

INNOFACTOR®

Most Successful Company on the Finnish stock exchange 2013

Financial Statement for January 1-December 31, 2013

Mikko Karvinen, CFO

February 25, 2014

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

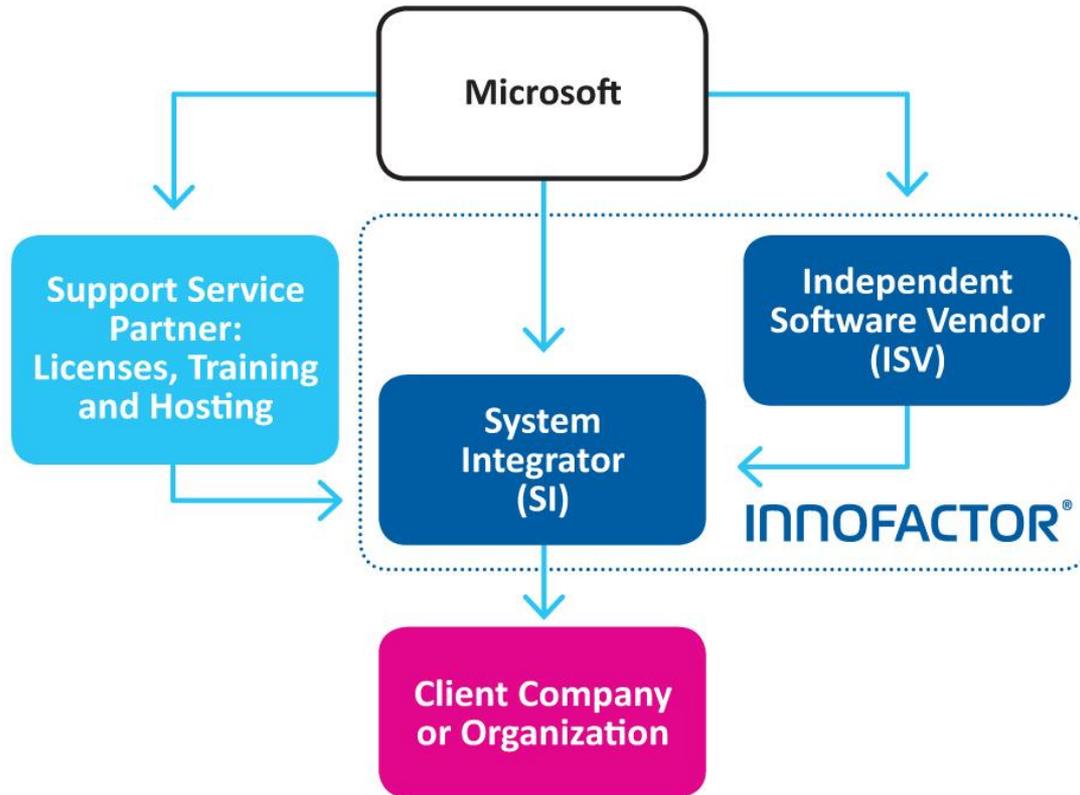
www.innofactor.com

Innofactor in Brief

- A leading Microsoft-focused IT service provider in the Nordics
 - IT projects and IT systems maintenance (System integrator, SI)
 - Own products and services (Independent software vendor, ISV)
- Top-notch Microsoft professionals
 - More than 500 individual Microsoft certificates and several Microsoft Awards
 - Seven enterprise-level Microsoft Gold competencies
- Excellent track record in fast and profitable growth
 - Net sales growth 2009 to 2013: 43% p.a.
 - EBITDA margin 2009 to 2013: 10% of revenues in average
- Over 400 employees
- Over 1,000 customers
- Listed in NASDAQ OMX Helsinki main list
 - About 12,000 stockholders
 - Awarded in Jan 2014 as the most successful company in Finnish stock exchange in 2013



Innofactor's Key Role in the Microsoft Ecosystem and Owner of Customer Relationships



The system integrator is in a pivotal role in the ecosystem as they typically "own" the customer relationship.

"95 % of Microsoft's Net Sales comes through partners and for each dollar in Microsoft's Net Sales the Microsoft partners have 9 dollars", Steve Ballmer, CEO Microsoft.

Innofactor's Mission, Vision and Strategy

Mission

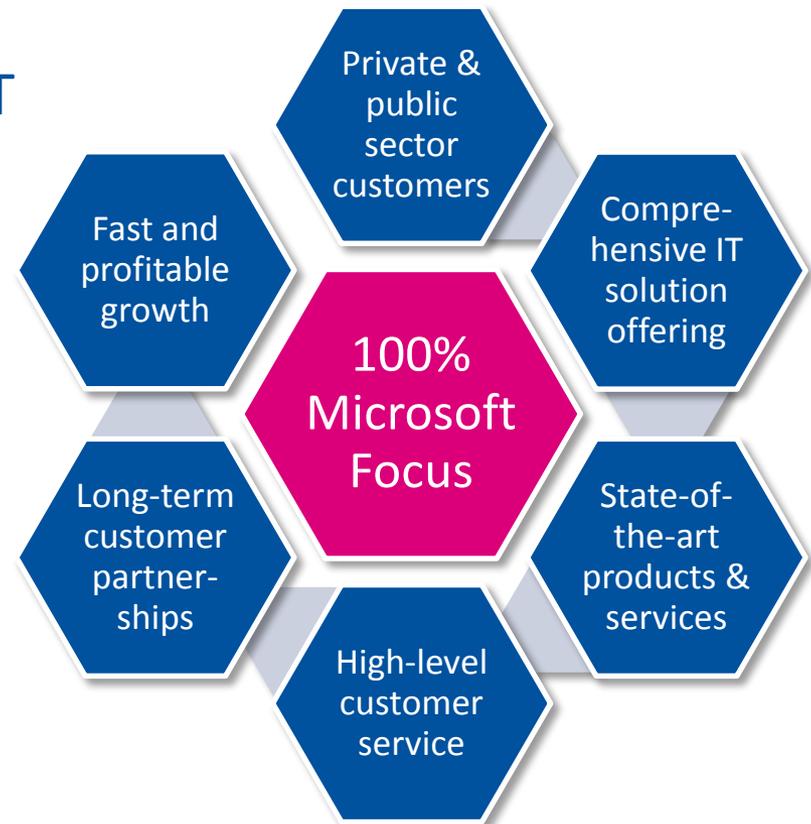
“We strengthen our customers’ competitiveness with outstanding IT solutions, products and services.”

Vision

“We are the number one Microsoft-based solution provider in the Nordic region.”

Our focus on Microsoft creates superior competence, and makes Innofactor the most desired partner for Microsoft, which helps us get the best deals.

Strategy



Innofactor's Competitive Advantage

1. Global Megatrends



Cloud



Social



Mobility



Big Data



2. Microsoft and Its Ecosystem Will Succeed

- Microsoft's strong position both in business and consumer sectors + devices and services
- World's largest IT product and service portfolio with USD 11 Billion annual R&D investments
- Windows and Office are de facto standards
- World's largest partner network continuously innovates new solutions
- Microsoft is growing in the business sector much faster than the IT market in general

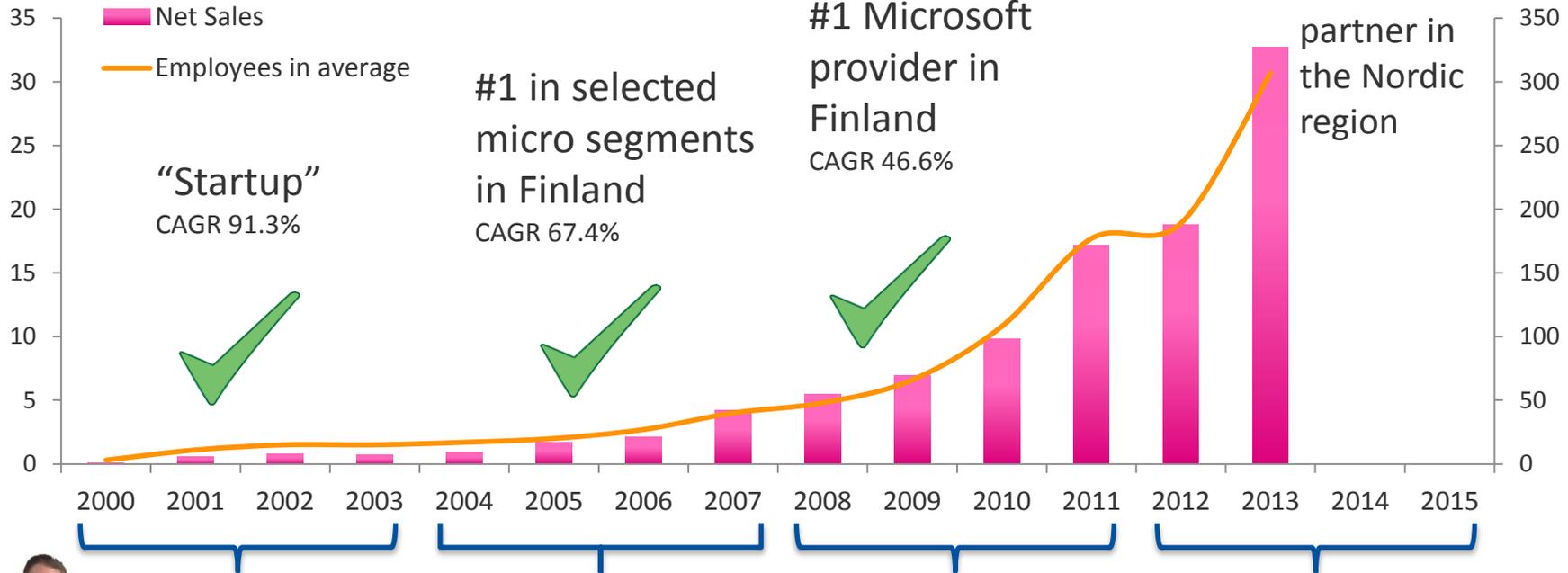


3. Innofactor Will Succeed

- Leading position and understanding of Microsoft ecosystem in the Nordic region
- One of the largest Microsoft-based solution, product and service portfolio in the Nordics
- Deep understanding of several customer verticals in private, public and third sectors
- Innofactor located in two of Microsoft's important R&D countries: Finland and Denmark
- Unique track record in profitable and fast growth and successful M&As

Systematic growth orientation and entrepreneurship

Net Sales, M€



Objective to become #1 Microsoft partner in the Nordic region



- Innofactor was founded by Mr. Sami Ensio in 2000
- Focus on Microsoft technologies 1-15 employees

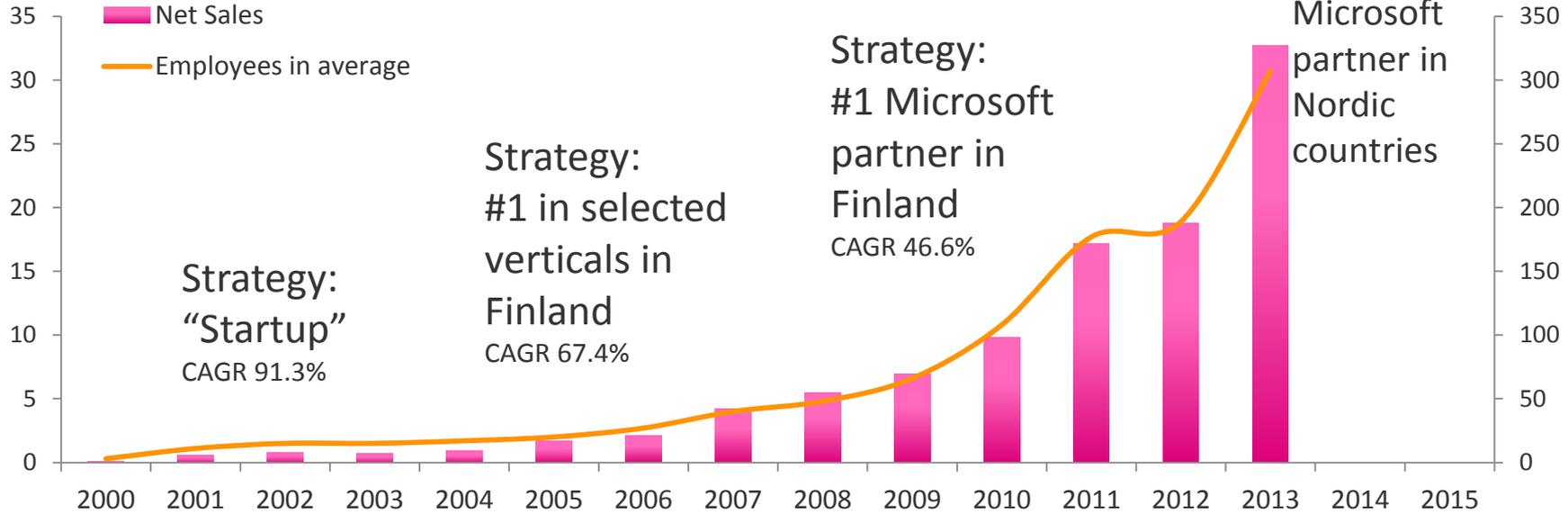
- First acquisitions
- One of first Microsoft SharePoint implementors
- 15-40 employees

- Profitable growth despite financial crisis
- Reverse IPO: Nasdaq OMX HEX
- 40-177 employees

- Organization tuned to support future growth
- Renewed Management Team to drive strategy and growth
- Now over 400 employees

Several successful acquisitions

Net Sales, M€



Strategy:
Objective to become #1 Microsoft partner in Nordic countries

Strategy:
"Startup"
CAGR 91.3%

Strategy:
#1 in selected verticals in Finland
CAGR 67.4%

Strategy:
#1 Microsoft partner in Finland
CAGR 46.6%

TietoEnator^{TE}
Parish business

Software Innovation
Finland

BRIDGE
CONSULTING

enfo

eServices business

visual management

Documenta

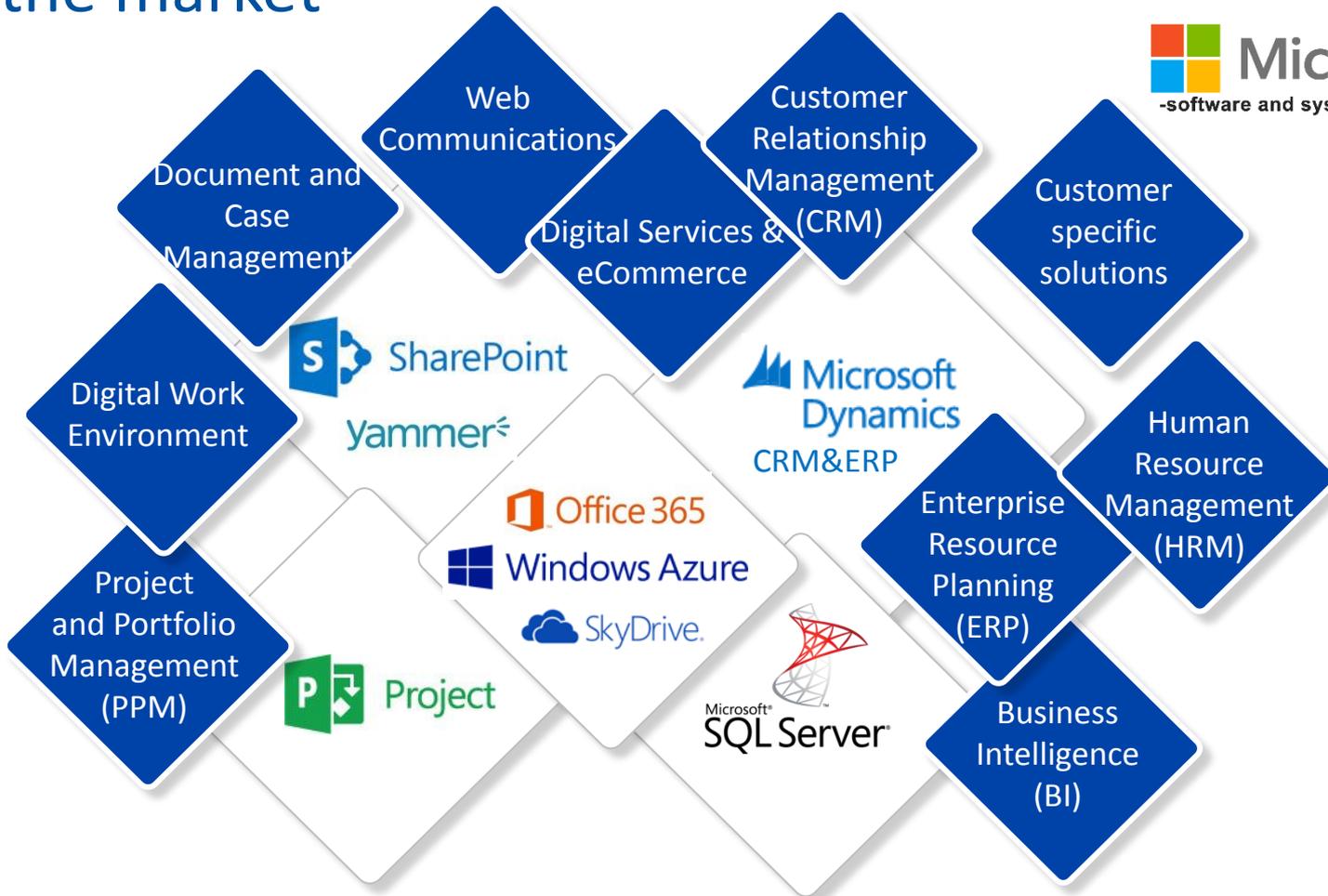
TIETOTALO
PPM-business

atBusiness

DYNAMIC TEAM

enabling
value through challenges

Most comprehensive Microsoft based solution portfolio in the market



Q4 2013 results

Net Sales

11.1 M€

**Increase 76.1 %
from Q4 2012**

EBITDA

11.9 %

1.3 M€

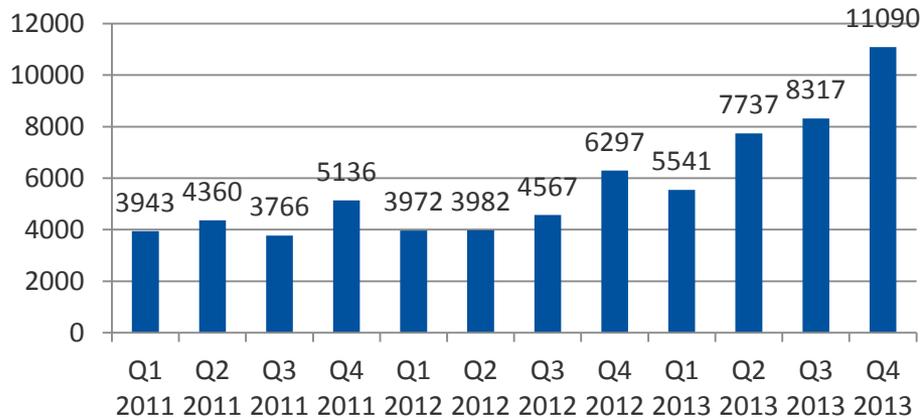
**Increase 27.6 %
from Q4 2012**

- The Q4 2013 net sales was EUR 11.1 million, increase of 76.1 % from Q4 2012
- The Q4 2013 EBITDA was EUR 1.3 million, increase of 27.6 % from Q4 2012
 - Q4 2013 EBITDA includes one-off items related to acquisitions and integration which have a EUR -0.3 million effect to profit
- At the end of Q4 2013 equity ratio was 43.1 % (66.1 % at end of Q4 2012)
- The group's liquid assets at end of Q4 2013 totaled EUR 1.0 million (EUR 0.7 million at end of Q4 2012)
- Interest bearing debt at end of Q4 2013 was EUR 12.0 million (EUR 1.4 million at end of Q4 2012).

Quarterly Growth

Net Sales

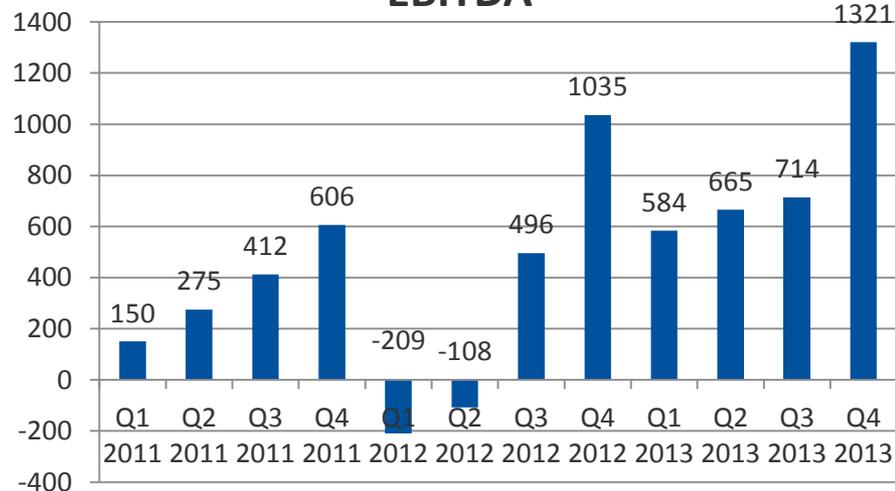
EUR '000



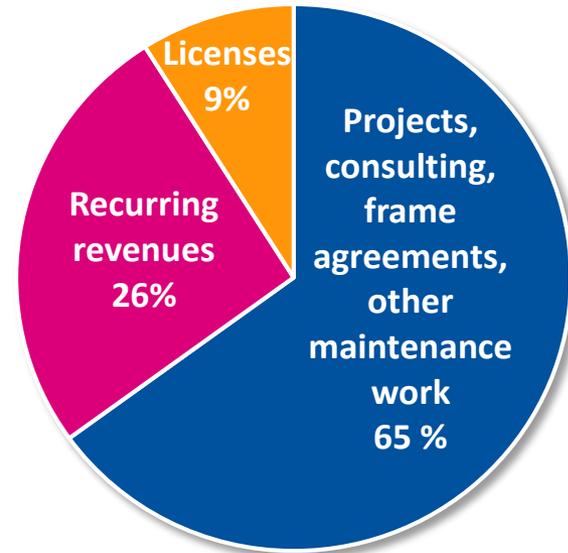
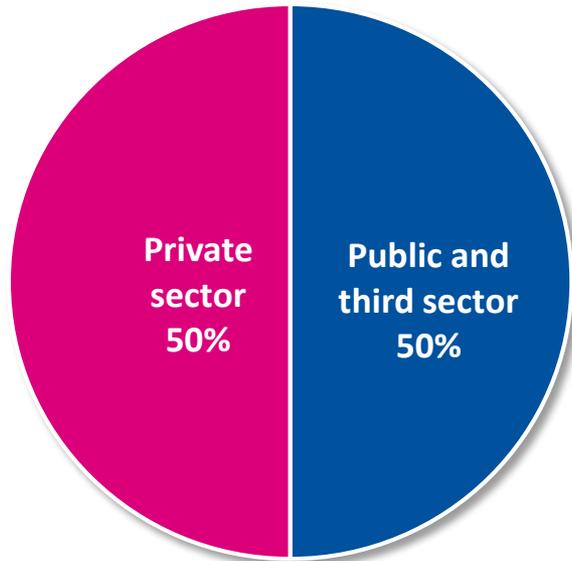
- Innofactor has been able to grow 9.9 % per quarter in average (CAGR Q1/2011–Q4/2013)
- Due to the organizational change on January 2, 2012, projects were rearranged, which had a one-off effect of lowering the net sales in January by about EUR 300 thousand
- The EBITDA figures for years 2011-2012 include 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
 - Q4 2013: includes one-off items related to acquisitions and integration which have a EUR -301 thousand effect to profit

EBITDA

EUR '000



Customer Base and Long Term Contracts Bring Stability



Distribution of net sales
1.1.–31.12.2013

- Significant increase in share of private sector customers due to atBusiness acquisition
- Strong customers in both public and private sectors bring stability in economic fluctuations
- 10 largest customers account for approximately 23% 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

FY2013 Actuals and 2014 Outlook

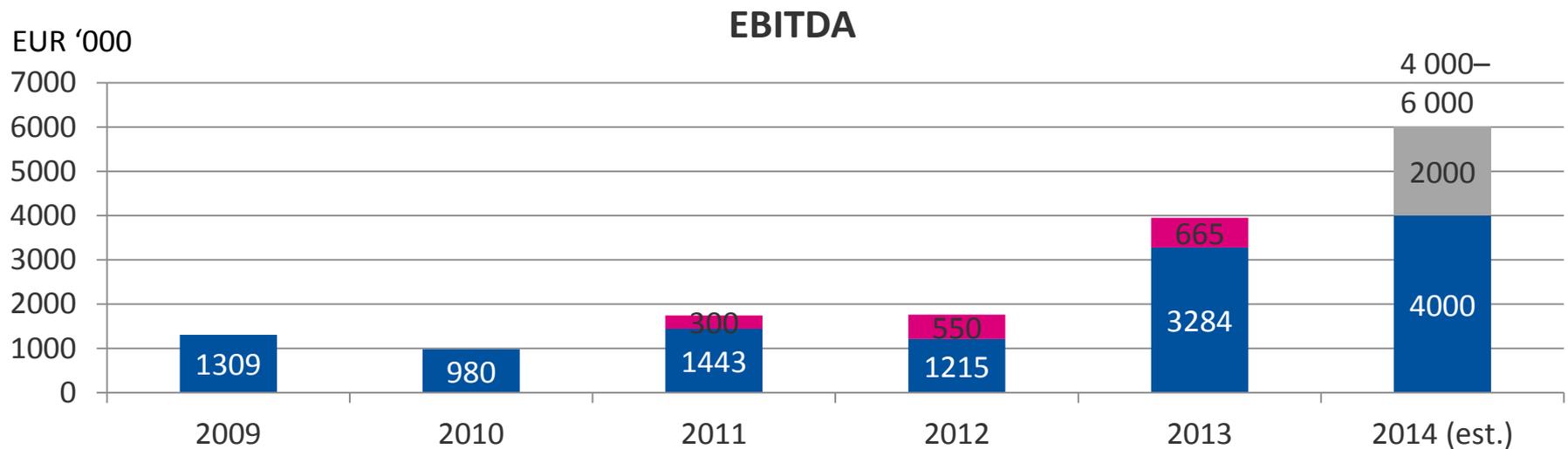
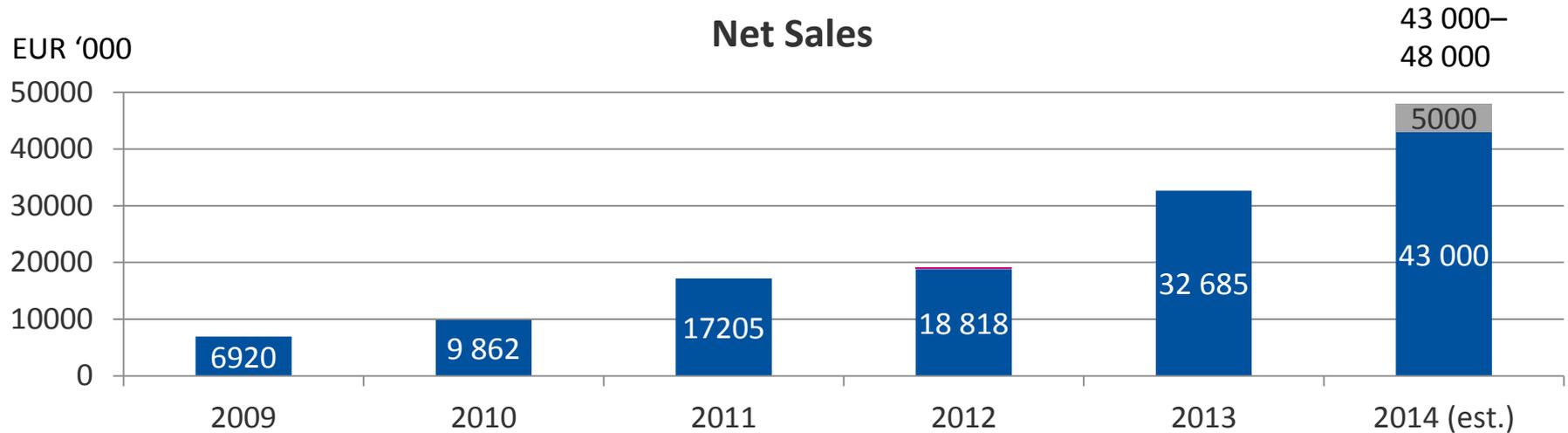
Selected Key Figures 1– 12/2013 and 1–12/2012

	Q1-4/2013	Q1-4/2012	Diff (%)	CEO's comment
Net sales (kEUR)	32,685	18,818	+73.7%	<i>"In the last quarter of 2013, Innofactor continued profitable growth in accordance with its strategy. The growth of net sales was 76.1 percent."</i>
EBITDA (kEUR)	3,284	1,215	+170.3%	<i>"FY2013 Q4 EBITDA (EUR 1.3 million) was the best quarter ever in the company's history. Figure includes one-off items related to acquisitions and integration which have a EUR -0.3 million effect to profit".</i>
Equity ratio (%)	43.1%	66.1%		<i>"The group's liquid assets at December 31, 2013 totaled EUR 991 thousand (2012: 656), consisting totally of cash funds."</i>

Outlook for 2014

- Innofactor's net sales in 2014 are expected to be about EUR 43-48 million (2013: EUR 32.7 million)
- The operating margin (EBITDA) in 2014 is expected to be about EUR 4-6 million (2013: EUR 3.3 million)

Development of Key Financials 2009–2014



One-off items
 2014 estimate (Max)

Innofactor Aims for Profitable Growth

Financial Goals 2014–2017

Result 2009–2013

Achieve an average annual growth of 25–35 percent in 2014–2017 through organic growth as well as acquisitions

43 % growth
2009–2013



Achieve over 10 percent operating margin (EBITDA) every year in 2014–2017

EBITDA 10 %
2009–2013



Keep the cash flow positive and by securing solid financial standing in all situations

High equity ratio
and operative
cash flow



Key figures of the group, IFRS

	mo. 1–12 /2013	mo. 1–12 /2012	Change
Net sales, EUR thousand	32,685	18,818	+73.7%
Operating margin (EBITDA), EUR thousand *	3,284	1,215	+170.3%
<i>percentage of net sales *</i>	10.0%	6.5%	
Operating profit/loss (EBIT), EUR thousand *	2,255	620	+263.7%
<i>percentage of net sales *</i>	6.9%	3.3%	
Earnings, EUR thousand **	1,407	449	+213.4%
<i>percentage of net sales **</i>	4.3%	2.4%	
Shareholders' equity, EUR thousand	19,626	13,760	+42.6%
Interest bearing debt, EUR thousand	11,955	1,393	+758.2%
Cash and equivalents, EUR thousand	991	656	+51.1%
Deferred tax assets, EUR thousand	7,604	7,767	-2.1%
Return on equity ***	8.4%	3.4%	
Return on investment ***	12.9%	4.5%	
Net gearing	55.9%	5.4%	
Equity ratio	43.1%	66.1%	
Research and development, EUR thousand	2,067	2,488	-16.9%
<i>percentage of net sales</i>	6.3%	13.2%	
Personnel on average during the review period	307	189	+62.4%
Personnel at the end of the review period	416	193	+115.5%
Number of shares at the end of the review period	30,909,052	30,165,900	+2.5%
Earnings per share (EUR)	0.0432	0.0150	+187.1%
Shareholders' equity per share (EUR)	0.635	0.460	+37.9%

* The year 2013 included one-off costs related to acquisitions for about EUR 346 thousand, and also costs and cost reserves related to the integration for about EUR 477 thousand, a total of about EUR 823 thousand. The year 2013 included a one-off profit of EUR 158 thousand.

** The year 2013 included one-off costs related to acquisitions for about EUR 346 thousand, and also costs and cost reserves related to the integration for about EUR 477 thousand, a total of about EUR 823 thousand. The year 2013 included a one-off profit of EUR 158 thousand. The year 2013 also included one-off financial expense total of EUR 686 thousand (of which the financial expenses for the additional purchase price related to the acquisition were EUR 480 thousand and EUR 206 thousand were costs related to organizing the loans). The year 2013 also included financial income of EUR 758 thousand for the additional purchase price related to the acquisition

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

Board of Directors' proposal on the dividend

- Innofactor is a growing company and intends to use its operating profit on actions promoting growth, for example, on realizing mergers and acquisitions
- Innofactor has defined a dividend distribution policy according to which the aim of the Board of Directors is to provide an opportunity for the shareholders to distribute, from the part of the operating margin (EBITDA) that exceeds 10 percent, the maximum dividend allowed by the state of the business. For 2013, EBITDA was 10.0 percent
- In making the proposal on the dividend, the Board of Directors takes into account the company's financial situation, profitability and near-term outlook
- The Board of Directors proposes that Innofactor Plc should not pay any dividend for the financial period of 2013

Largest shareholders as of December 31, 2013

Name	Number of shares	% of share capital
1. Ensio Sami	7,422,087	24.01%
<i>Ensio Sami</i>	5,248,327	16.98%
<i>minor under guardianship</i>	724,588	2.34%
<i>minor under guardianship</i>	724,586	2.34%
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2. Tilman Tuomo Tapani	2,924,442	9.46%
<i>Tilman Tuomo Tapani</i>	2,747,492	8.89%
<i>Mpire Capital Oy</i>	176,950	0.57%
3. Salminen Jyrki Kalle Tapio	2,747,492	8.89%
4. Laiho Rami Tapani	1,438,391	4.65%
5. Linturi Kaija and Risto	1,296,911	4.20%
<i>R. Linturi Oyj</i>	529,607	1.71%
<i>Linturi Kaija</i>	430,000	1.39%
<i>Linturi Risto</i>	337,304	1.09%
6. Lampi Mikko Olavi	1,045,543	3.38%
7. Ärje Matias Juhanpoika	946,278	3.06%
8. Mäki Antti-Jussi	930,201	3.01%
9. Luostarinen Juha Markku T	929,438	3.01%
10. Muukkonen Teemu Heikki	507,468	1.64%
11. Kukkonen Heikki-Harri	355,021	1.15%
12. Järvenpää Janne-Olli	322,804	1.04%
13. Jokinen Klaus Antero	300,001	0.97%
14. Laiho Jari Olavi	270,000	0.87%
15. Ementor Norge As	269,299	0.87%
16. Nurmi Mika Tapio	135,553	0.44%
17. Muurinen Hannu Olavi	125,750	0.41%
18. Tiirikainen Vesa Martti	125,750	0.41%
19. Tanskanen Pekka Matti Santeri	107,881	0.35%
20. Mattila Aleks Mikael	105,804	0.34%

Innofactor's Board of Directors Experiences Renewal



Pyry Lautsuo, born 1946, M.Sc. (Tech.)

M.Sc. (Tech.). Pyry Lautsuo held various positions in IBM in 1970–2006, the latest of which was Country Manager of Finland. Lautsuo has extensive experience in software business both in Finland and globally. Previously, he has acted as a member of the Board of Directors of Affecto Plc and Tectia Plc, and as Chairman of the Board in the Finnish Information Processing Association (FIPA). Lautsuo has acted as Chairman of Innofactor Plc's Board of Directors since 2011. Shareholding: 0,1 million shares.



Jukka Mäkinen, b. 1954, M.Sc. (Econ. & Bus. Adm.)

M.Sc. (Econ. & Bus. Adm.). Jukka Mäkinen currently acts as CEO of venture capital company Eqvitec Partners Ltd. Mäkinen has twenty years' experience in various positions in IT companies, for instance in Siemens-Nixdorf, Oracle, IBM and Xerox. Mäkinen has acted as a Board member in more than 20 different companies and implemented several mergers and acquisitions both in Finland and abroad. Mäkinen has acted as a member of Innofactor Plc's Board of Directors since 2012. Shareholding: 0,1 million shares.



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

M.Sc. (Tech.). Sami Ensio acts as CEO of Innofactor Plc. Previously, he has acted as CEO of Innofactor Ltd and as a member of the Board of Directors since 2000. Ensio has strong and comprehensive expertise in the software industry and solid experience in strategic and operative management. Ensio has acted as a member of Innofactor Plc's Board of Directors since 2010. Shareholding: 7,4 million shares.



Ilari Nurmi, b. 1975, M.Sc. (Tech.)

Ilari Nurmi joined the Innofactor Plc Board of Directors in 2013. Currently works as Senior Vice President and member of Executive Team in Basware Corporation. Before that, Nurmi worked for 14 years in managerial positions in Nokia Corporation's product management, product marketing, and marketing in Finland and USA. Nurmi's special strength is his extensive knowledge of international software product management and product business. Shareholding: 0,0 million shares.



J. T. Bergqvist, b. 1957, D.Sc. (Tech.)

Bergqvist has most recently been CEO and Chairman of Board of Directors of K. Hartwall Oy Ab. Bergqvist has been a member of the Board of Directors of Norvestia Oyj since 2003 and a member of the Board of Directors of the Swiss company Ascom AG since 2005. Previously, he has been Chairman of the Board of Directors of Electrobit Oyj and has held various prominent leadership roles at Nokia, including membership of the Group Executive Board in 2002–2005. Bergqvist is nominated as a new member of Board.



Tiia Tuovinen, b. 1964, M.of Laws (LL.M.)

Tuovinen is General Counsel for TeliaSonera's Broadband business area. She has a long experience in legal affairs in TeliaSonera, Sonera, Telecom Finland, and Confederation of Finnish Industries. Tuovinen has experience of working in Boards of Directors from Kekkilä Group Oy; Tectia Oyj; TEO LT, Ab; and SIA Lattelecom. In addition to strong legal expertise, Tuovinen also has extensive knowledge in the ICT sector. Tuovinen is nominated as a new member of Board.

INNOFACTOR[®]
Your Partner. Your Solution.[™]