

INNOFACTOR®

The Fastest Growing Technology Company in Nasdaq Finland

Interim Report for January 1–June 30, 2013

Mikko Karvinen, CFO

July 30, 2013

Microsoft Partner

- Gold Application Development
- Gold Application Integration
- Gold Business Intelligence
- Gold Collaboration and Content
- Gold Customer Relationship Management
- Gold Data Platform
- Gold Project and Portfolio Management
- Silver Enterprise Resource Planning
- Microsoft Dynamics NAV
- Cloud Accelerate

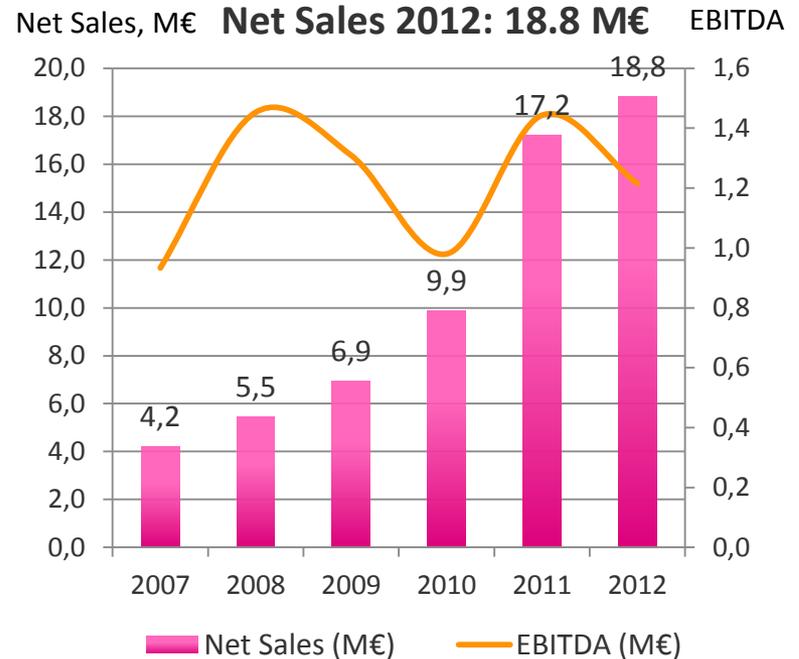
www.innofactor.com

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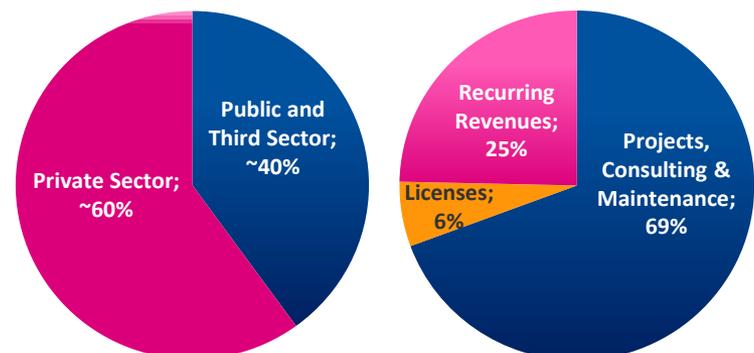


Innofactor in Brief

- One of the leading Microsoft-focused IT service provider in the Nordics
 - System integrator (SI)
 - Independent software vendor (ISV)
- Often rewarded by Microsoft
- Excellent track record on being able to grow fast and profitably
 - Net sales growth 2008 to 2012 34.8% p.a.
 - EBIT margin 2008 to 2012 7.3% in average
- Approx. 400 employees, 7 offices located in Finland, 2 in Denmark and 1 in Russia
- Over 1,700 customers
- Listed in NASDAQ OMX Helsinki, approx. 12,000 shareholders

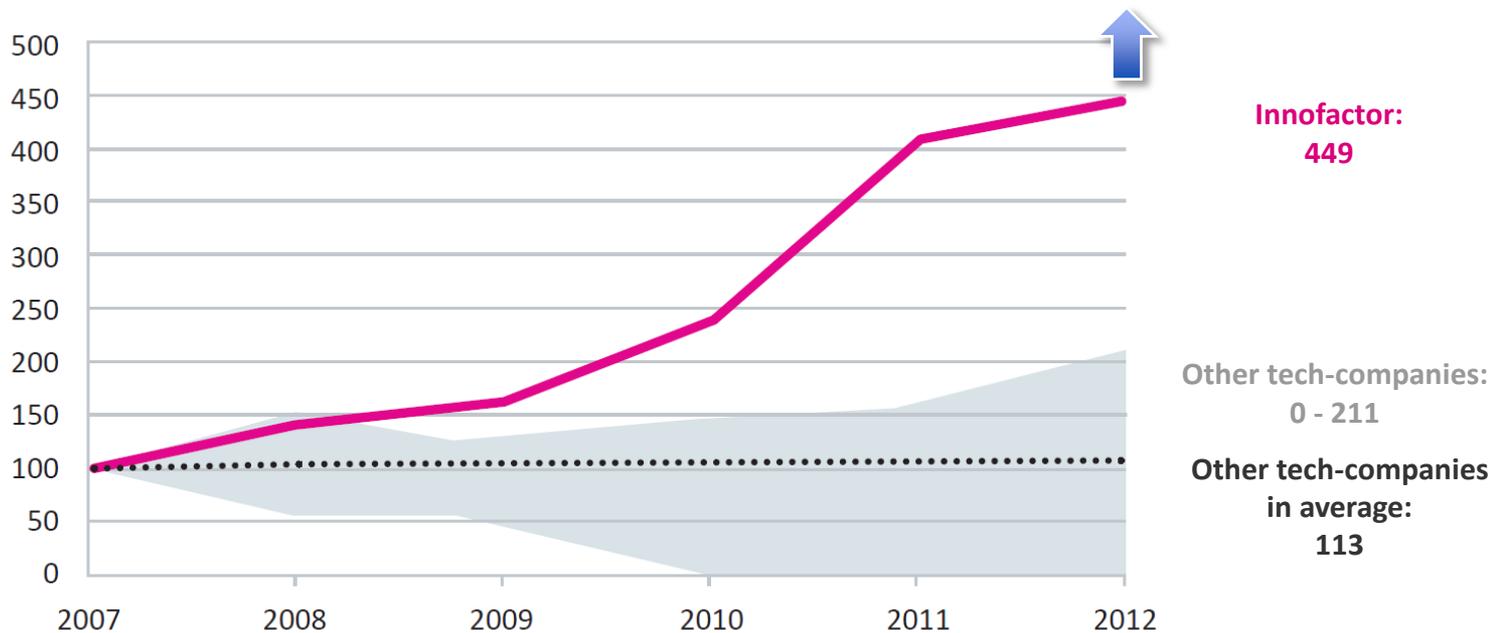


Combined Net Sales 2012 division, approx.

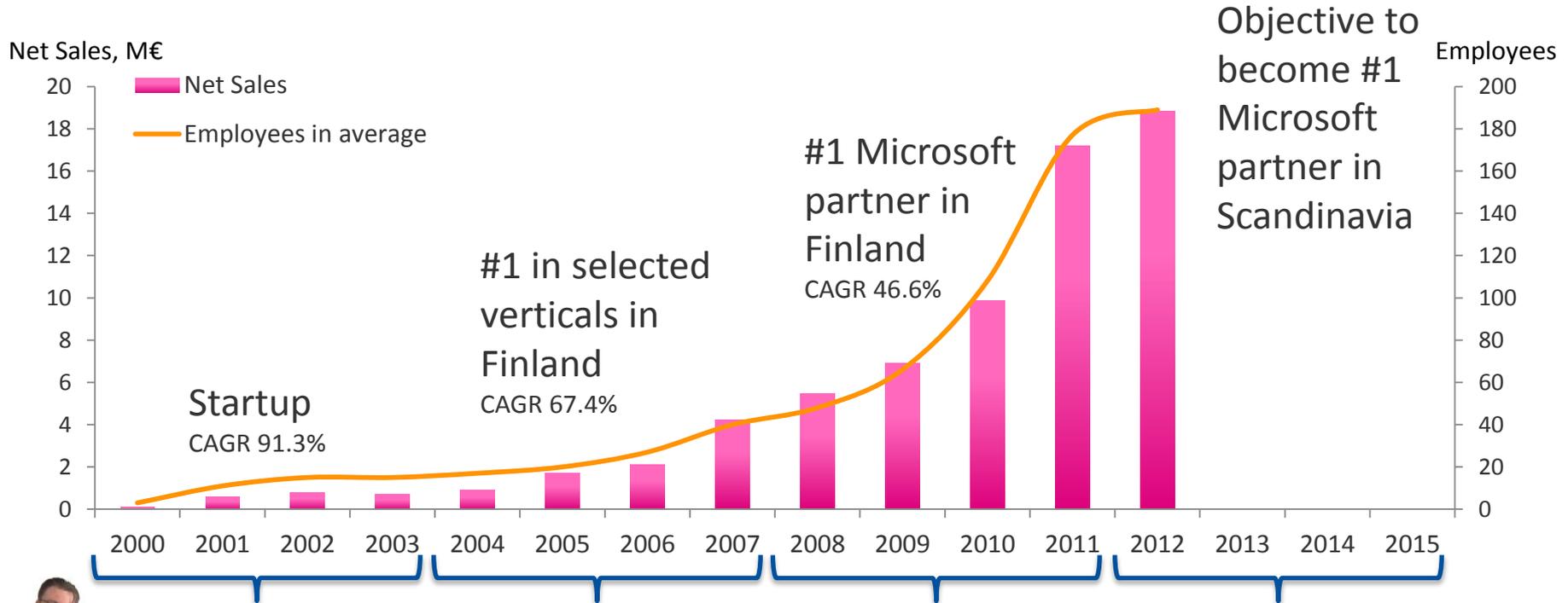


Innofactor is the Fastest Growing Technology Company in Finnish Stock Exchange

- During last 5 years Innofactor has grown 4.5 times in revenues; during the same period other technology companies in Finnish stock exchange have grown 1.1 times in revenues in average
- The indexed net sales growth of the 19 technology companies in Finnish stock exchange during the last 5 years has been as follows:



Innofactor growth track



Startup
CAGR 91.3%

#1 in selected verticals in Finland
CAGR 67.4%

#1 Microsoft partner in Finland
CAGR 46.6%

Objective to become #1 Microsoft partner in Scandinavia



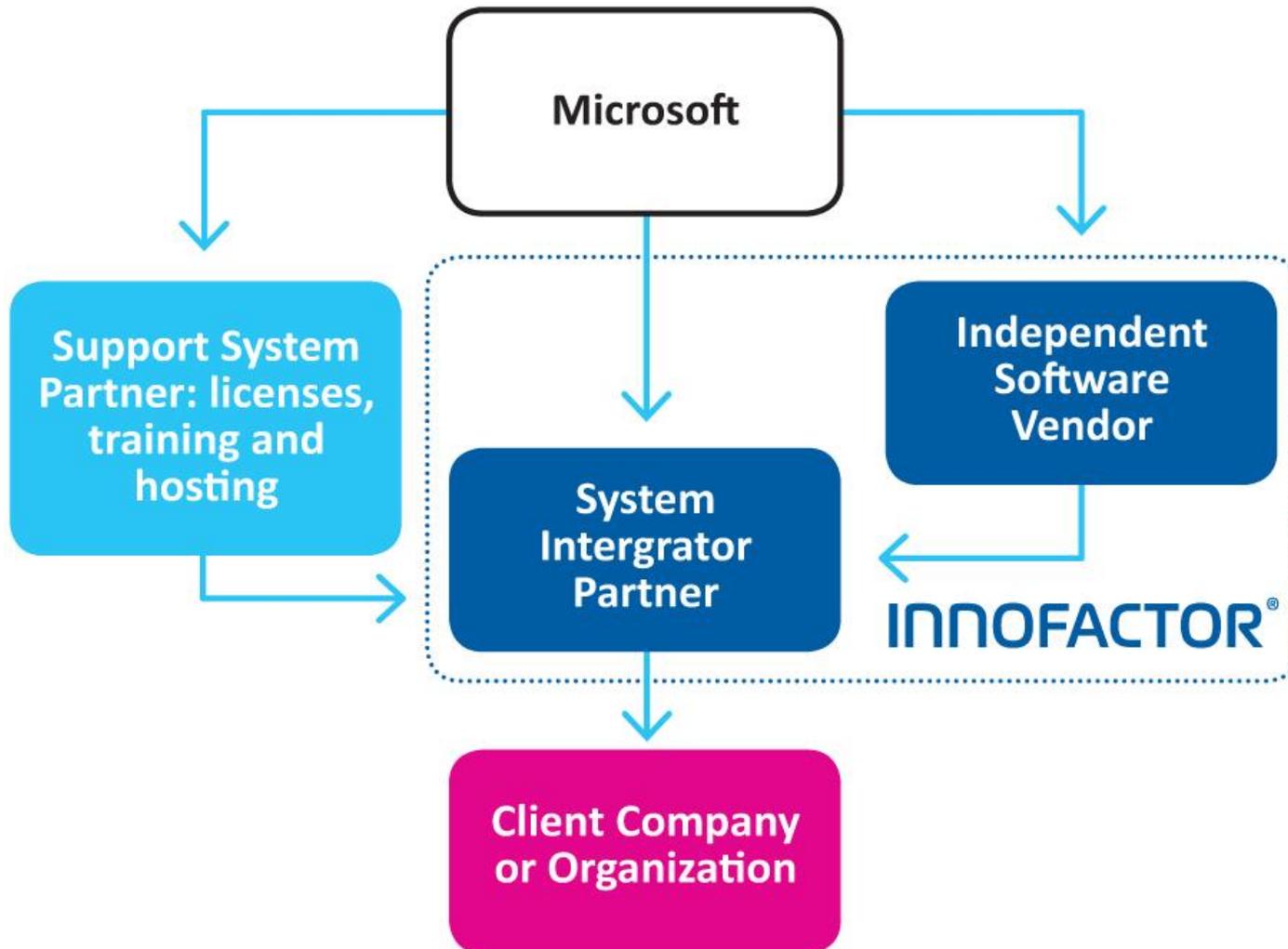
- Innofactor was founded by Mr. Sami Ensio in 2000
- Focus on Microsoft technologies
- Innofactor® Prime™: ERP system for Public Sector customers

- 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
- Acquisitions:
 - Microsoft BI company (DK)
 - Microsoft PPM business (FI)
 - atBusiness, a major Microsoft business (FI)
- Microsoft Public Sector Global Finalist of the Year 2012 and BI partner of the year 2012 in Denmark

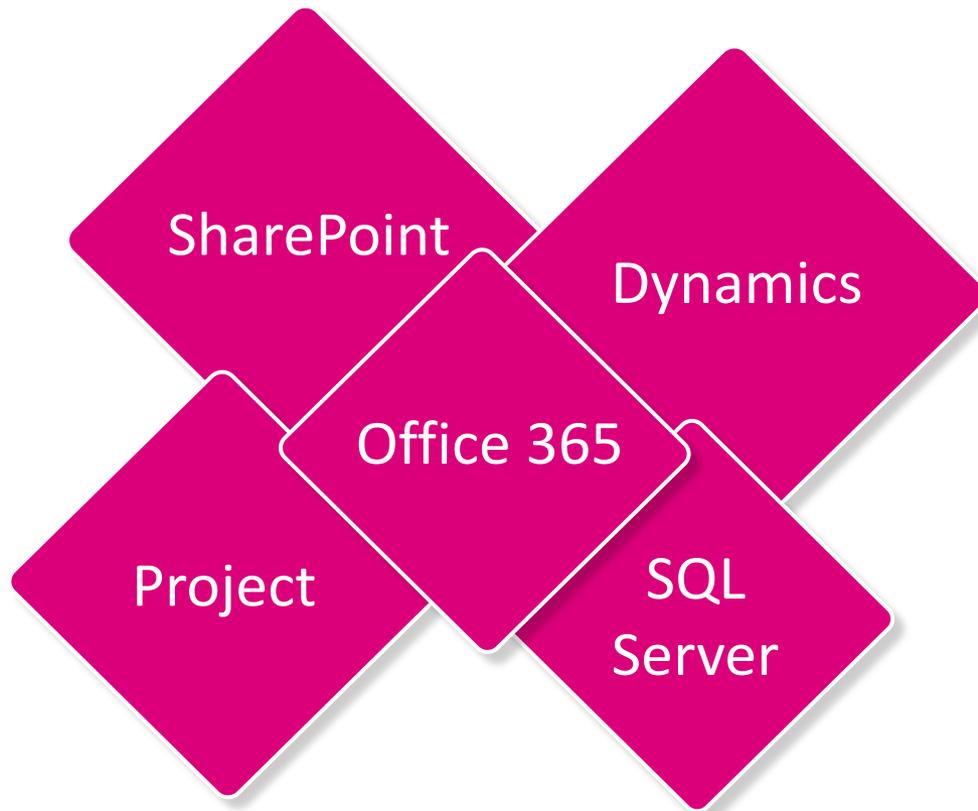
Innofactor operates as part of Microsoft Business solutions ecosystem ...



...in markets where Microsoft has been growing much faster than the IT market in general

- The IT market analysts estimate that the Global IT Service Markets grew 1 to 2 % globally and is estimated to grow 3 to 5 % in 2013
- The Enterprise Software market is estimated to grow slightly faster and have 4 to 6% growth in 2013
- During 2012 Microsoft has been reporting repeatedly significantly higher growth rates in the areas where Innofactor is focusing. For example:
 - Sharepoint, Lync & Exchange products: **>10%**
 - Utilized in e.g. Web communications, digital services and BI solutions
 - SQL Server database solutions: **>15%**
 - Utilized in e.g. BI, document management, project and portfolio management solutions
 - Dynamics CRM: **>30%**
 - Utilized in customer relationship management and in custom-built xRM applications

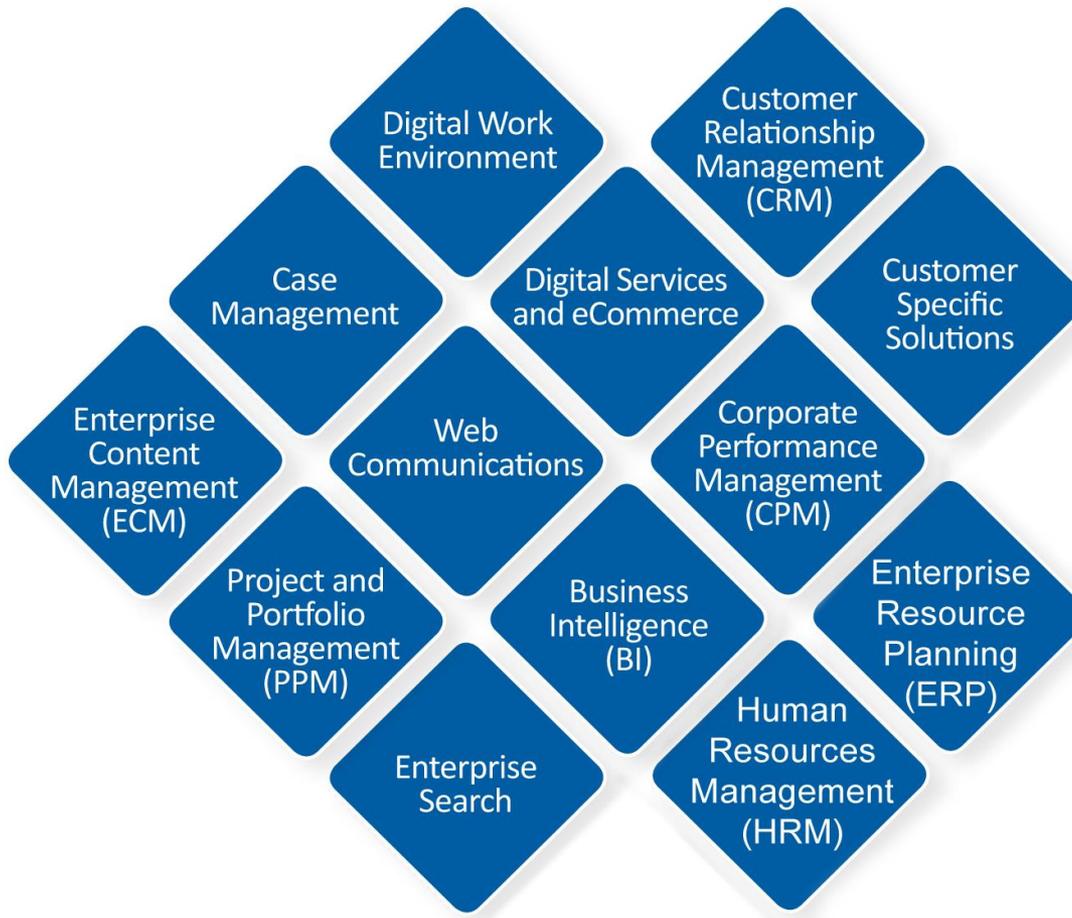
Innofactor deploys a leading Microsoft platform and expertise...



Microsoft Partner

- Gold Application Development
- Gold Application Integration
- Gold Business Intelligence
- Gold Collaboration and Content
- Gold Customer Relationship Management
- Gold Data Platform
- Gold Project and Portfolio Management
- Silver Enterprise Resource Planning
- Silver Microsoft Dynamics NAV
- Silver Cloud Accelerate

... to build best-of breed solutions ...



Microsoft Partner

- Gold Application Development
- Gold Application Integration
- Gold Business Intelligence
- Gold Collaboration and Content
- Gold Customer Relationship Management
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- Gold Project and Portfolio Management
- Silver Enterprise Resource Planning
- Microsoft Dynamics NAV
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Certificated for High Quality and Security

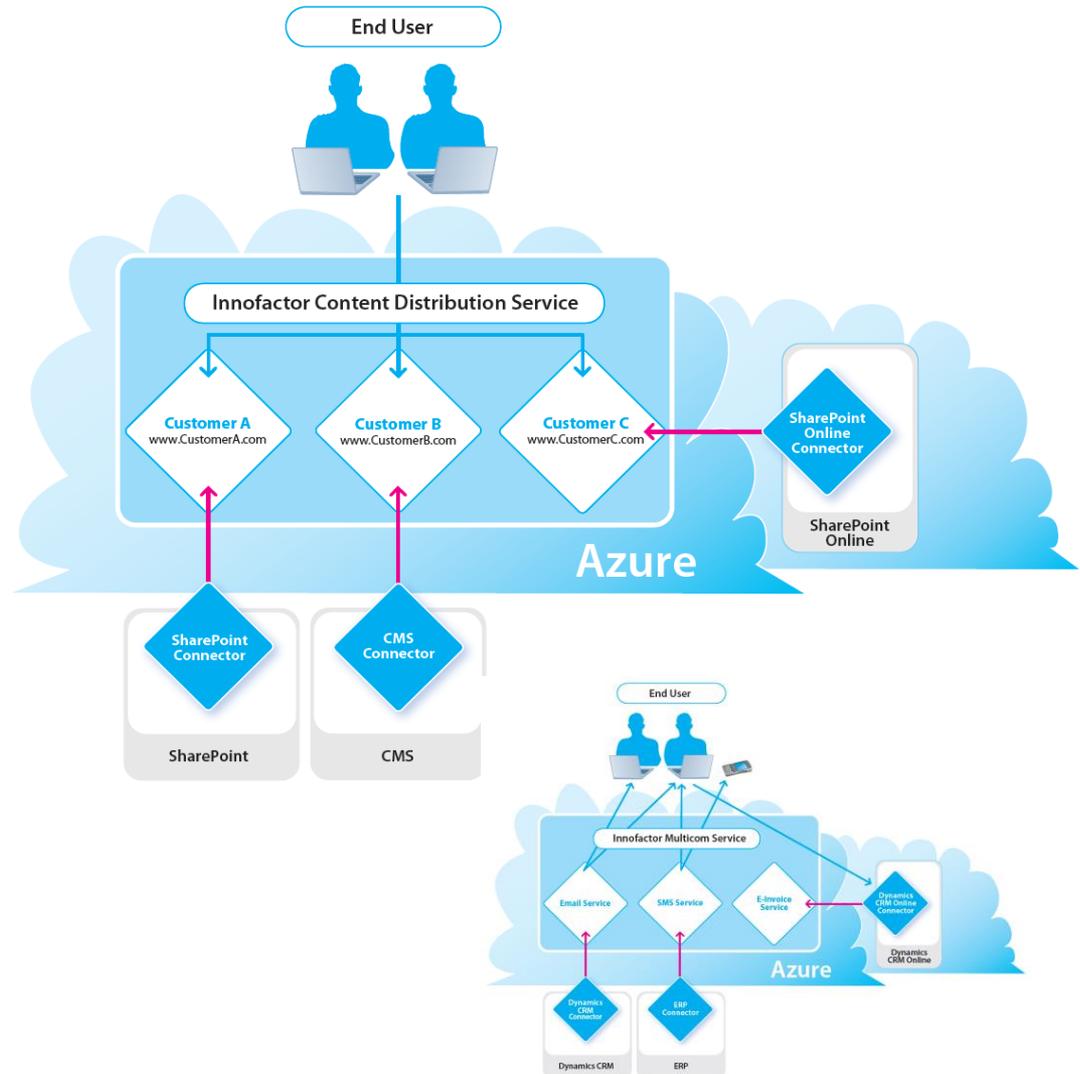


ISO 9001
ISO/IEC 27001
AQAP-2120

... 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



Selected example of Finnish customers

	Innofactor	Innofactor and atBusiness	atBusiness
<i>Customer Solutions (Web portals, e-commerce, CRM)</i>			
<i>Productivity Solutions (Intranets, digital desktops, HRM, PPM)</i>			
<i>Business Solutions (ERP, BI, CPM)</i>			
<i>Document Solutions (ECM, Case Management)</i>			

Our **Vision** is ...

to become

#1 provider of Microsoft solutions for commercial and public organizations in the Nordic Countries

and

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

Our Financial Targets for 2015

- Innofactor aims to grow profitably
- To achieve an average annual growth of 30 to 40% in years 2011 to 2015 through both organic growth and acquisitions
 - 2011: growth 74.5%
 - 2012: growth 9.4%
 - Average: 38.1% (CAGR)
- To achieve an average annual operating profit of 10 to 15% before depreciation and amortization (EBITDA) in relation to the net sales in years 2011 to 2015
 - 2011: EBITDA-margin 8.4%
 - 2012: EBITDA-margin 6.5%
 - Average: 7.5%
- To keep the cash flow positive and secure good financial standing in all situations

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, PPM, 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 Events in 2013

- May 21, 2013 Innofactor was chosen to deliver document and case management system for Senate Properties, value EUR 812,000
- June 6, 2013 Innofactor acquired the entire share capital of atBusiness Oy
 - The net sales of atBusiness Oy in 2012 were EUR 17.4 million and profit margin (EBITDA) was EUR 2.7 million (15.3% of the net sales)
 - Along with Innofactor, it has been one of the Finland's leading providers of solutions based on Microsoft technologies for commercial and public sector clients
 - atBusiness Oy's strategy was almost the same as Innofactor's strategy
 - The acquisition made Innofactor one of the five largest Nordic providers focused on Microsoft technologies
 - The new size will give Innofactor improved conditions to operate as a public limited company, implement its growth strategy in the Nordic Countries and to offer its own software products and services to its customers through its own channel
 - The arrangement is believed to result in significant synergy benefits
- July 1, 2013 Innofactor changed its organization
 - The executive board of Innofactor Group will consist of President and CEO Sami Ensio (chairman), Mikko Karvinen, Janne Martola, Elina Jokinen, Ingrid Peura (from August 12, 2013), Heikki Jekunen, Juha Rokkanen, Mikko Lampi and Christian Andersen
 - CFO Mikko Karvinen will act as the deputy for the CEO

Q2 2013 results

Net Sales

7.7 M€

**Increase 94.3 %
from Q2 2012**

EBITDA

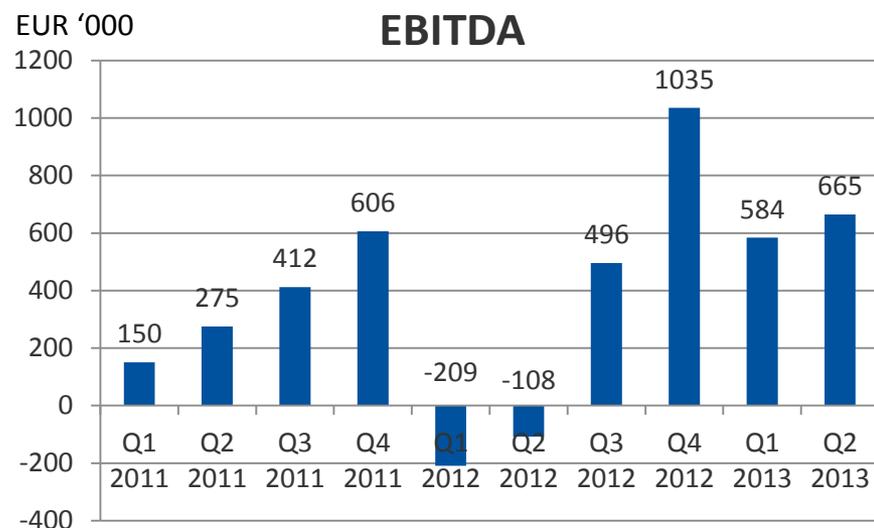
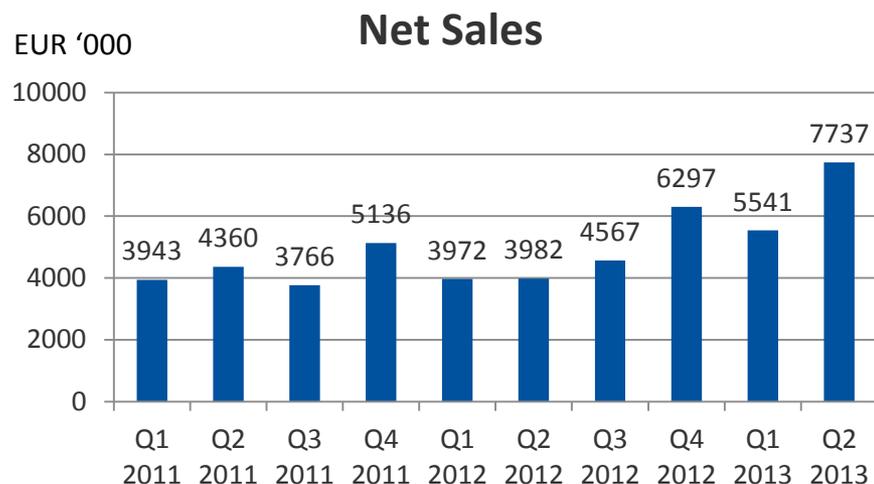
8.6 %

0.7 M€

**Increase 715.2 %
from Q2 2012**

- The Q2 2013 net sales were EUR 7.7 million, increase of 94.3 % from Q2 2012
- The Q2 2013 EBITDA was EUR 0.7 million, increase of 715.7 % from Q2 2012
 - Includes one-off costs and cost reserves of about EUR 364 thousand related to atBusiness Oy acquisition
- The R&D expenses in Q2 2013 (recognized in the P&L) were EUR 0.5 million, i.e. 6.8 % of net sales
- At the end of Q2 2013 equity ratio was 41.3 % (76.8 % at end of Q2 2012)
- The group's liquid assets at end of Q2 2013 totaled EUR 2.0 million (EUR 1.0 million at end of Q2 2012)
- Interest bearing debt at end of Q2 2013 was EUR 12.6 million (EUR 0 million at end of Q2 2012).

Quarterly Growth



- Innofactor has been able to grow 7.8 % per quarter in average (CAGR Q1/2011–Q2/2013)
- 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
 - Q2 2013: One-off costs and cost reserves of about EUR 364 thousand related to atBusiness Oy acquisition in Finland

January-June 2013 results

Net Sales

13.3 M€

**Increase 66.9 %
from H1 2012**

EBITDA

9.4 %

1.2 M€

**Increase 495.3 %
from H1 2012**

- The H1 2013 net sales were EUR 13.3 million, increase of 66.9 % from H1 2012
- The H1 2013 EBITDA was EUR 1.2 million, increase of 495.3 % from H1 2012
 - Includes one-off costs and cost reserves of about EUR 364 thousand related to atBusiness Oy acquisition
- The R&D expenses in H1 2013 (recognized in the P&L) were EUR 1.0 million, i.e. 7.8 % of net sales
- At the end of H1 2013 equity ratio was 41.3 % (76.8 % at end of H1 2012)
- The group's liquid assets at end of H1 2013 totaled EUR 2.0 million (EUR 1.0 million at end of H1 2012)
- Interest bearing debt at end of H1 2013 was EUR 12.6 million (EUR 0 million at end of H1 2012).

Key figures of the group, IFRS

	mo. 1–6 /2013	mo. 1–6 /2012	Change	mo. 1–12 /2012
Net sales, EUR thousand	13,278	7,954	+66.5%	18,818
Operating profit/loss before depreciation and amortization (EBITDA), EUR thousand *	1,249	-316	+495.3%	1,215
<i>percentage of net sales *</i>	9.4%	-4.0%		6.5%
Operating profit/loss (EBIT), EUR thousand *	866	-598	+244.7%	620
<i>percentage of net sales *</i>	6.5%	-7.5%		3.3%
Earnings, EUR thousand **	427	-592	+172.1%	449
<i>percentage of net sales **</i>	3.2%	-7.4%		2.4%
Shareholders' equity, EUR thousand	17,364	12,846	+35.2%	13,760
Interest bearing debt, EUR thousand	12,602	0	+100.0%	1,393
Cash and equivalents, EUR thousand	1,971	1,013	+94.6%	656
Deferred tax assets, EUR thousand	7,690	7,895	-2.6%	7,767
Return on equity ***	5.5%	-9.2%		3.4%
Return on investment ***	7.7%	-9.2%		4.5%
Net gearing	61.2%	-7.9%		5.4%
Equity ratio	41.3%	76.8%		66.1%
Research and development, EUR thousand	1,041	1,347	-22.7%	2,488
<i>percentage of net sales</i>	7.8%	16.9%		13.2%
Personnel on average during the review period	229	181	+26.5%	189
Personnel at the end of the review period	384	181	+112.2%	193
Number of shares at the end of the review period	35,144,179	30,165,900	+16.5%	30,165,900
Earnings per share (EUR)	0.0142	-0.0199	+171.1%	0.0150
Shareholders' equity per share (EUR)	0.502	0.426	+17.8%	0.460

* The second quarter of 2013 included one-off costs related to the atBusiness Oy acquisition for about EUR 164 thousand, and also cost reserves related to the integration for about EUR 200 thousand, a total of about EUR 364 thousand.

** The second quarter of 2013 included one-off costs related to the atBusiness Oy acquisition for about EUR 370 thousand (of which EUR 206 thousand were costs related to organizing the loans), and also cost reserves related to the integration for about EUR 200 thousand, a total of about EUR 570 thousand.

*** 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 preliminary acquisition cost calculation for atBusiness Oy (current Innofactor Business Solutions)

	Values registered for consolidation (EUR thousand)
Tangible assets	16
Intangible assets	2,458 (of which technology 310 and customer relationships 2,144)
Trade and other receivables	3,054
Cash and cash equivalents	365
Total assets	5,893
Financing liabilities at market value	13,707 (includes a capital loan of 5,057 at cost price)
Other liabilities	3,648 (includes a deferred tax liability of 601)
Liabilities total	17,355
Net assets	-11,462 (total assets – liabilities total)
Acquisition cost	2,500 (cash 2,902; instruments equivalent to own capital 3,355; conditional compensation 1,300; capital loan -5,057)
Goodwill	13,962 (acquisition cost – net assets)
Acquisition price paid in cash	2,902
Cash funds of the acquired subsidiary	365
Effect on cash flow	-2,537

The final acquisition cost calculation for Bridgeconsulting A/S (current Innofactor A/S)

	Values registered for consolidation (EUR thousand)
Tangible assets	63
Intangible assets	435
Trade and other receivables	873
Total assets	1,371
Financing liabilities	258
Other liabilities	530
Liabilities total	788
Net assets	583
Acquisition cost	2,489
Goodwill	1,906
Acquisition price paid in cash	1,260
Cash funds of the acquired subsidiary	0
Effect on cash flow	-1,260

Future outlook

Guidance for 2013

- There are uncertainties related to the outlook for 2013 due to the integration of a major acquisition, therefore no detailed estimate of the outlook can be provided.
- Innofactor's net sales in 2013 are expected to be about **EUR 34 to 37 million** (2012: EUR 18.8 million). Operating profit before depreciation and amortization (EBITDA) in 2013 is expected to be about **EUR 3 to 5 million** (2012: EUR 1.2 million).

Largest shareholders as of June 30, 2013

Additionally, on June 30, 2013, Innofactor Plc had a total of 569,000 Innofactor shares in its possession.

	Name	Number of shares	% of share capital
1.	Ensio Sami	7,422,087	21.12%
	<i>Ensio Sami</i>	5,248,327	14.93%
	<i>minor under guardianship</i>	724,588	2.06%
	<i>minor under guardianship</i>	724,586	2.06%
	<i>minor under guardianship</i>	724,586	2.06%
2.	Sentica Kasvurahasto II Ky	3,539,189	10.07%
3.	Tilman Tuomo Tapani	2,922,442	8.32%
	<i>Tilman Tuomo Tapani</i>	2,747,492	7.82%
	<i>Mpire Capital Oy</i>	174,950	0.50%
4.	Salminen Jyrki Kalle Tapio	2,747,492	7.82%
5.	Laiho Rami Tapani	1,489,888	4.24%
6.	Linturi Kaija and Risto	1,356,911	3.86%
	<i>R. Linturi Oyj</i>	529,607	1.51%
	<i>Linturi Kaija</i>	440,000	1.25%
	<i>Linturi Risto</i>	387,304	1.10%
7.	Trainer's House Kasvusysteemiosakeyhtiö	1,142,310	3.25%
8.	Lampi Mikko Olavi	1,045,543	2.98%
9.	Mäki Antti-Jussi	1,012,501	2.88%
10.	Ärje Matias Juhanpoika	946,278	2.69%
11.	Luostarinen Juha Markku T	929,438	2.64%
12.	Jokinen Klaus Antero	543,111	1.55%
13.	Muukkonen Teemu Heikki	507,468	1.44%
14.	Riski Tuomas Mikael	417,652	1.19%
15.	Järvenpää Janne-Olli	372,804	1.06%
16.	Kukkonen Heikki-Harri	367,021	1.04%
17.	Laiho Jari Olavi	270,000	0.77%
18.	Ementor Norge As	269,299	0.77%
19.	Myllys Mikko Juhani	176,981	0.50%
20.	Karelsaimaa Oy	158,642	0.45%

INNOFACTOR[®]

Your Partner. Your Solution.[™]

