

INNOFACTOR®

**Most Successful Company on the
Finnish stock exchange 2013***

January 1-June 30, 2014 Interim Report

Janne Martola, CFO & Deputy CEO

July 22, 2014

Microsoft Partner

Gold Application Development
Gold Business Intelligence
Gold Collaboration and Content
Gold Customer Relationship Management
Gold Data Platform
Gold Enterprise Resource Planning
Gold Project and Portfolio Management
Silver Application Integration
Silver Mobility

***Kauppalehti**

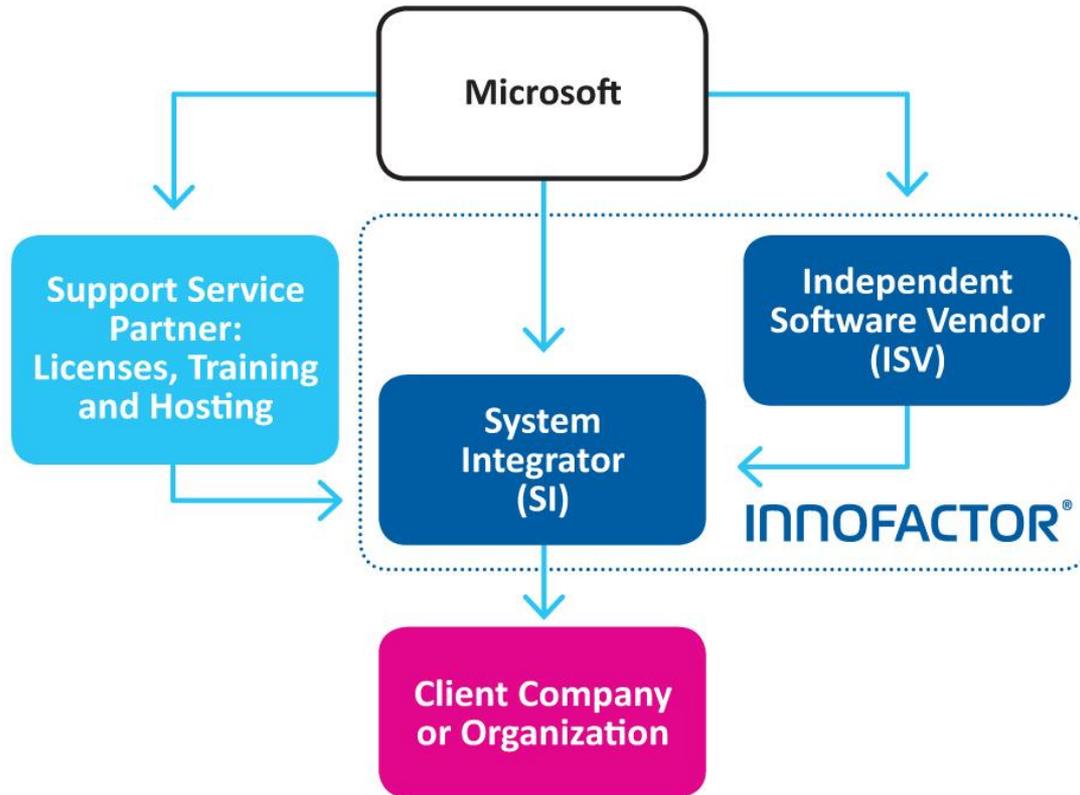
www.innofactor.com

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
 - 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

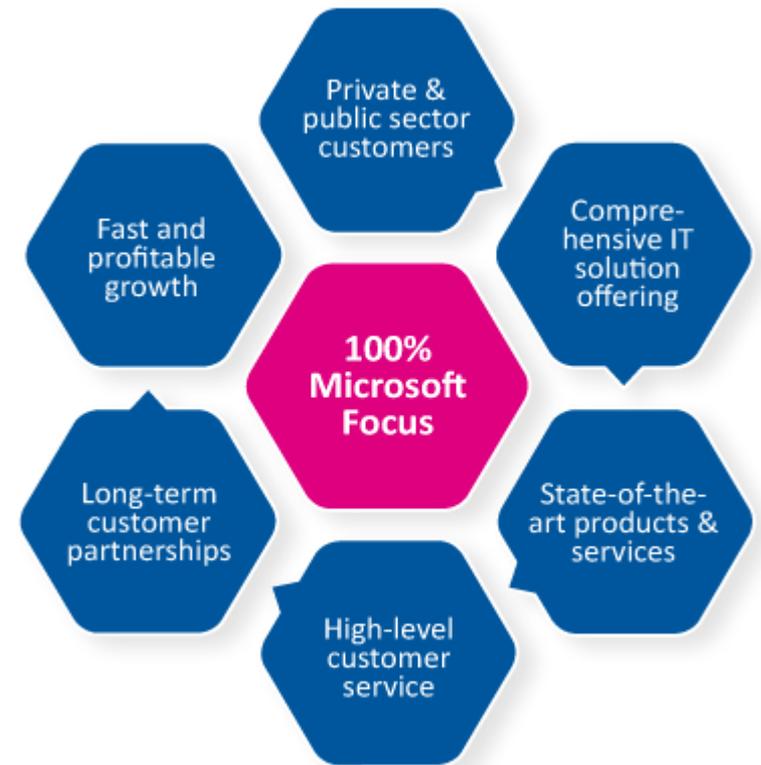
MISSION

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

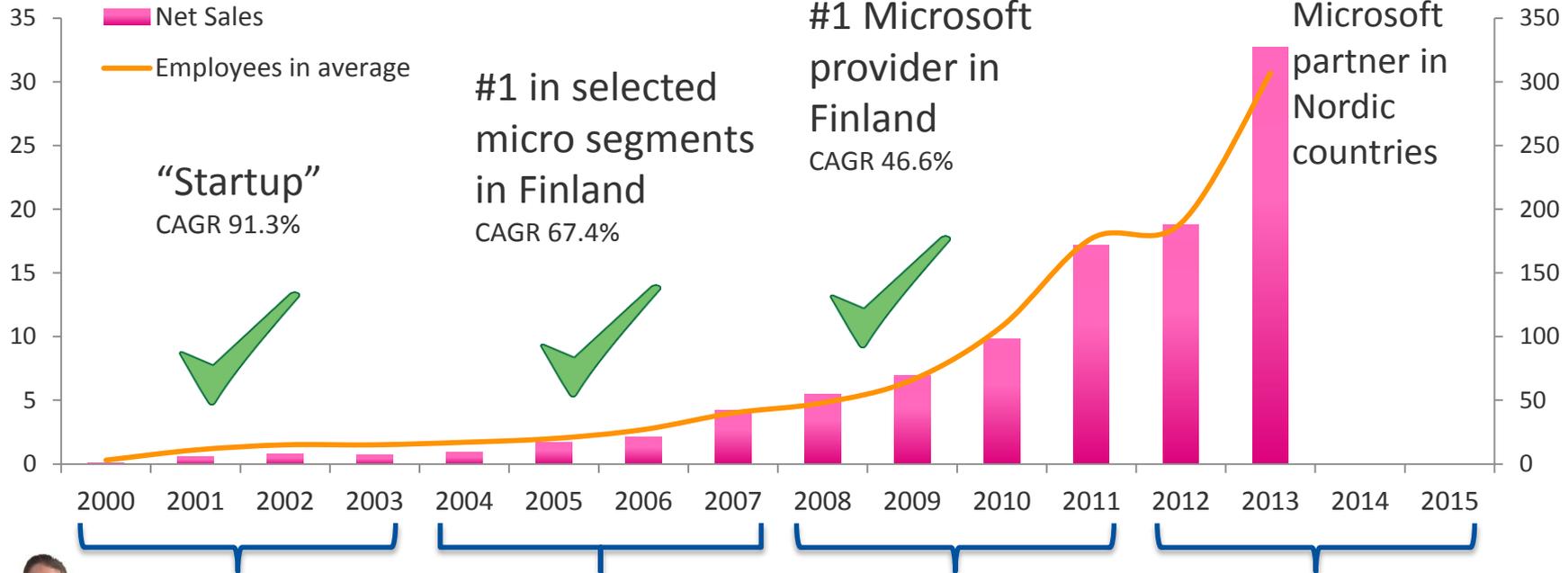
- Microsoft's strong position both in business and consumer sectors + devices and services
- World's largest IT product and service portfolio with USD 11 billion annual R&D investments
- Windows and Office are de facto standards
- World's largest partner network continuously innovates new solutions for 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 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



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

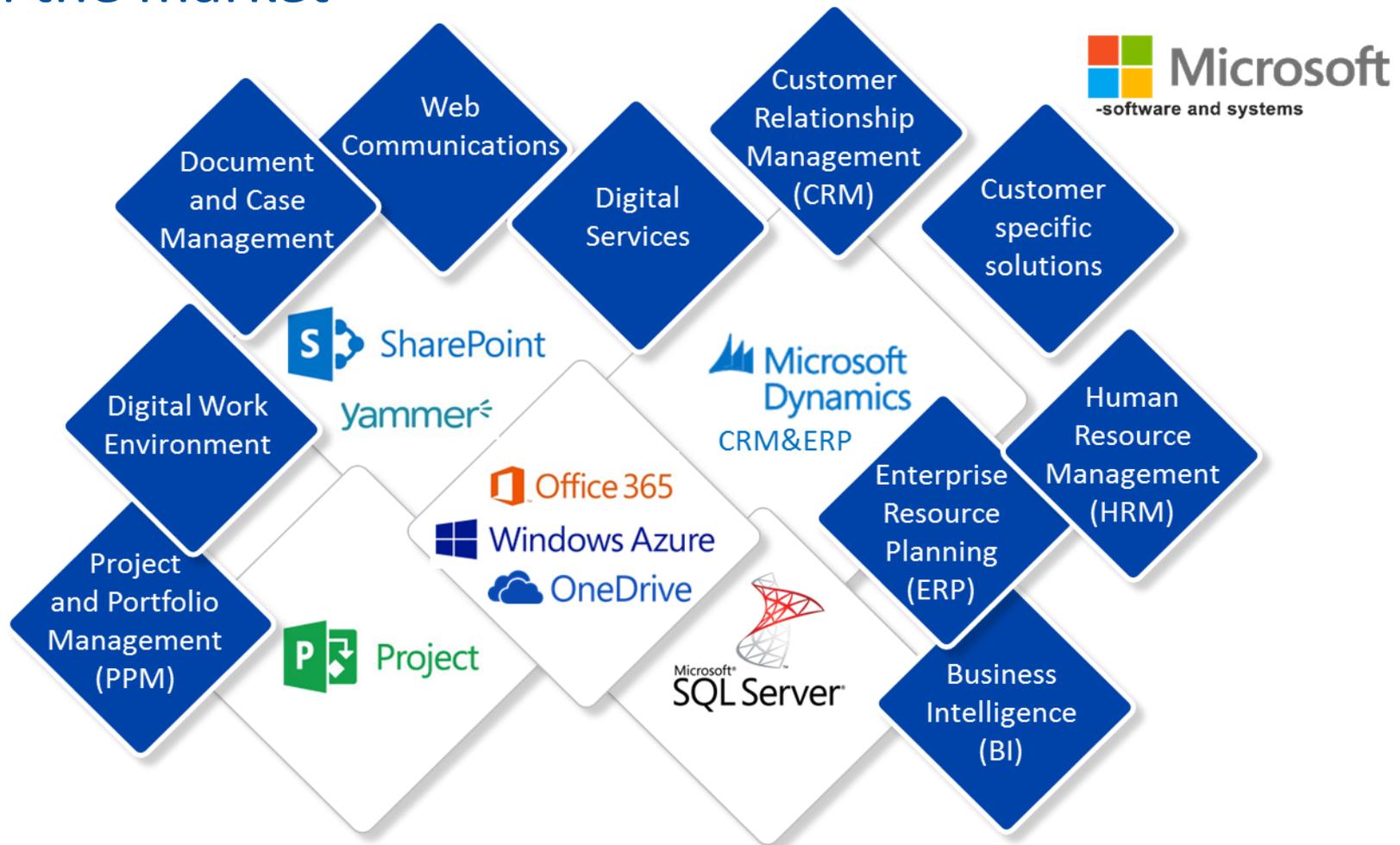
TIETOTALO
PPM-business

atBusiness

DYNAMIC TEAM

enabling
value through challenges

Most comprehensive Microsoft based solution portfolio in the market



Key events after April 1, 2014

- On April 25, 2014, Innofactor announced in a stock exchange release that Innofactor had been selected to provide a comprehensive TOIMIN system solution to AEL, a Finnish technical training provider. The value of the contract is EUR 574,539, excluding any options.
- On May 12, 2014, Innofactor announced in a stock exchange release that Innofactor had won a public procurement tender to deliver a comprehensive funds management solution to Finland's Slot Machine Association (RAY). The value of Innofactor's offer that won the tender is 3,214,166 euros.
- On June 19, 2014, Innofactor announced in a stock exchange release that Innofactor has appointed Katja Tammelin General Counsel as of August 18, 2014. Innofactor has not previously had a General Counsel.
- On July 9, 2014, Innofactor announced in a stock exchange release that Innofactor's Board of Directors had appointed Janne Martola as Innofactor Plc's new Chief Financial Officer (CFO) and Deputy to the CEO as of July 9, 2014. With this action, Innofactor streamlines its organization, increases the business focus of its financial management, and ensures the high level of its mergers and acquisitions competence also in the future. With these arrangements, the number of Executive Board members decreased from nine to eight.

Organization

Board of Directors
 Pyry Lautsuo (ch) J.T. Bergqvist
 Sami Ensio Jukka Mäkinen
 Ilari Nurmi Tiia Tuovinen

Sami Ensio
 President & CEO

Elina Jokinen
 VP, HR

Janne Martola
 CFO, Deputy CEO

Ingrid Peura
 VP, Brand & Comm

PRODUCTS & SERVICES
 Heikki Jekunen
 Vice President

SI FIN
 Juha Rokkanen
 Managing Director

SI DEN
 Christian Andersen
 Managing Director

(SI SWE)

(SI NOR)

Customer Solutions
 Mikko Lampi
 Vice President

Productivity Solutions
 Harri Taro
 Vice President

Business Solutions
 Vesa Kauppila
 Vice President

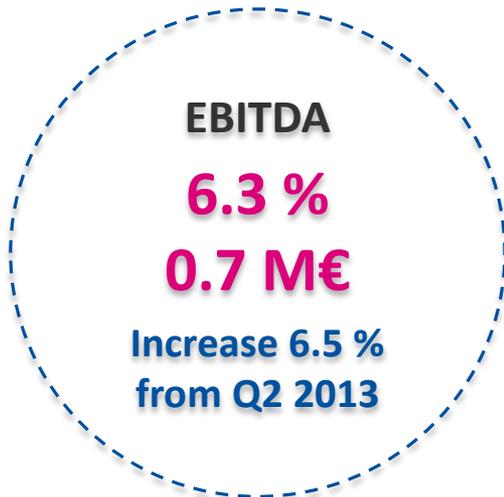
Document Solutions
 Mika Nurmi
 Vice President

Third Sector Solutions
 Mikko Myllys
 Vice President

Sales and Customers
 Tommi Flemming, Vice President

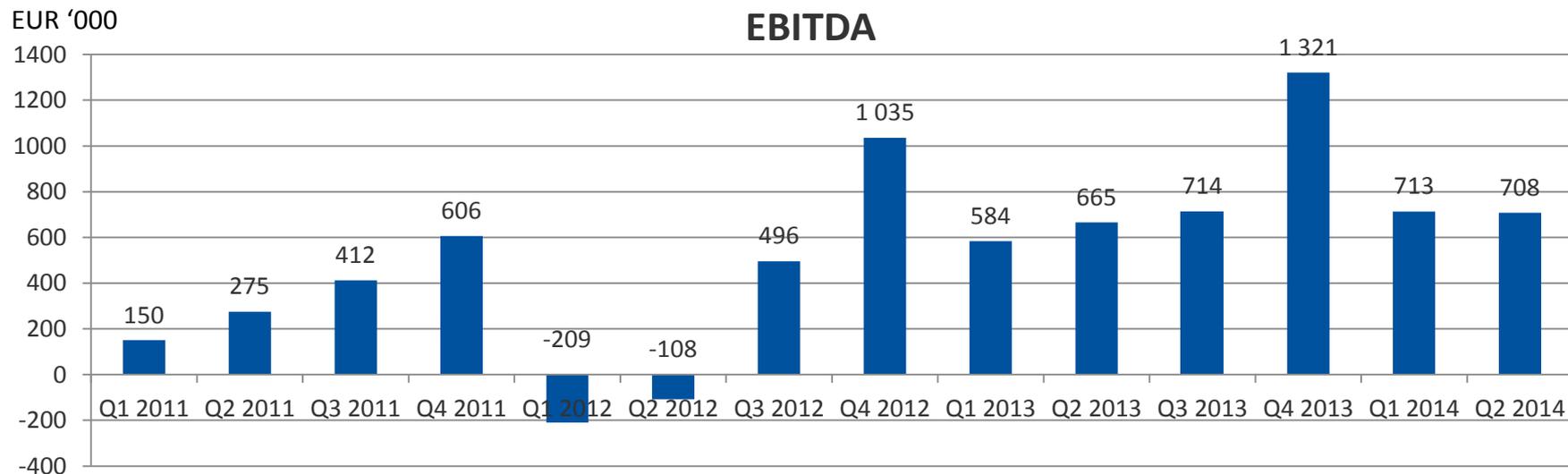
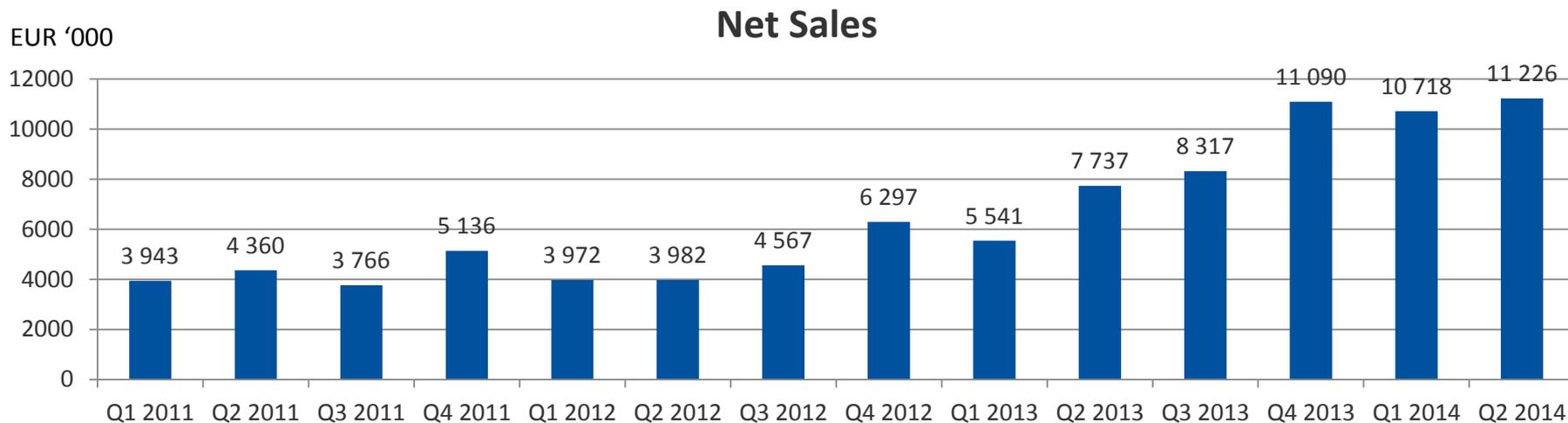
Projects and Quality Assurance
 N.N.

Q2/2014 results



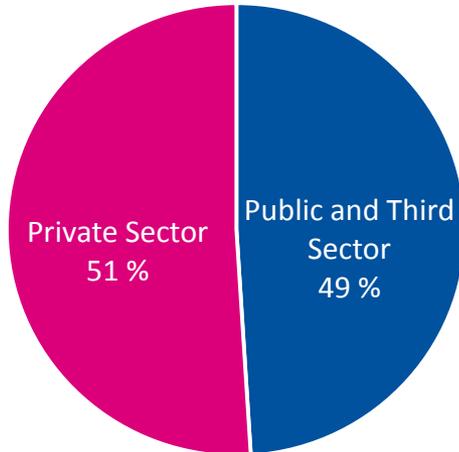
- The Q2/2014 net sales was EUR 11.2 million, increase of 45.1 % from Q2/2013
- The Q2/2014 EBITDA was EUR 0.7 million, increase of 6.5 % from Q2/2013
- At the end of Q2/2014 equity ratio was 47.6 % (41.3 % at end of Q2/2013)
- The group's liquid assets at end of Q2/2014 totaled EUR 0.5 million (EUR 2.0 million at end of Q2/2013)
- Interest bearing debt at end of Q2/2014 was EUR 12.0 million (EUR 12.6 million at end of Q2/2013). In addition Innofactor has an EUR 3.2 million hybrid loan.

Quarterly Business Development

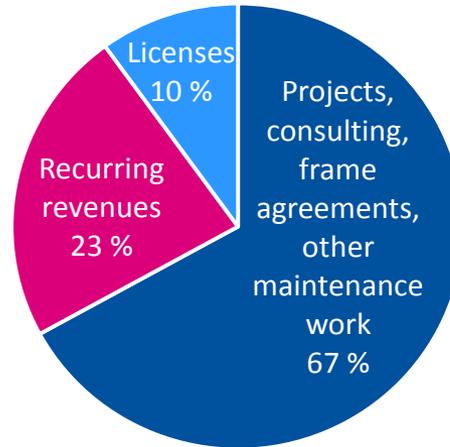


Customer Base and Long Term Contracts Bring Stability

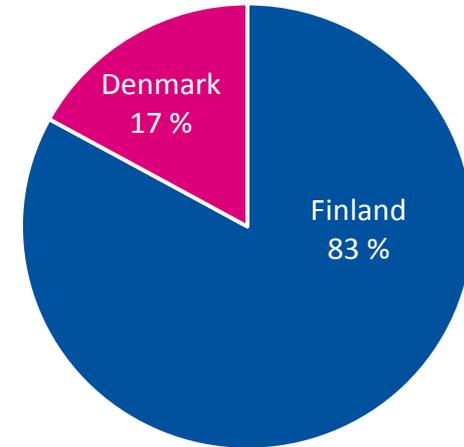
Distribution of net sales 1.1.–30.6.2014



- 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



- Denmark represents a significant portion of Innofactor's revenues
- Innofactor's objective is to create a strong position in all Nordic countries

Q1–Q2/2014 Actuals and 2014 Outlook

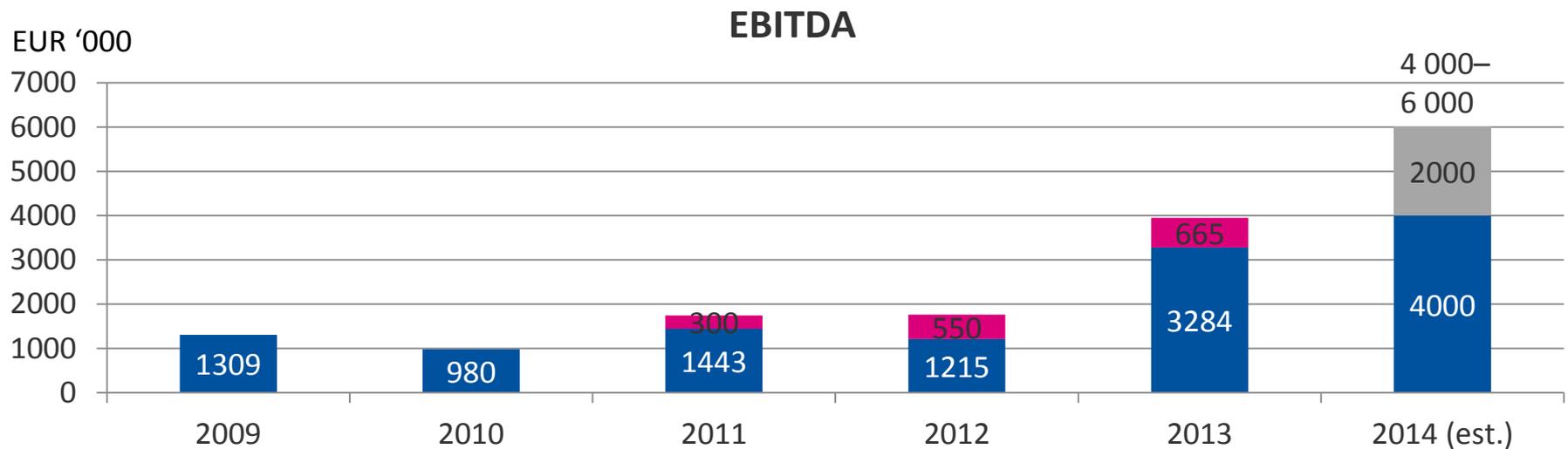
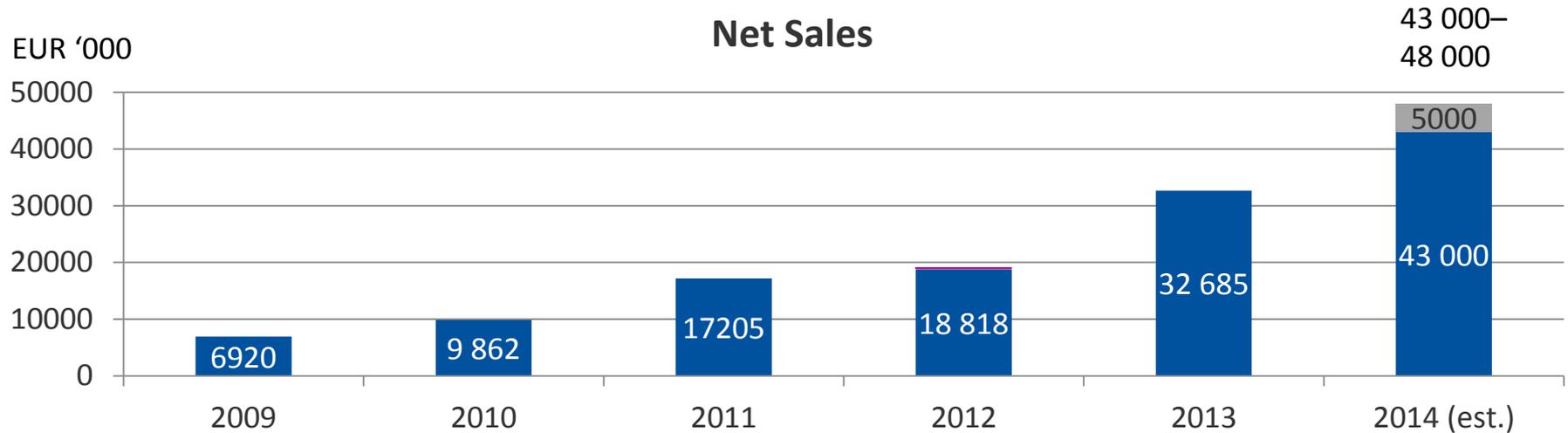
Selected Key Figures

	Q1–Q2/ 2014	Q1–Q2/ 2013	Diff (%)	CEO's comment
Net sales (kEUR)	21,944	13,278	+65.3%	<i>"In the first half of 2014, Innofactor continued profitable growth in accordance with its strategy. The order book developed positively during first half. More emphasis will be put to making sales more efficient in the future."</i>
EBITDA (kEUR)	1,421	1,249	+13.8%	<i>"Operating margin (EBITDA) was EUR 1.4 million (6.5 percent of the net sales). Innofactor will improve its organization and cut costs during the end of the year"</i>
Equity ratio (%)	47.6%	69.4%		<i>"The group's trade and other receivables totaled EUR 16.1 million. More emphasis will be put to invoicing of the project accruals."</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. 4–6/ 2014	mo. 4–6/ 2013	Change	mo. 1–6/ 2014	mo. 1–6/ 2013	Change	mo. 1–12/ 2013
Net sales, EUR thousand	11,226	7,737	+45.1%	21,944	13,278	+65.3%	32,685
Growth of net sales	45.1%	+94.3%		65.3%	+66.9%		+73.7%
Operating profit before depreciation and amortization (EBITDA), EUR thousand*	708	665	+6.5%	1,421	1,249	+13.8%	3,284
percentage of net sales*	6.3%	8.6%		6.5%	9.4%		10.0%
Operating profit/loss (EBIT), EUR thousand*	358	442	-19.0%	731	866	-15.6%	2,255
percentage of net sales*	3.2%	5.7%		3.3%	6.5%		6.9%
Earnings before taxes, EUR thousand**	456	156	+192.3%	1,026	568	+80.6%	1,863
percentage of net sales**	4.1%	2.0%		4.7%	4.3%		5.7%
Earnings, EUR thousand**	365	117	+212.0%	821	427	+92.3%	1,407
percentage of net sales**	3.3%	1.5%		3.7%	3.2%		4.3%
Shareholders' equity, EUR thousand	22,012	17,364	+26.8%	22,012	17,364	+26.8%	19,626
Return on equity***	6.7%	3.0%		7.9%	5.5%		8.4%
Return on investment***	6.9%	7.9%		7.8%	7.7%		12.9%
Net gearing	52.2%	61.2%		52.2%	61.2%		55.9%
Equity ratio	47.6%	41.3%		47.6%	41.3%		43.1%
Balance sheet total, EUR thousand	48,087	43,726	+10.0%	48,087	43,726	+10.0%	46,671
Research and development, EUR thousand	527	529	-0.4%	1,095	1,041	+5.2%	2,067
percentage of net sales	4.7%	6.8%		5.0%	7.8%		6.3%
Personnel on average during the review period	420	261	+60.9%	417	229	+82.1%	307
Personnel at the end of the review period	426	384	+10.9%	426	384	+10.9%	416
Number of shares at the end of the review period	32,153,737	35,144,179	-8.5%	32,153,737	35,144,179	-8.5%	30,909,052
Earnings per share (EUR)	0.0114	0.0039	+192.3%	0.0256	0.0142	+80.3%	0.0432
Shareholders' equity per share (EUR)	0.685	0.502	+36.5%	0.685	0.502	+36.5%	0.635

*) The second quarter of 2014 included a one-off cancellation of a cost reserve related to the integration, amounting to about EUR 135 thousand. 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 2014 included a one-off cancellation of a cost reserve related to the integration of about EUR 135 thousand and a financial income of EUR 216 thousand from the additional purchase price related to the acquisition, a total of about EUR 351 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.

Largest shareholders as of June 30, 2014

Name	Number of shares	% of share capital
1. Ensio Sami*	7,431,291	23.11%
2. Tilman Tuomo Tapani*	2,797,169	8.70%
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%
6. Lampi Mikko Olavi	996,758	3.10%
7. Danske Bank Oyj	951,733	2.96%
8. Ärje Matias Juhanpoika	946,278	2.94%
9. Mäki Antti-Jussi	930,201	2.89%
10. Luostarinen Juha Markku	929,438	2.89%
11. Nordea Pankki Suomi Oyj	728,566	2.27%
12. Muukkonen Teemu Heikki	501,468	1.56%
13. Kukkonen Heikki-Harri	355,021	1.10%
14. Järvenpää Janne-Olli	322,804	1.00%
15. Bergqvist J.T.	309,204	0.96%
16. Jokinen Klaus Antero	300,001	0.93%
17. Laiho Jari Olavi	270,000	0.84%
18. Ementor Norge As	269,299	0.84%
19. Nordnet Bank AB	213,379	0.66%
20. Karppinen Antti Sakari	190,000	0.59%

*) Directly and through related entities.

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