

INNOFACTOR®

Most Successful Company on the Finnish stock exchange 2013*

January 1-March 31, 2014 Interim Report

Mikko Karvinen, CFO, Deputy CEO

April 23, 2014

Microsoft Partner

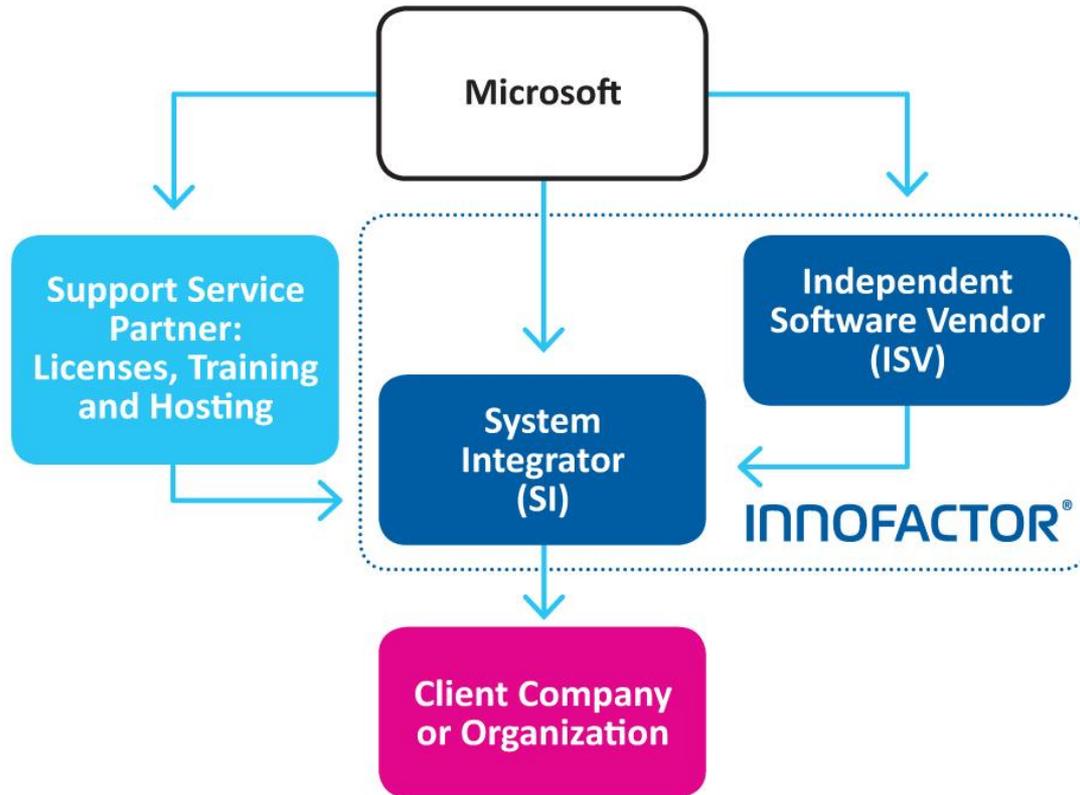
Gold Application Development
Gold Application Integration
Gold Business Intelligence
Gold Collaboration and Content
Gold Customer Relationship Management
Gold Data Platform
Gold Project and Portfolio Management
Silver Enterprise Resource Planning
Microsoft Dynamics NAV
Cloud Accelerate

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
 - 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

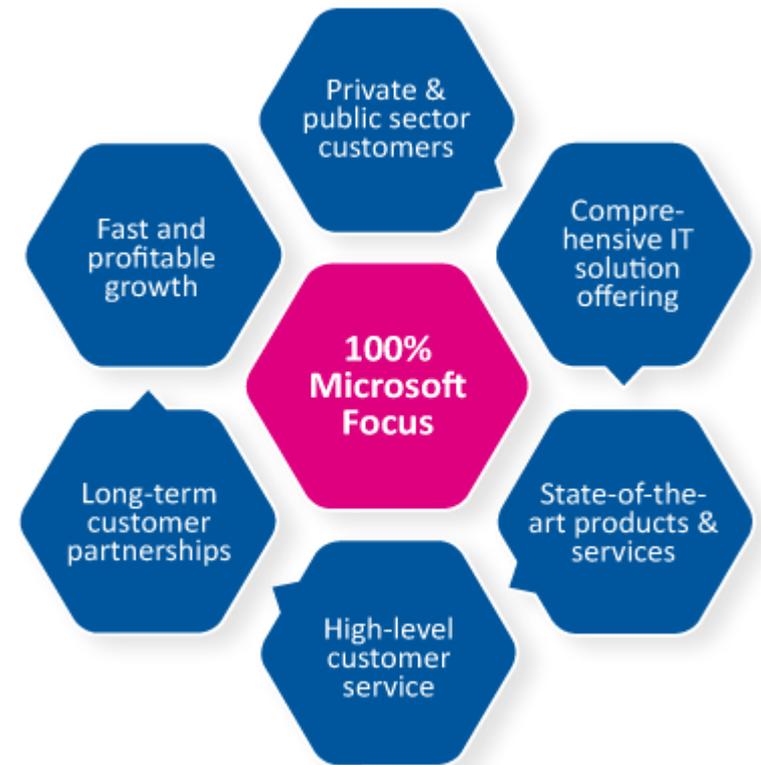
MISSION

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.

STRATEGY



Innofactor's Key Competitive Advantages

1. Global Megatrends



2. Microsoft and Its Ecosystem Will Succeed

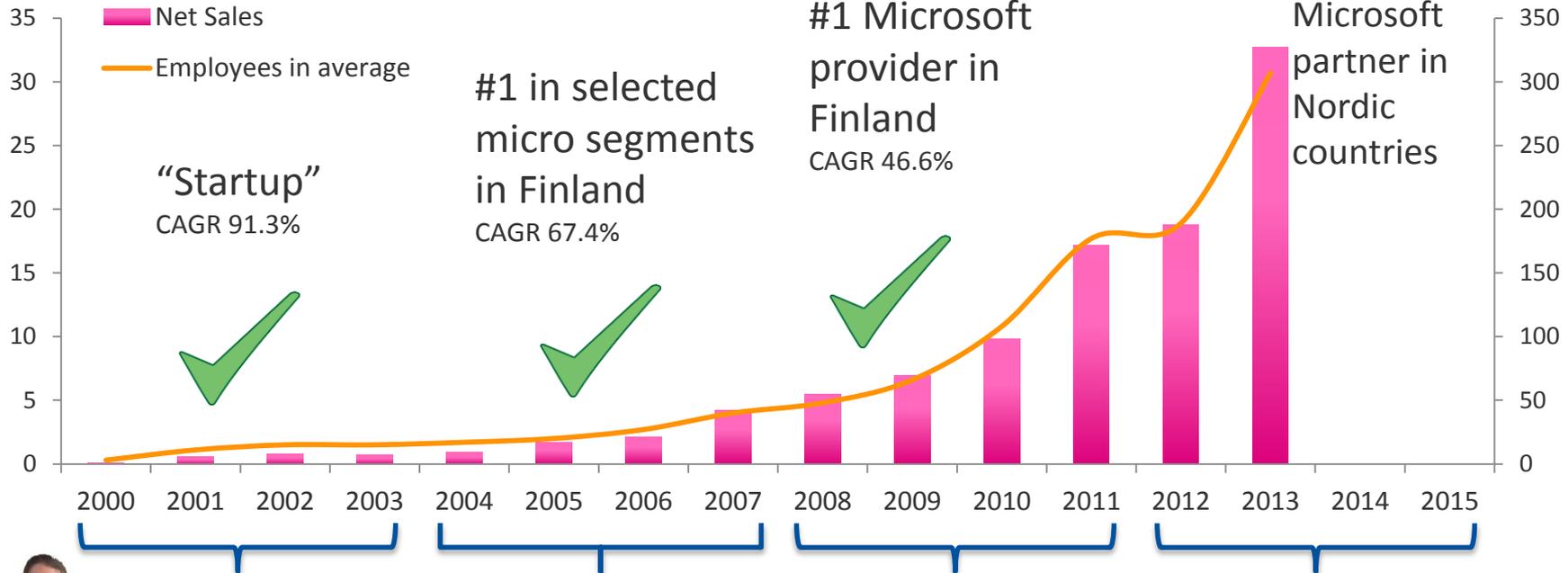
- Microsoft's strong position both in business and consumer sectors + devices and services
- World's largest IT product and service portfolio with USD 11 billion annual R&D investments
- Windows and Office are de facto standards
- World's largest partner network continuously innovates new solutions for customers
- 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 portfolios in the Nordics
- Profound understanding of several customer verticals in private, public and third sectors
- Innofactor's location in two of Microsoft's key R&D countries: Finland and Denmark
- Unique track record in profitable and fast growth and successful M&A's

Systematic growth orientation and entrepreneurship

Net Sales, M€



Strategy 2015:
Objective to become #1 Employees

Microsoft
partner in
Nordic
countries



- 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

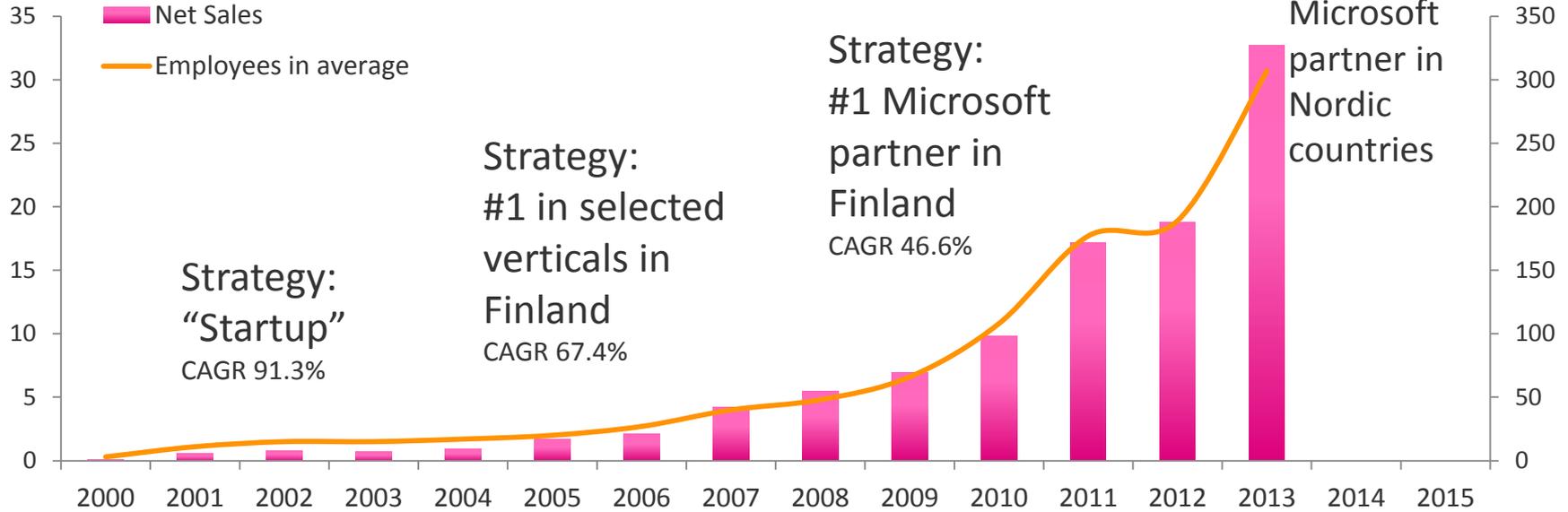
- Profitable growth despite financial crisis
- Reverse IPO: Nasdaq OMX HEX
- 40-177 employees

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

Several successful acquisitions

Strategy 2015:
Objective to become #1 Employees Microsoft

Net Sales, M€



Strategy:
"Startup"
CAGR 91.3%

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

Strategy:
#1 Microsoft partner in Finland
CAGR 46.6%

partner in Nordic countries

TietoEnator^{TE}
Parish business

Software Innovation
Finland

BRIDGE
CONSULTING

enfo

eServices business

visual management

Documenta

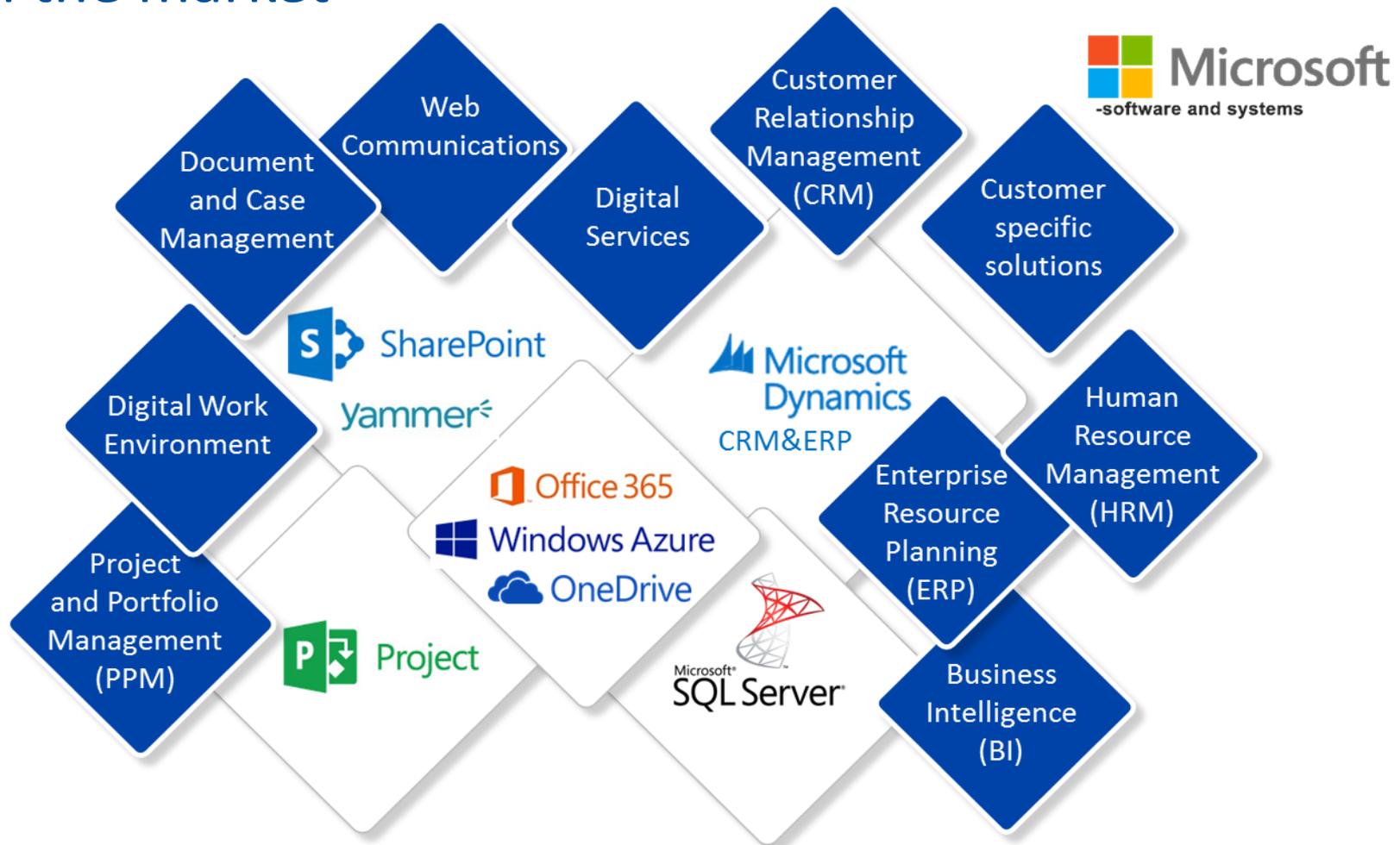
TIETOTALO
PPM-business

atBusiness

DYNAMIC TEAM

enabling
value through challenges

Most comprehensive Microsoft based solution portfolio in the market



Key events after January 1, 2014

- On January 24, 2014, Innofactor announced in a stock exchange release that Innofactor Plc's CFO Mikko Karvinen had resigned from the company at his own request on January 23, 2014. Karvinen will continue in his role until April 30, 2014.
- On March 7, 2014, Innofactor announced in a stock exchange release that Innofactor's Board of Directors had appointed Tiina Pulli as the new Chief Financial Officer (CFO) at Innofactor Plc as of May 1, 2014. Pulli will join the company already earlier to familiarize herself with Innofactor's operations. Tiina Pulli will be a member of Innofactor's Executive Board and will report to Sami Ensio, the CEO of Innofactor Plc.
- On March 20, 2014, the Annual General Meeting of Innofactor Plc resolved to adopt the accounts and the group's financial statement for the financial period that ended on December 31, 2013, and granted the members of the Board of Directors and the Chief Executive Officer discharge from liability for the financial period that ended on December 31, 2013.
- The General Meeting decided that the number of Board members is six. Of the current members of the Board of Directors, Sami Ensio, Jukka Mäkinen, Pyry Lautsuo and Ilari Nurmi were re-elected. Tiia Tuovinen and J.T. Bergqvist were elected as new members. At their organizing meeting held immediately after the General Meeting, the Board of Directors elected Pyry Lautsuo as the Chairman of the Board.

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 Electrobitt 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. Shareholding: 0,3 million shares.



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 Latttelecom. In addition to strong legal expertise, Tuovinen also has extensive knowledge in the ICT sector. Tuovinen is nominated as a new member of Board.

Q1 2014 results

Net Sales

10.7 M€

**Increase 93.4 %
from Q1 2013**

EBITDA

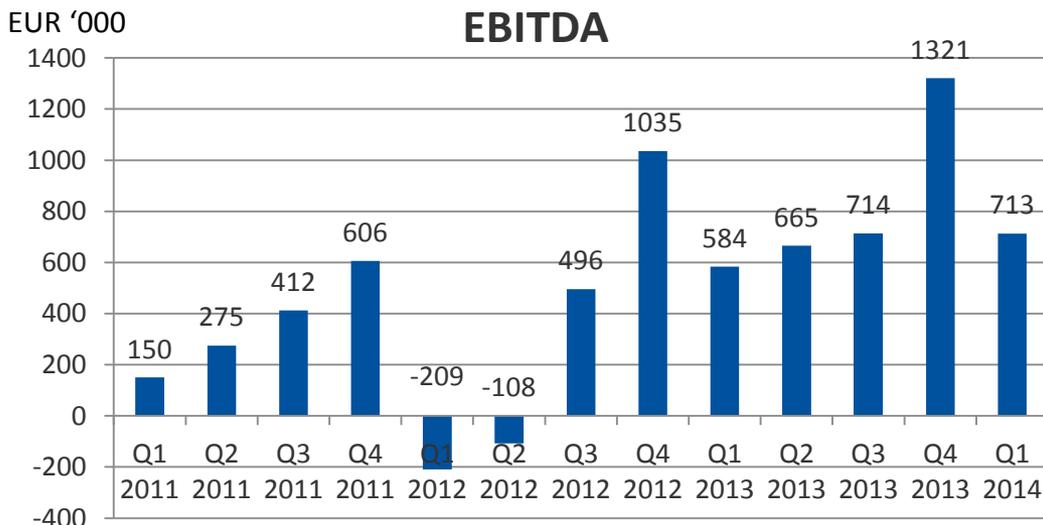
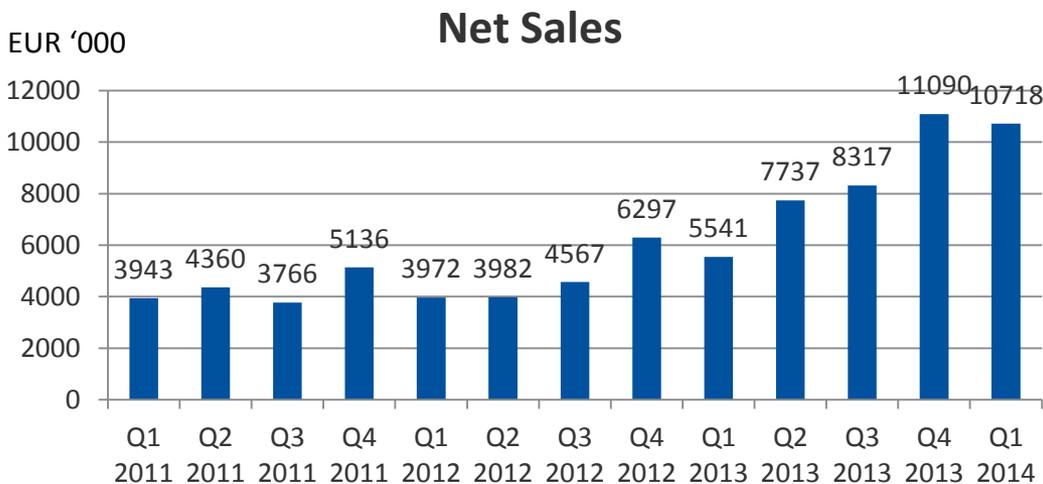
6.7 %

0.7 M€

**Increase 22.1 %
from Q1 2013**

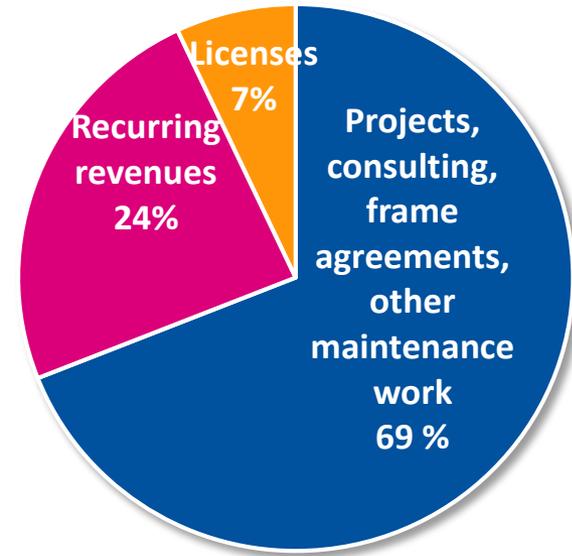
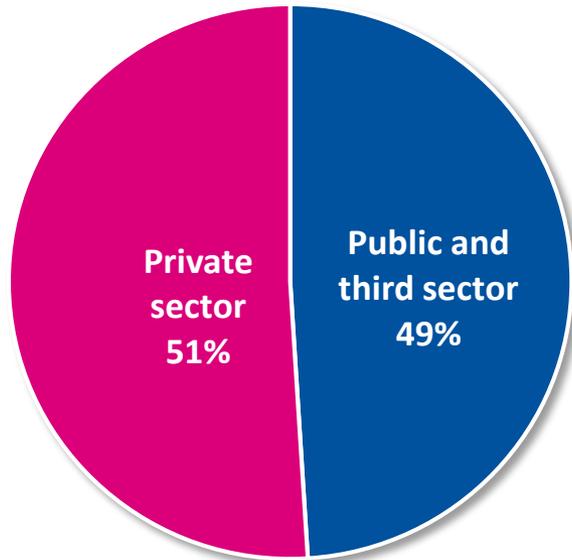
- The Q1 2014 net sales was EUR 10.7 million, increase of 93.4 % from Q1 2013
- The Q1 2014 EBITDA was EUR 0.7 million, increase of 22.1 % from Q1 2013
- At the end of Q1 2014 equity ratio was 49.0 % (69.4 % at end of Q1 2013)
- The group's liquid assets at end of Q1 2014 totaled EUR 0.7 million (EUR 2.5 million at end of Q1 2013)
- Interest bearing debt at end of Q1 2014 was EUR 10.5 million (EUR 1.1 million at end of Q1 2013).

Quarterly Business Development



- Innofactor has been able to grow 8.9 % per quarter in average (CAGR Q1/2011–Q1/2014)
- 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

Customer Base and Long Term Contracts Bring Stability



Distribution of net sales
1.1.–31.3.2014

- 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 22% 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

Q1 2014 Actuals and 2014 Outlook

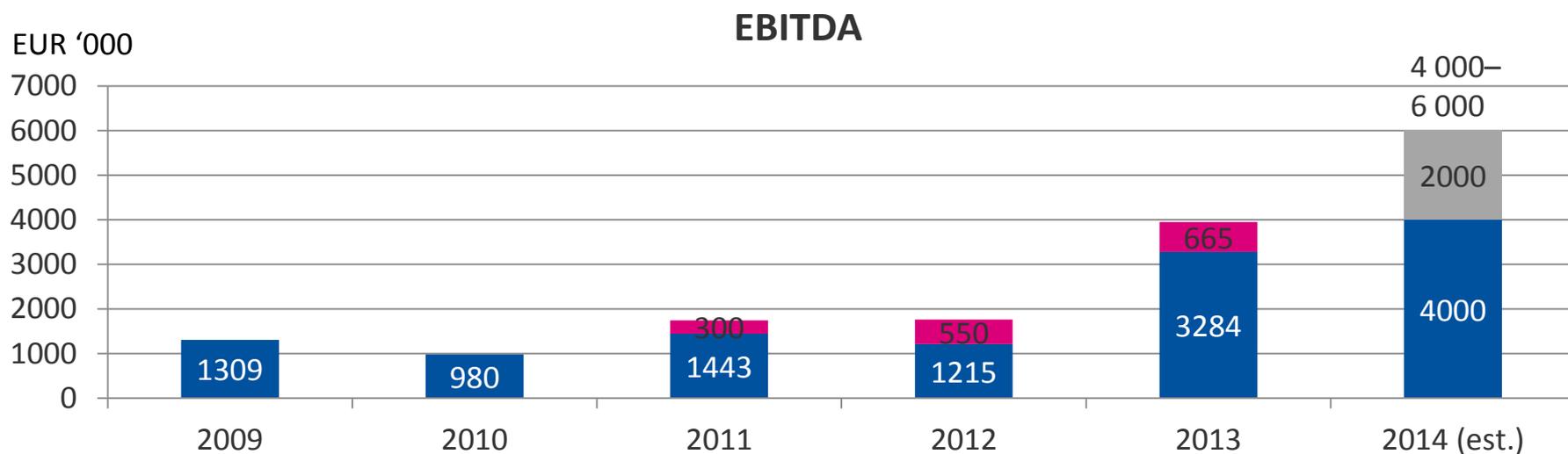
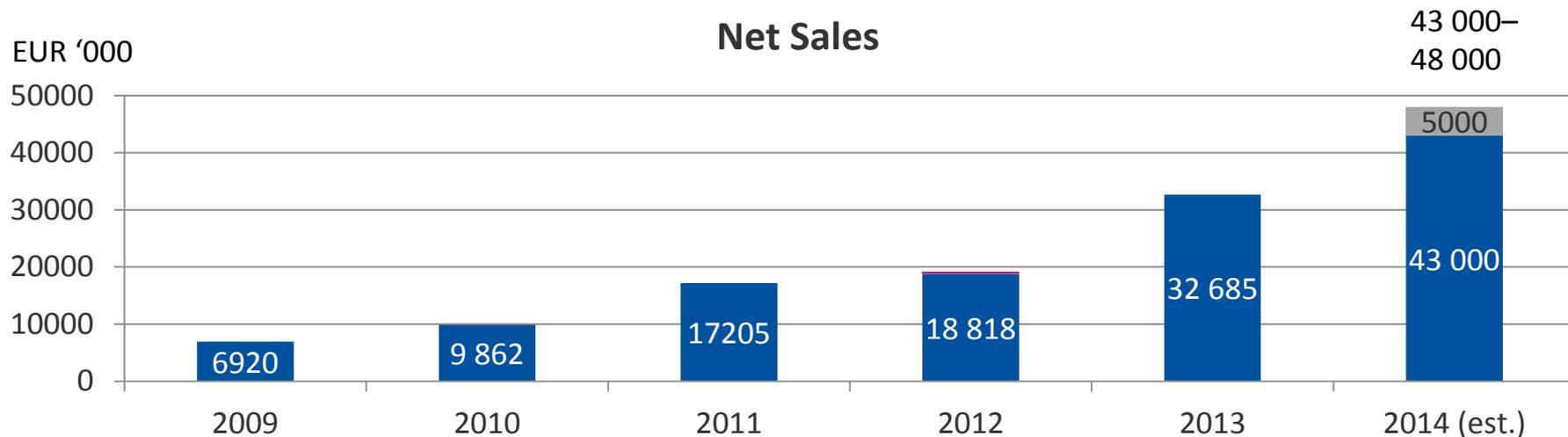
Selected Key Figures 1– 3/2014 and 1–3/2013

	Q1 2014	Q1 2013	Diff (%)	CEO's comment
Net sales (kEUR)	10,718	5,541	+93.4%	<i>"In the first quarter of 2014, Innofactor continued profitable growth in accordance with its strategy. The growth of net sales was 93.4 percent."</i>
EBITDA (kEUR)	713	584	+22.1%	<i>"Operating margin (EBITDA) was EUR 0.7 million (6.7 percent of the net sales)."</i>
Equity ratio (%)	49.0%	69.4%		<i>"The group's liquid assets totaled EUR 660 thousand (2013: 2,533), 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. 1–3 /2014	mo. 1–3 /2013	Change	mo. 1–12 /2013
Net sales, EUR thousand	10,718	5,541	+93.4%	32,685
Operating margin (EBITDA), EUR thousand	713	584	+22.1%	3,284
<i>percentage of net sales</i>	6.7%	10.5%		10.0%
Operating profit/loss (EBIT), EUR thousand	373	424	-12.0%	2,255
<i>percentage of net sales</i>	3.5%	7.7%		6.9%
Earnings before taxes, EUR thousand*	570	412	+38.3%	1,863
<i>percentage of net sales *</i>	5.3%	7.4%		5.7%
Earnings, EUR thousand *	456	310	+47.1%	1,407
<i>percentage of net sales *</i>	4.3%	5.6%		4.3%
Shareholders' equity, EUR thousand	21,648	13,987	+54.8%	19,626
Interest bearing debt, EUR thousand	10,543	1,138	+826.4%	11,955
Cash and equivalents, EUR thousand	660	2,533	-73.9%	991
Deferred tax assets, EUR thousand	7,536	7,691	-2.0%	7,604
Return on equity **	8.8%	8.9%		8.4%
Return on investment **	8.8%	11.3%		12.9%
Net gearing	45.7%	-10.0%		55.9%
Equity ratio	49.0%	69.4%		43.1%
Research and development, EUR thousand	568	512	+10.9%	2,067
<i>percentage of net sales</i>	4.6%	9.2%		6.3%
Personnel on average during the review period	413	198	+108.6%	307
Personnel at the end of the review period	419	204	+105.4%	416
Number of shares at the end of the review period	32,153,737	30,165,900	+6.6%	30,909,052
Earnings per share (EUR)	0.0142	0.0104	+36.7%	0.0432
Shareholders' equity per share (EUR)	0.673	0.470	+43.1%	0.635

* The first quarter of 2014 included financial income of EUR 325 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.

Largest shareholders as of March 31, 2014

	Name	Number of shares	% of share capital
1.	Ensio Sami	7,422,087	23.08%
	<i>Ensio Sami</i>	5,248,327	16.32%
	<i>Minor under guardianship</i>	724,588	2.25%
	<i>Minor under guardianship</i>	724,586	2.25%
	<i>Minor under guardianship</i>	724,586	2.25%
2.	Tilman Tuomo Tapani	2,788,099	8.67%
	<i>Tilman Tuomo Tapani</i>	2,747,492	8.54%
	<i>Mpire Capital Oy</i>	40,607	0.13%
3.	Salminen Jyrki Kalle Tapio	2,611,149	8.12%
4.	Laiho Rami Tapani	1,419,215	4.41%
5.	Linturi Kaija and Risto	1,280,411	3.98%
	<i>R. Linturi Oyj</i>	513,107	1.60%
	<i>Linturi Kaija Anneli</i>	430,000	1.34%
	<i>Linturi Risto Erkki Olavi</i>	337,304	1.05%
6.	Lampi Mikko Olavi	1,045,543	3.25%
7.	Ärje Matias Juhanpoika	946,278	2.94%
8.	Mäki Antti-Jussi	930,201	2.89%
9.	Luostarinen Juha Markku T	929,438	2.89%
10.	Muukkonen Teemu Heikki	501,468	1.56%
11.	Kukkonen Heikki-Harri	355,021	1.10%
12.	Järvenpää Janne-Olli	322,804	1.00%
13.	Jokinen Klaus Antero	300,001	0.93%
14.	Bergqvist J.T.	300,000	0.93%
15.	Laiho Jari Olavi	270,000	0.84%
16.	Ementor Norge As	269,299	0.84%
17.	Karppinen Antti Sakari	153,621	0.48%
18.	Nurmi Mika Tapio	128,053	0.40%
19.	Muurinen Hannu Olavi	125,750	0.39%
20.	Tiirikainen Vesa Martti	125,750	0.39%

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