

INNOFACTOR®

Most Successful Company on the Finnish stock exchange 2013*

October 21, 2014

January 1-September 30, 2014
Interim Report

Janne Martola, CFO & Deputy CEO

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

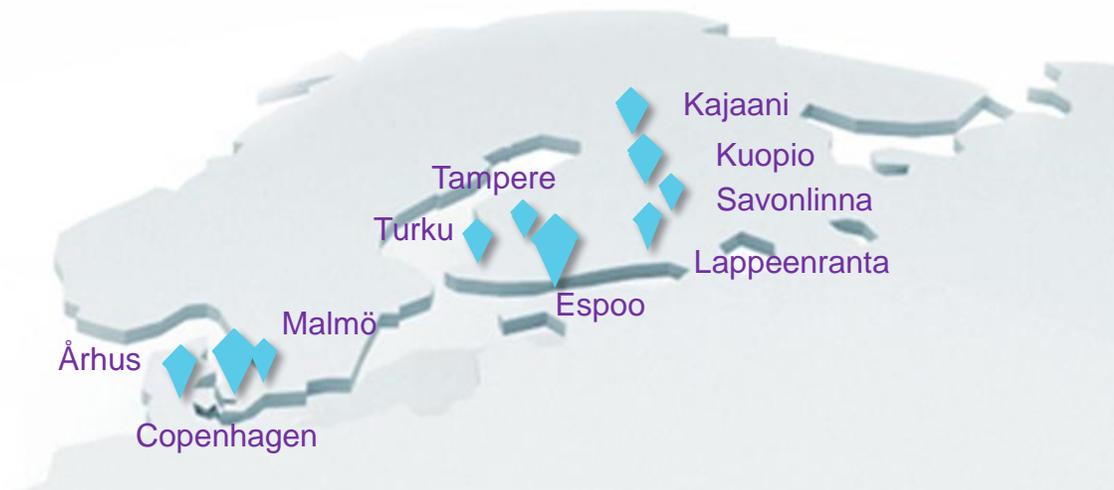
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*Kauppalehti, www.innofactor.com

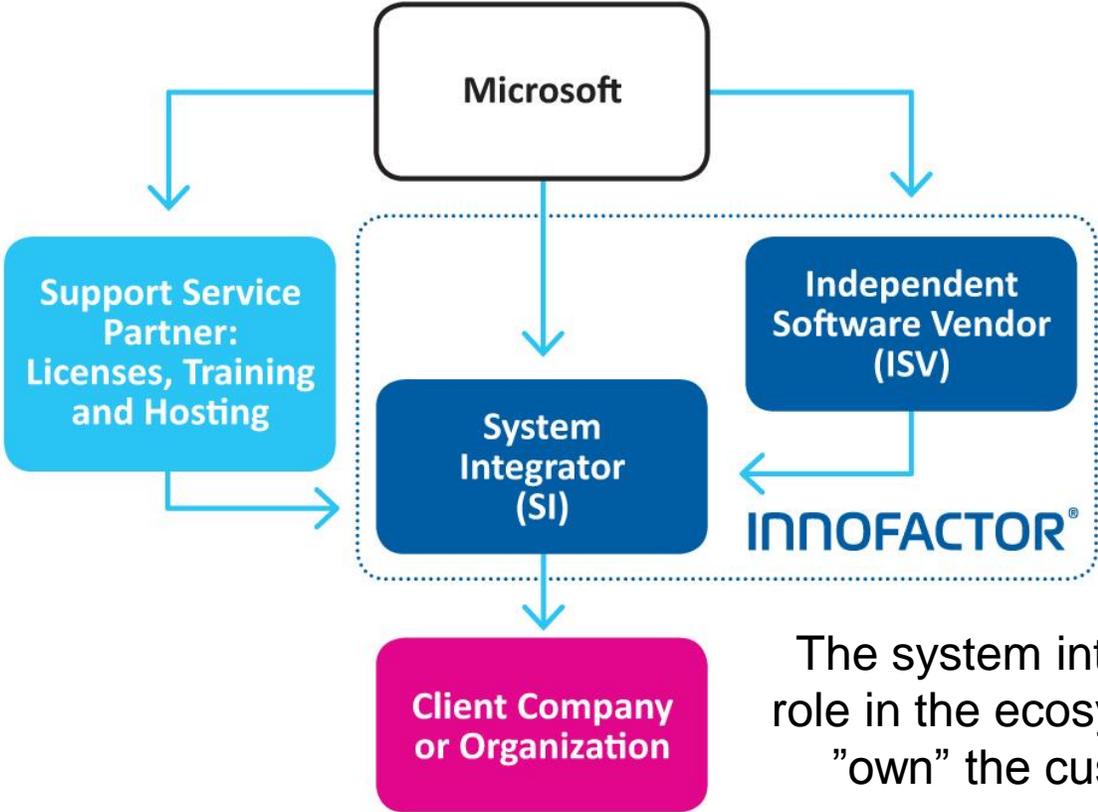


Innofactor in Brief

- 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
- 400 employees, 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



"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, ex-CEO of Microsoft.

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

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

Mission, Vision and Strategy

Mission

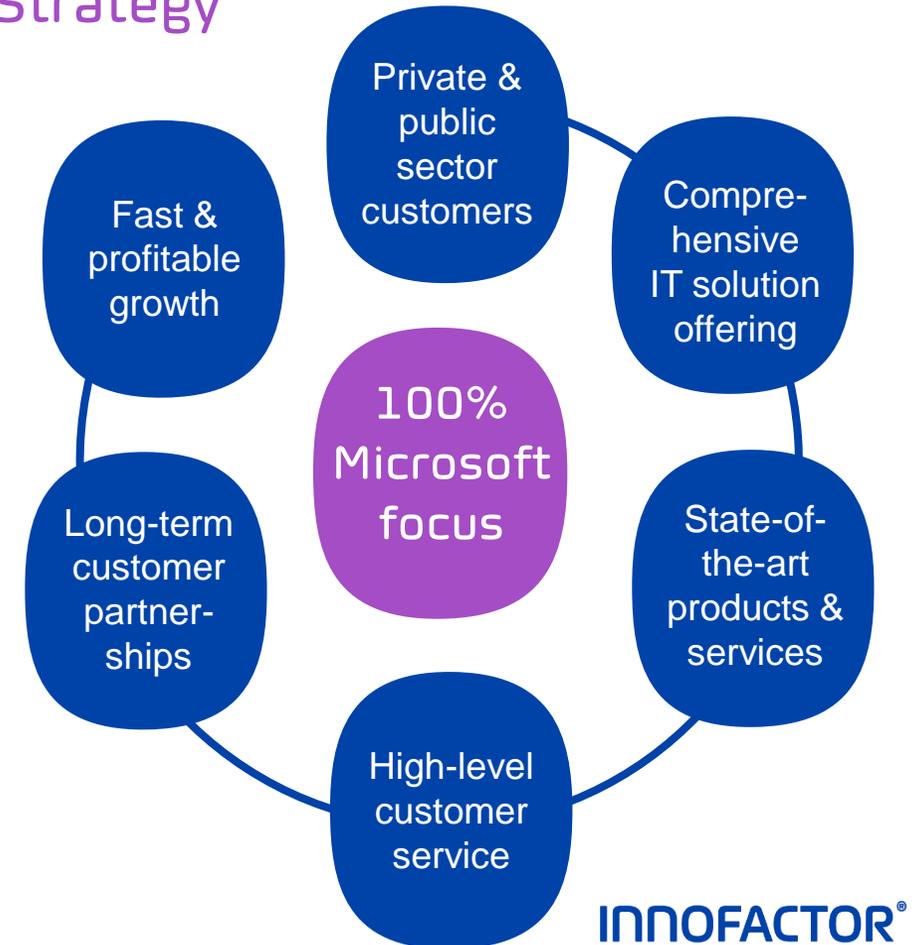
We strengthen our customers' competitiveness with outstanding IT solutions, products and services.

Vision

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

"Focusing on Microsoft creates superior competencies and makes Innofactor a most wanted partner for Microsoft, which helps in getting the best deals", Sami Ensio, CEO, Innofactor.

Strategy



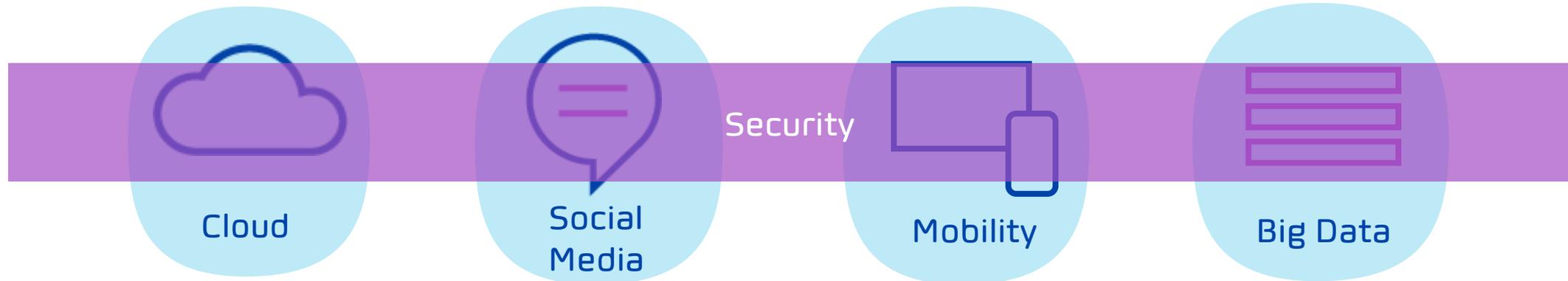
Global IT megatrends

Information technology and information systems is increasingly transferring into a cloud. The cloud will connect people, data, services and hardware into one global whole. The benefits of the cloud are cost-efficiency and flexibility.

The growth in the importance of social media that started with consumers is transferring to companies. Information systems are more and more expected to enable flexible communications between people and different systems, between employees, customers and partners.

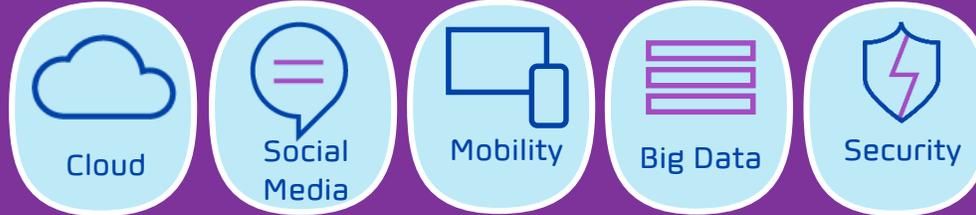
Mobile devices and convergence of devices change how people behave at work and in their leisure time. People want their preferred common and personal services and same usability regardless of time, place and device used. IT is also consumerizing.

The cloud, social media and mobile devices are estimated to increase the amount of data saved globally by about 30 percent every year. Analyzing this so-called Big Data will offer plenty of possibilities for developing the operations of companies and the public sector and also new business models.



Innofactor's Key Competitive Advantages

1. Global Megatrends



"Customers' buying behaviour is changing from purchasing large IT projects to purchasing agile cloud services."

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

"Microsoft focuses on building a global cloud infrastructure on Azure and providing generic cloud services, such as Office 365, Dynamics CRM Online and Power BI."

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
- Capability to innovate new services required by the changes in the marketplace

"Innofactor provides its customers solutions for strengthening their competitiveness, based on Innofactor's own products, services and Microsoft's Azure and cloud services."

Systematic growth orientation and entrepreneurship



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

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

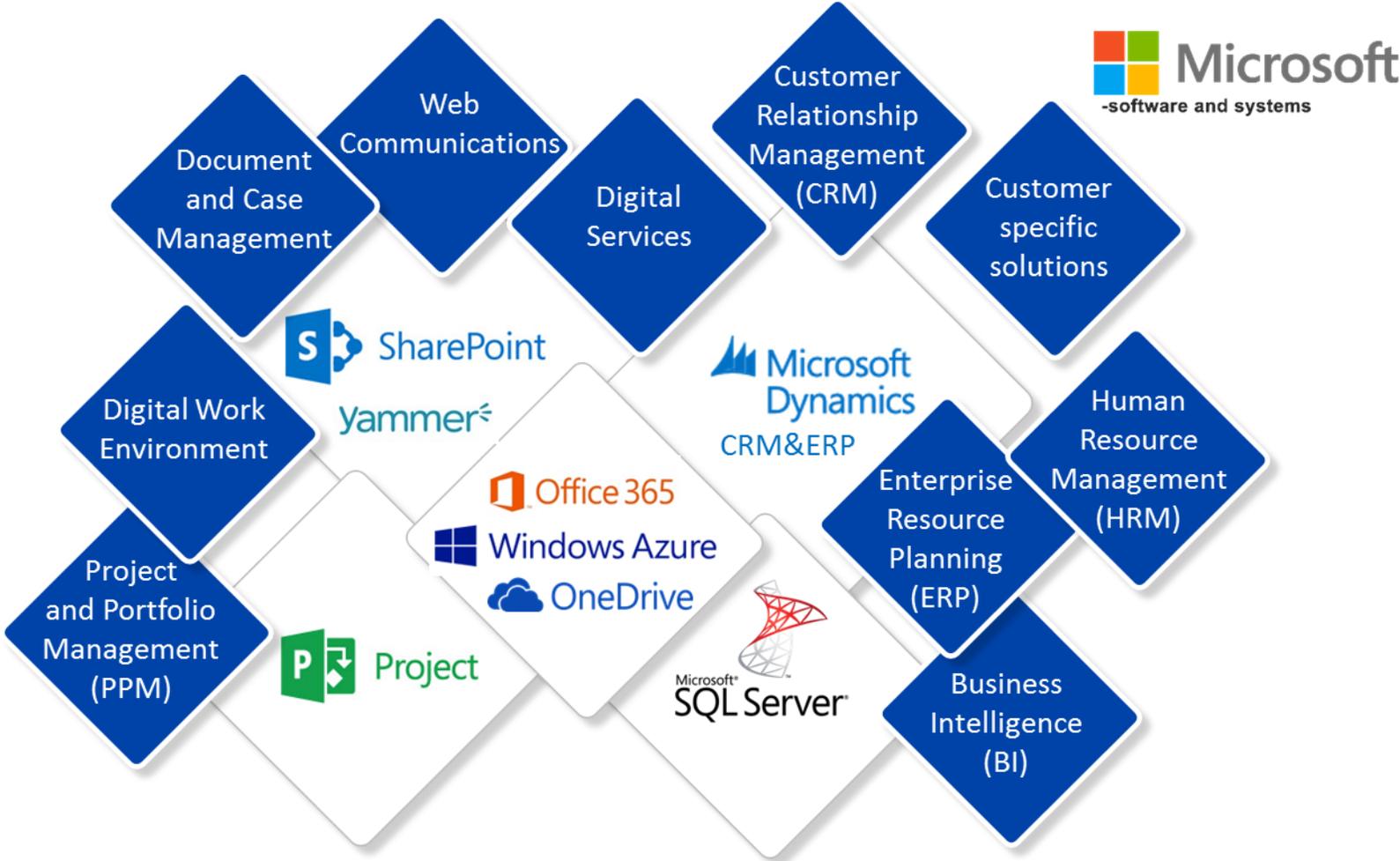
- Profitable growth despite financial crisis
- Reverse IPO: Nasdaq OMX HEX
- 40-177 employees

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

Several successful acquisitions



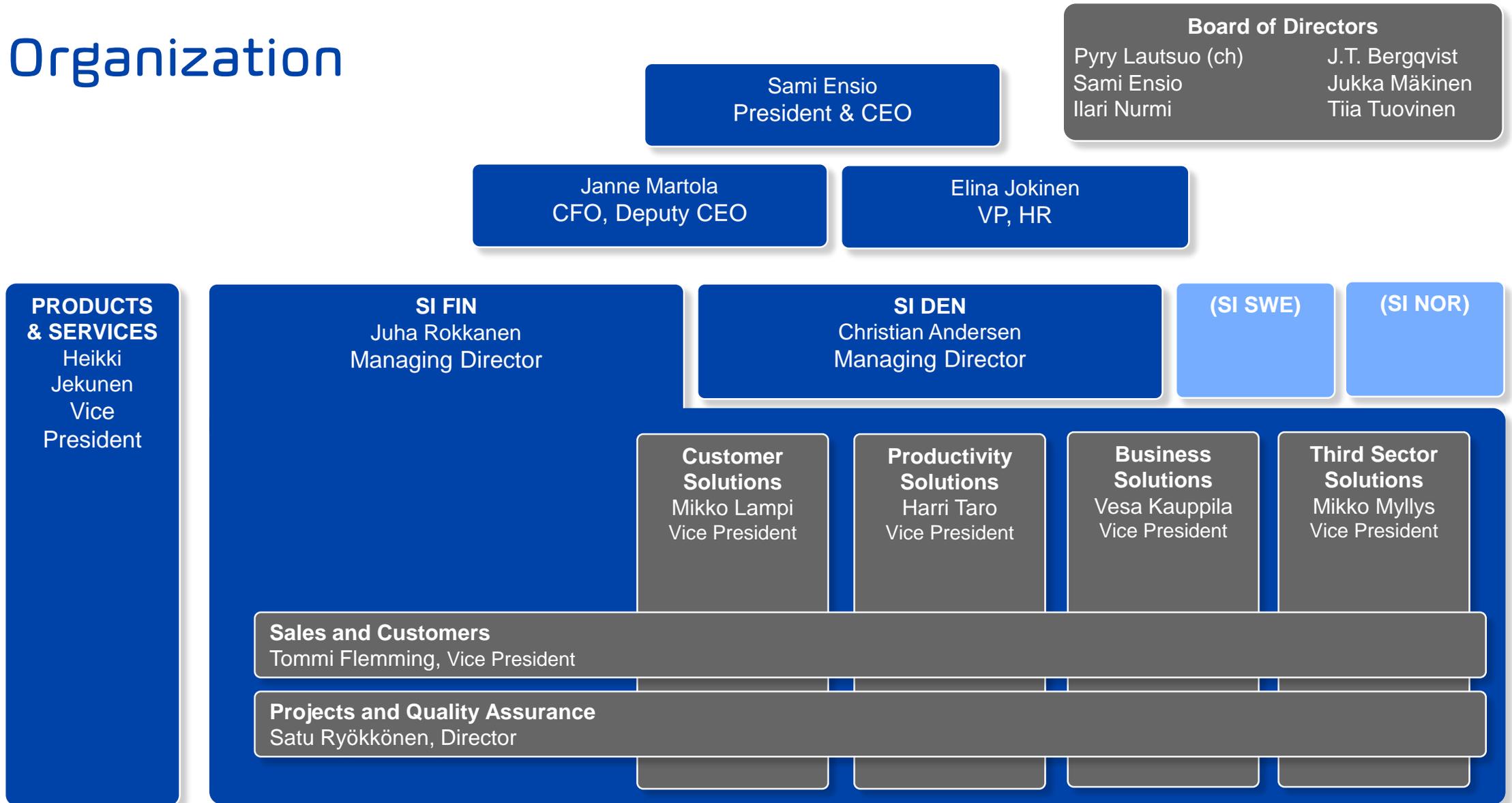
Most comprehensive Microsoft based solution portfolio in the market



Key events after July 1, 2014

- On July 9, 2014, Innofactor of Directors appointed Janne Martola as Innofactor Plc's new Chief Financial Officer (CFO) and Deputy to the CEO as of July 9, 2014.
- On September 2, 2014, Innofactor announced in a stock exchange release that it will start personnel negotiations in Finland and will close its St. Petersburg office.
- On September 17, 2014, Innofactor announced in a stock exchange release that the Innofactor's personnel negotiations had been concluded.
 - Innofactor's order book developed favorably during the negotiations and, thus, the cost saving actions could be limited to a smaller number of positions than earlier announced. Innofactor cut 3 positions and temporarily laid off 11 persons full-time and 5 persons part-time. These actions will bring cost savings of approximately EUR 0.3 million in 2014.
 - Additionally, other personnel arrangements that have been agreed on in Innofactor will generate cost savings of approximately EUR 0.1 million. The above mentioned arrangements are not estimated to have a negative impact on net sales.
 - The Finland-based Group Executive Board members have each agreed on voluntarily relinquishing the worth of one month's salary. This action will generate cost savings of approximately EUR 0.1 million in 2014.

Organization



Q3/2014 results

Net Sales

9.7 M€

Increase 16.1%
from Q3 2013

EBITDA

9.2%*

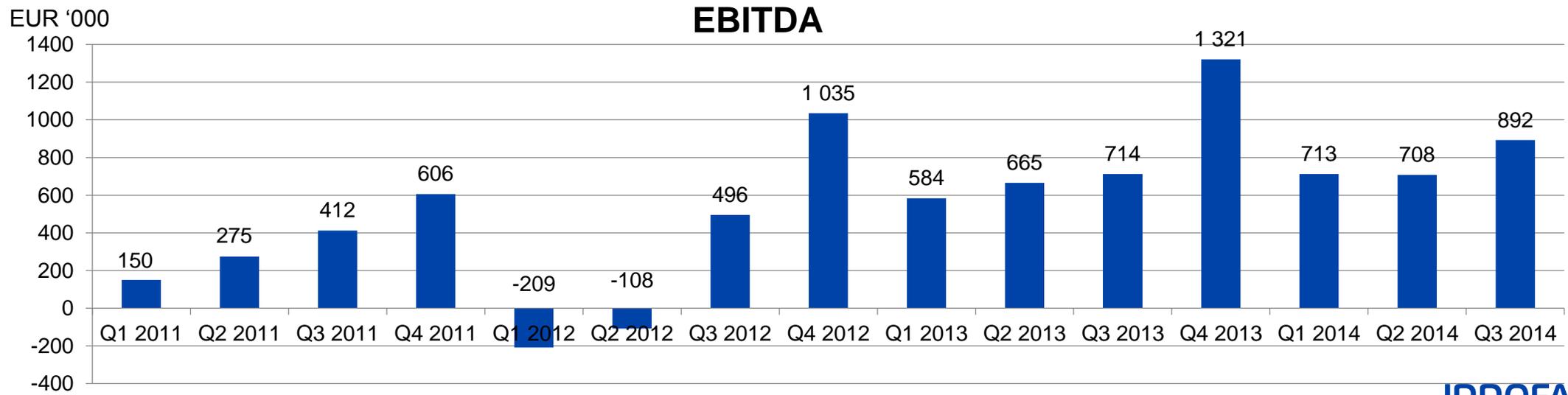
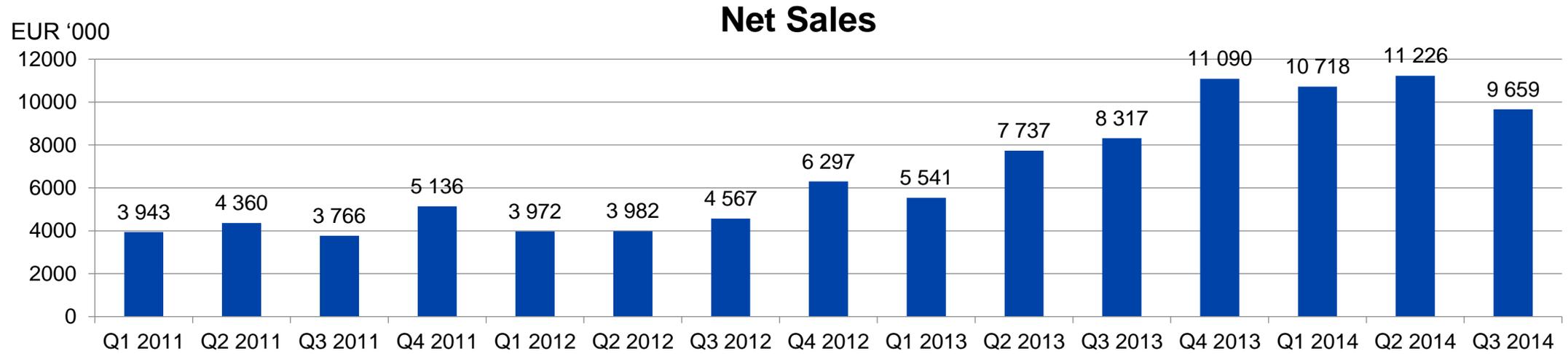
0.9 M€*

Increase 24.9%
from Q3 2013

- At the end of Q3/2014 equity ratio was 47.3 % (45.7 % Q3/2013 lopussa)
- The group's liquid assets at end of Q3/2014 totaled EUR 0.6 million euroa (EUR 0.9 million at the end of Q3/2013)
- Interest bearing debt at end of Q3/2014 was EUR 12.7 million (EUR 12.6 million at end of Q3/2013). In addition Innofactor has an EUR 3.2 million hybrid loan.

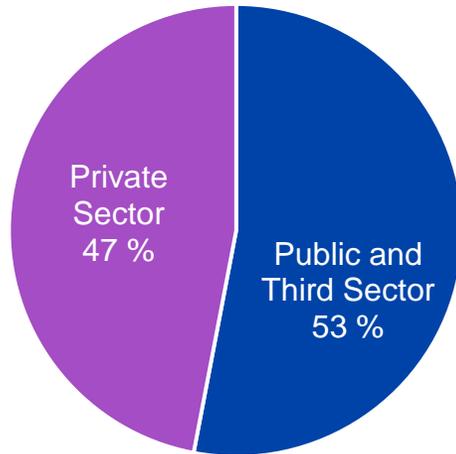
*) The third quarter of 2014 included a one-off cost reserve related to the closing of the St. Petersburg office for about EUR 59 thousand.

Quarterly Business Development

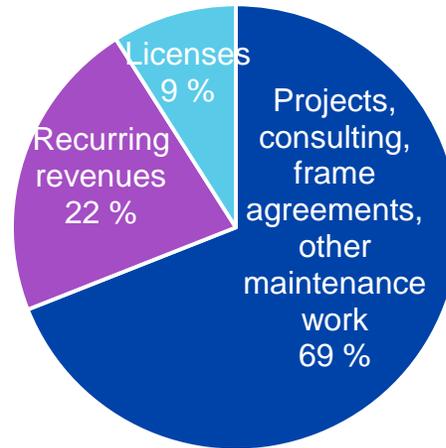


Customer Base and Long Term Contracts Bring Stability

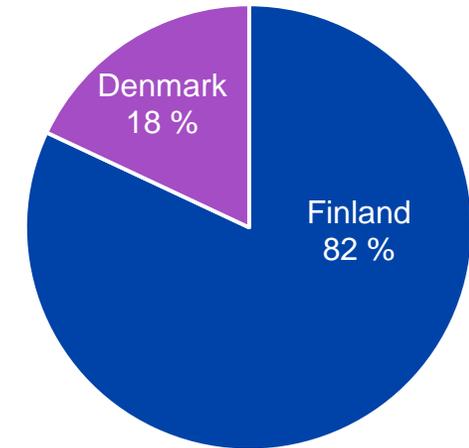
Distribution of net sales 1.1.–30.9.2014



- 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–Q3/2014 Actuals and 2014 Outlook

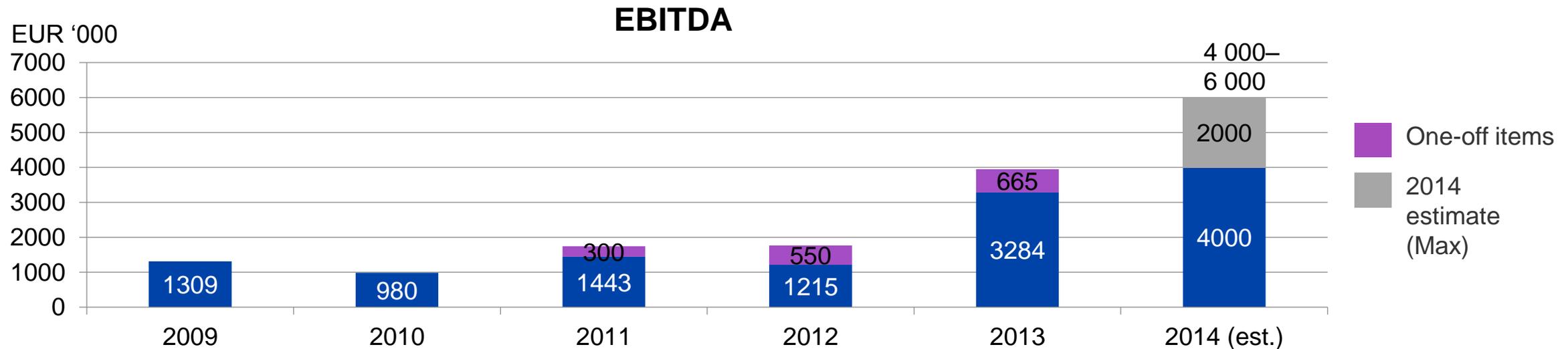
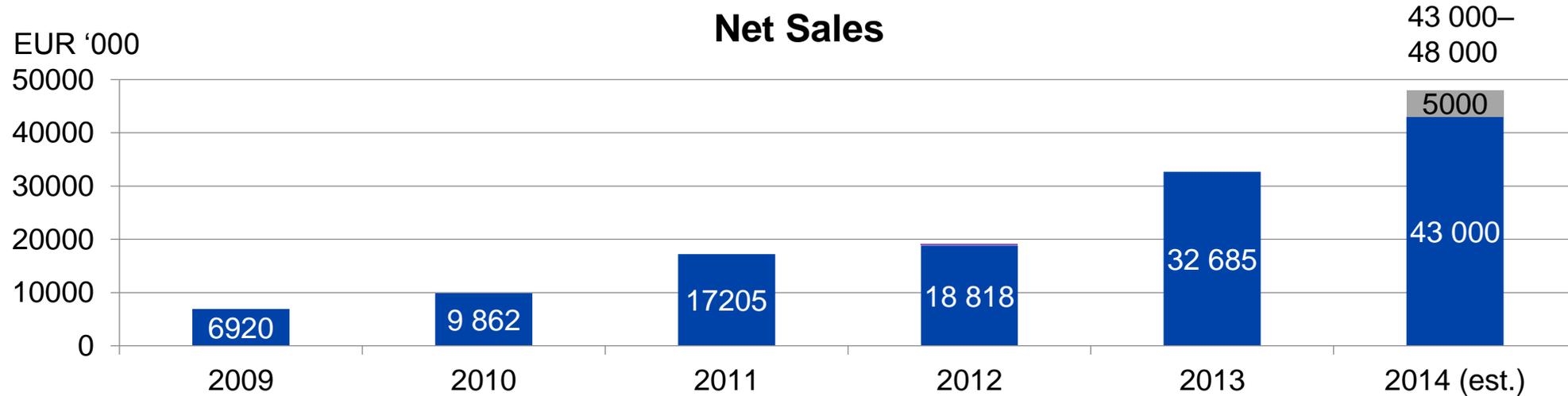
Selected key figures

	Q1–Q3 /2014	Q1–Q3 /2013	Change (%)	CEO's comment
Net Sales (kEUR)	31,603	21,595	+46.3 %	<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)	2,313	1,963	+17.8 %	<i>Operating margin (EBITDA) was EUR 2.3 million (7.3 percent of the net sales). The impact of Innofactor actions for improving its performance will be visible during Q4/2014"</i>
Equity Ratio (%)	47.3 %	45.7 %		<i>"The group's trade and other receivables totaled EUR 15.7 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



Innofactor Aims for Profitable Growth

Financial Goals 2014–2017

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

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

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

Result 2009–2013

43 % growth
2009–2013

EBITDA 10 %
2009–2013

High equity
ratio and
operative cash
flow



Key figures of the group, IFRS

	mo. 7–9/ 2014	mo. 7–9/ 2013	Change	mo. 1–9/ 2014	mo. 1–9/ 2013	Change	mo. 1–12/2013
Net sales, EUR thousand	9,659	8,317	+16.1%	31,603	21,595	+46.3%	32,685
Growth of net sales	16.1%	+82.1%		46.3%	+72.5%		+73.7%
Operating profit before depreciation and amortization (EBITDA), EUR thousand*	892	714	+24.9%	2,313	1,963	+17.8%	3,284
percentage of net sales*	9.2%	8.6%		7.3%	9.1%		10.0%
Operating profit/loss (EBIT), EUR thousand*	540	403	+34.0%	1,271	1,269	+0.2%	2,255
percentage of net sales*	5.6%	4.8%		4.0%	5.9%		6.9%
Earnings before taxes, EUR thousand**	19	270	-93.0%	1,044	838	+24.6%	1,863
percentage of net sales**	0.2%	3.2%		3.3%	3.9%		5.7%
Earnings, EUR thousand**	16	204	-92.2%	835	631	+32.3%	1,407
percentage of net sales**	0.2%	2.5%		2.6%	2.9%		4.3%
Shareholders' equity, EUR thousand	22,027	18,806	+17.1%	22,027	18,806	+17.1%	19,626
Return on equity***	0.3%	4.5%		5.3%	5.2%		8.4%
Return on investment***	6.3%	5.3%		7.3%	7.3%		12.9%
Net gearing	55.1%	62.3%		55.1%	62.3%		55.9%
Equity ratio	47.3%	45.7%		47.3%	45.7%		43.1%
Balance sheet total, EUR thousand	47,610	42,173	+12.9%	47,610	42,173	+12.9%	46,671
Research and development, EUR thousand	428	529	-19.1%	1,523	1,569	-2.9%	2,067
percentage of net sales	4.4%	6.4%		4.8%	7.3%		6.3%
Personnel on average during the review period	425	384	+10.7%	422	279	+51.3%	307
Personnel at the end of the review period	423	391	+8.2%	423	391	+8.2%	416
Number of shares at the end of the review period	32,153,737	35,590,551	-9.7%	32,153,737	35,590,551	-9.7%	30,909,052
Earnings per share (EUR)	0.0005	0.0059	-91.6%	0.0260	0.0200	+30.2%	0.0432
Shareholders' equity per share (EUR)	0.685	0.528	+29.6%	0.685	0.528	+29.6%	0.635

*) The third quarter of 2014 included a one-off cost reserve related to the closing of the St. Petersburg office for about EUR 59 thousand. 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 third quarter of 2014 included a one-off cost reserve related to the closing of the St. Petersburg office for about EUR 59 thousand and a financing cost reserve related to the Enabling acquisition for about EUR 400 thousand, a total of about EUR 459 thousand. The second quarter of 2014 included a one-off cancellation of a cost reserve related to the integration, amounting to about EUR 135 thousand, and 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 September 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*	1,271,411	3.95%
6. Lampi Mikko Olavi	996,758	3.10%
7. Ärje Matias Juhanpoika	946,278	2.94%
8. Mäki Antti-Jussi	930,201	2.89%
9. Luostarinen Juha Markku	929,438	2.89%
10. Danske Bank Oyj	916,591	2.85%
11. Nordea Pankki Suomi Oyj	727,656	2.26%
12. Muukkonen Teemu Heikki	504,107	1.57%
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	204,319	0.64%
20. Karppinen Antti Sakari	191,850	0.60%

You're aiming
for profit?

We focus 100%
on growth.