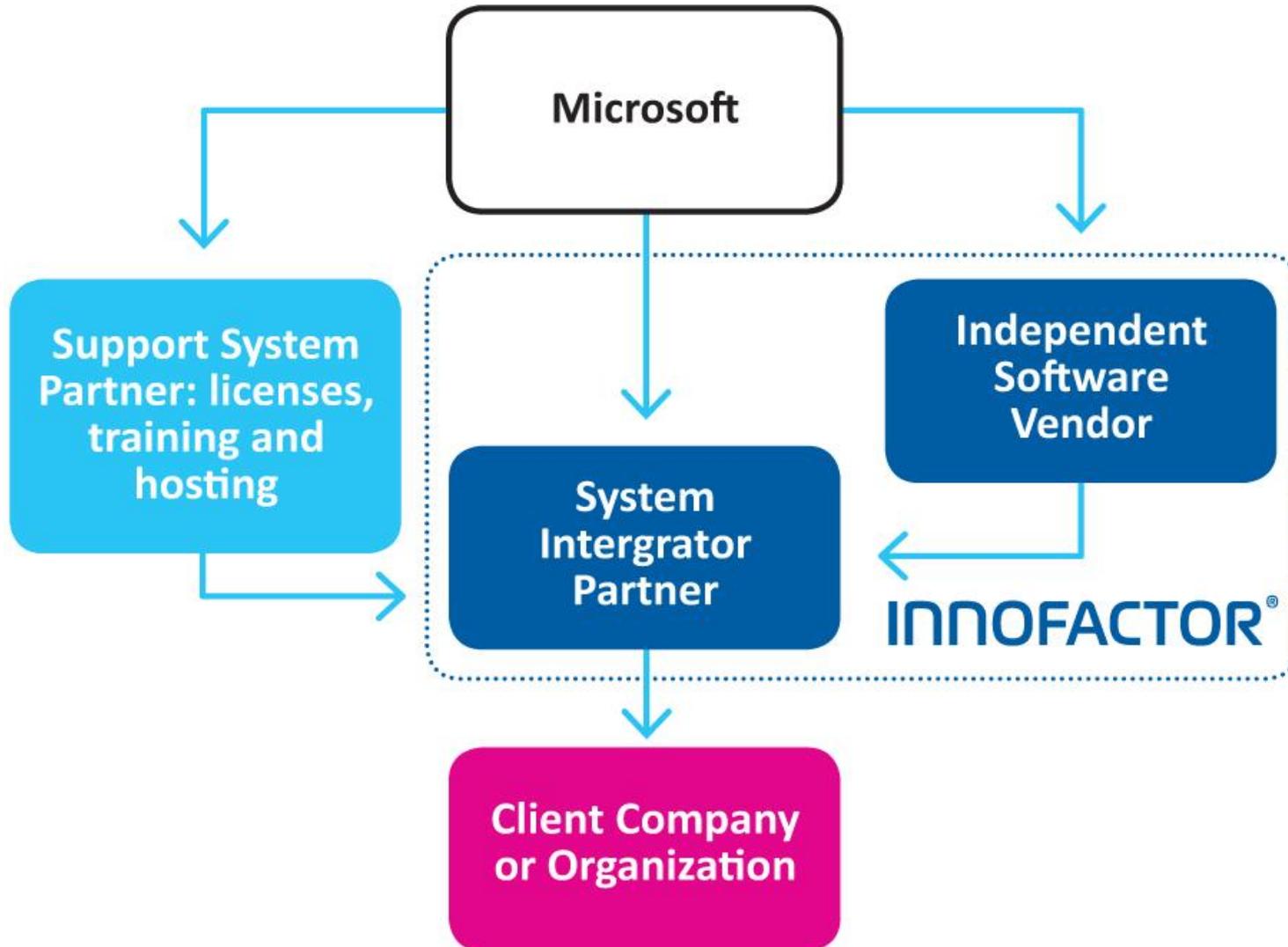
#1 provider of value-added components for Microsoft's business solutions globally

We plan to grow in Three Dimensions ...

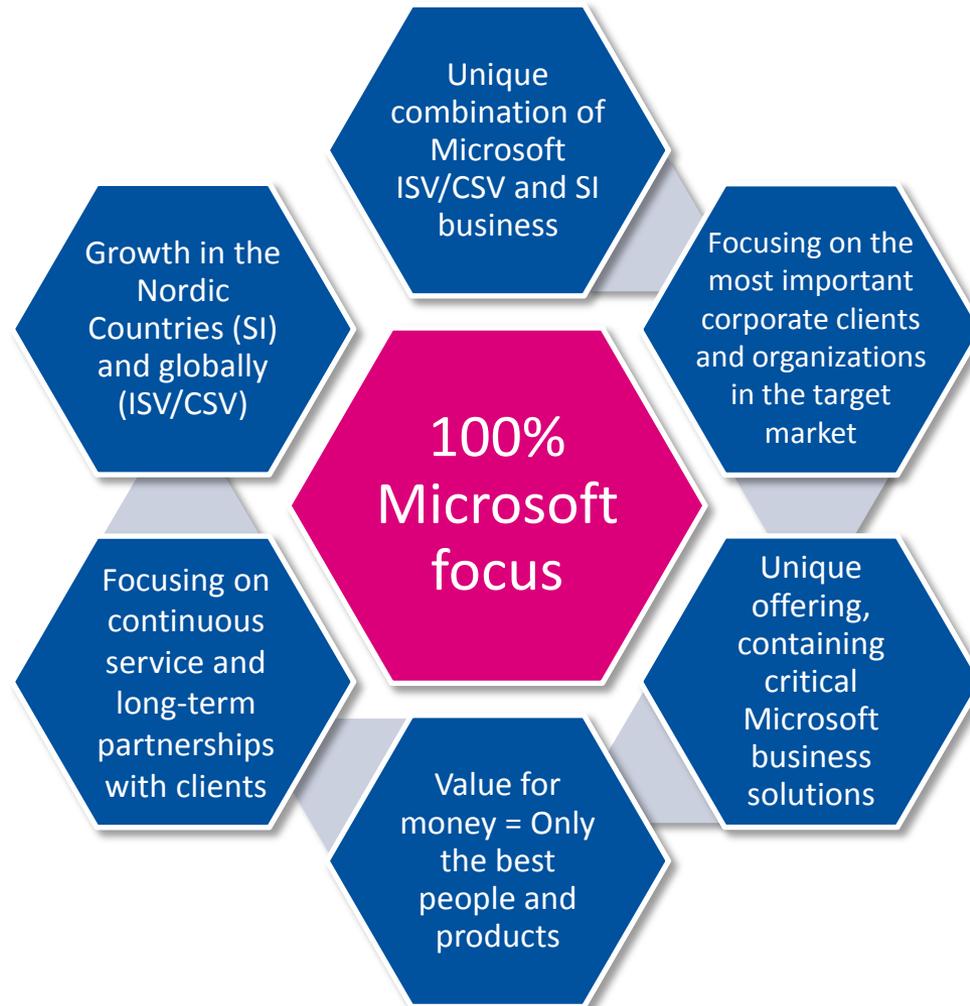


Based on strategy updated in 2012

...as part of Microsoft Business solutions ecosystem



Innofactor strategic choices



Innofactor's competitive advantage

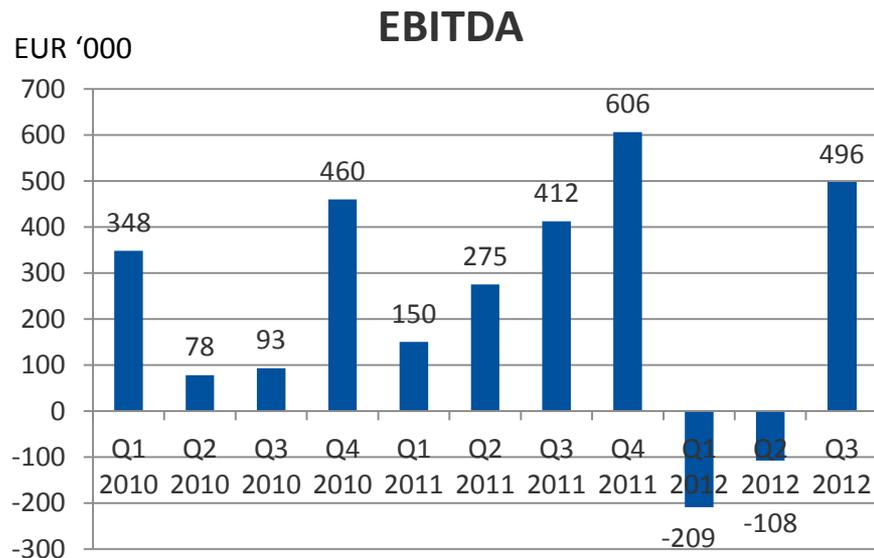
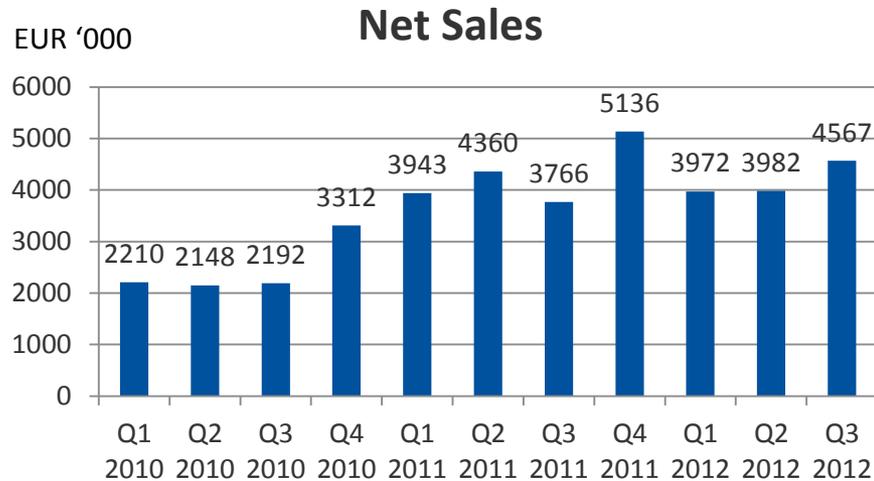
- Key trends at the market
 - Consumerization of IT
 - Unification of Devices
 - Increasing Adoption of Cloud & Mobile Services
- Microsoft is well positioned for this change
 - Strong offering in growing Enterprise Applications space (Communication, ERP, CRM, BI, Office) which being offered hybrid on-premise and from the cloud (e.g. Azure)
 - Windows 8 will provide unified user experience across devices
- Innofactor's competitive advantage
 - The #1 player in Microsoft business in Finland and key player in Denmark
 - Unique business model and organizational capabilities in executing both System Integration and Independent Software Vendor 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 2nd, 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
- Innofactor enters into Danish market by acquiring Bridgeconsulting A/S
 - The leading Microsoft-focused Business Intelligence player
 - Profitable growth since its foundation in 2006.
 - Excellent 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
- Innofactor A/S was nominated Microsoft Business Intelligence Partner of the Year 2012 in Denmark

Quarterly Growth



- Innofactor has been able to grow 7.5 % per quarter in average (CAGR Q1/2010–Q3/2012)
- 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
 - Q3 2012: One-off costs of about EUR 150 thousand related to acquisition in Denmark

Q3 2012 results

**Net Sales
Q3 2012**

4.6 M€

**Increase 21.3 %
from Q3 2011**

**EBITDA
Q3 2012**

**10.9 %
0.5 M€**

**Increase 20.4 %
from Q3 2011**

- The Q3 2012 net sales were EUR 4.6 million, increase of 21.3 % from Q3 2011
- The Q3 2012 EBITDA was EUR 0.5 million, increase of 20.4 % from Q3 2011
- The R&D expenses in Q3 2012 (recognized in the P&L) were EUR 0.6 million, i.e. 13.0% of net sales
- There were about EUR 150 thousand of extraordinary cost items in Q3 2012 related to acquisition in Denmark.
- At the end of 3Q 2012 equity ratio was 66.1% (76.5 % at end of 3Q 2011)
- The group's liquid assets at end of 3Q 2012 totaled EUR 0.2 million (EUR 0.3 million at end of 3Q 2011)
- Interest bearing debt at end of 3Q 2012 was EUR 1.4 million (EUR 0.1 million at end of 3Q 2011).

January - September 2012 results

**Net Sales
1-9/2012**

12.5 M€

**Increase 3.7%
from 1-9/2011**

**EBITDA
1-9/2012**

**1.4%
0.2 M€**

**Decrease 78.5%
from 1-9/2011**

- The 1-9/2012 net sales were EUR 12.5 million, increase of 3.7 % from 1-9/2011
- The 1-9/2012 EBITDA was EUR 0.2 million, decrease of 78.5 % from 1-9/2011
- The R&D expenses in 1-9/2012 (recognized in the P&L) were EUR 1.9 million, i.e. 15.5% 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
- There were about EUR 150 thousand of extraordinary cost items during Q3 2012 related to acquisition in Denmark.

Key figures of the group, IFRS

	mo. 1–9 /2012	mo. 1–9 /2011	Change	mo. 1–12 /2011
Net sales, EUR thousand*	12,521	12,069	+3.7%	17,205
Operating profit/loss before depreciation and amortization (EBITDA), EUR thousand**	180	837	-78.5%	1,443
<i>percentage of net sales**</i>	1.4%	6.9%		8.4%
Operating profit/loss (EBIT), EUR thousand**	-249	441	-156.5%	904
<i>percentage of net sales**</i>	-2.0%	3.7%		5.3%
Earnings, EUR thousand**	-367	326	-212.6%	687
<i>percentage of net sales**</i>	-2.9%	2.7%		4.0%
Shareholders' equity, EUR thousand	13,039	12,604	+3.5%	12,905
Interest bearing debt, EUR thousand	1,365	137	+896.4%	0
Cash and equivalents, EUR thousand	245	255	-3.9%	696
Deferred tax assets, EUR thousand	7,895	8,020	-1.6%	7,895
Return on equity***	-3.8%	3.5%		5.5%
Return on investment***	-3.3%	4.7%		7.2%
Net gearing	8.5%	-0.9%		-5.4%
Equity ratio	66.1%	76.5%		74.5%
Research and development, EUR thousand	1,940	1,716	+13.1%	2,086
<i>percentage of net sales</i>	15.5%	14.2%		12.1%
Personnel on average during the review period	186	175	+6.3%	177
Personnel at the end of the review period	198	184	+7.6%	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)****	-0.0123	0.0111	-210.4%	0.0235
Shareholders' equity per share (EUR)****	0.433	0.431	+0.6%	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.

** 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 cost of about EUR 0.1 million. In total, these reduced the EBITDA by about EUR 0.4 million. Additionally, the acquisition made on July 5, 2012, resulted in a one-off cost of about EUR 150 thousand in the review period July 1–September 30, 2012.

*** 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

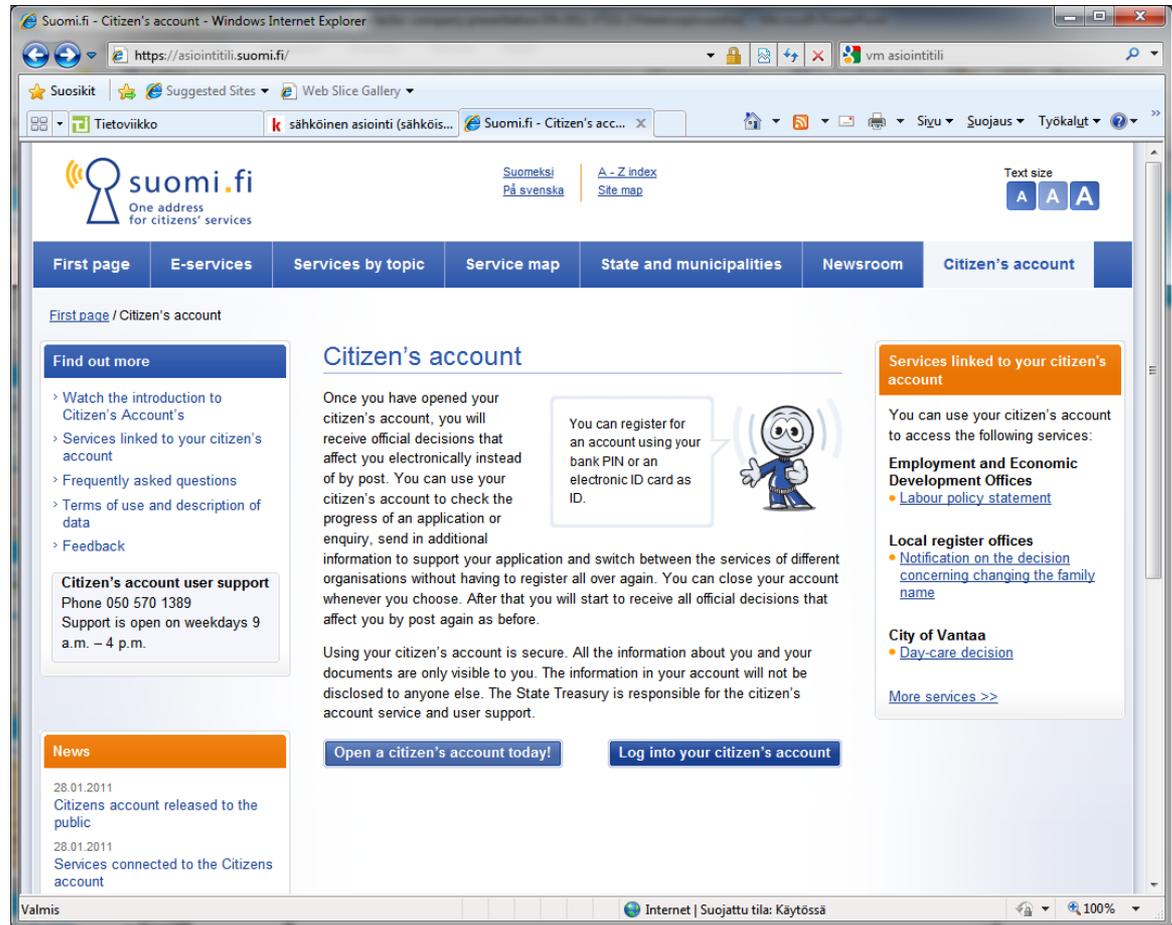
Largest shareholders as of September 30, 2012

	Name	Number of shares	% of share capital
1.	Ensio Sami	7,400,000	24.52%
	Ensio Sami	5,226,240	17.32%
	minor under guardianship	724,588	2.40%
	minor under guardianship	724,586	2.40%
	minor under guardianship	724,586	2.40%
2.	Tilman Tuomo Tapani	2,886,777	9.57%
	Tilman Tuomo Tapani	2,747,492	9.11%
	Mpire Capital Oy	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%
	R. Linturi Oyj	1,369,707	4.51%
	Linturi Risto	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	950,543	3.15%
9.	Ärje Matias Juhanpoika	946,278	3.14%
10.	Luostarinen Juha Markku T	929,438	3.08%
11.	Jokinen Klaus Antero	564,111	1.87%
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.	Estate of Santala Ilpo Pellervo	139,553	0.46%
20.	Nurmi Mika	139,553	0.46%

Appendices

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 options for 'Phonebook search' and 'Intranet search'. Below this is a navigation bar with links for 'Home', 'My settings', 'My profile', 'Admin controls', and 'Statistics'. The main content area is divided into several sections:

- Interaction:** A sidebar menu with options like '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 Metso bus with the text 'Shanghai, September 2008'.
- From the CEO's table:** A section featuring a photo of Jorma Eloranta and the text 'Expect results reflects what we do, says Jorma Eloranta.' with a 'Read more' link.
- Our customer promise:** A section with the text 'Expect results is our promise to our customers and the essence of our strategy.' and 'It is the attitude we share globally. Our business is to deliver results to our customers, to help them reach their goals.' followed by 'Our customer promise builds on three themes: proven results, leading technology and keeping promises.' and 'Expect results poster' with a 'Background material on Expect results' link.
- Check this out:** A list of items: 'Brand presentations', 'Dynamic template, business card'.
- New and updated:** A list of items: 'Business card (Chinese)', 'Brochures', 'Other applications', 'Events'.
- Most popular:** A list of items: 'Business card', 'Downloadable logos', 'InDesign files', '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

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 tillsvidare (21.2.2011)

Säljare	Produktnamn	Totalt €/år	Medelpris cent/kWh	Ursprunget till leverantörernas el	Produkts ursprung	Erbjudandets utgångsdatum
Market Energia Sähkönmyynti 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	Ekovleissähkö U	1006,98	6,71			Tillsvidare ikraft varande
Jyväskylän Energia Oy	Yleissähkö toistaiseksi voimassa	1010,94	6,74			Tillsvidare ikraft varande
Kokkolan Energia	Tuulivleissähkö 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%

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Your Partner. Your Solution.[™]

