

INNOFACTOR®

Innofactor Plc Interim Report for January 1-June 30, 2015

Janne Martola, CFO

July 21, 2015

Microsoft Partner of the Year
2015 Winner

Finland



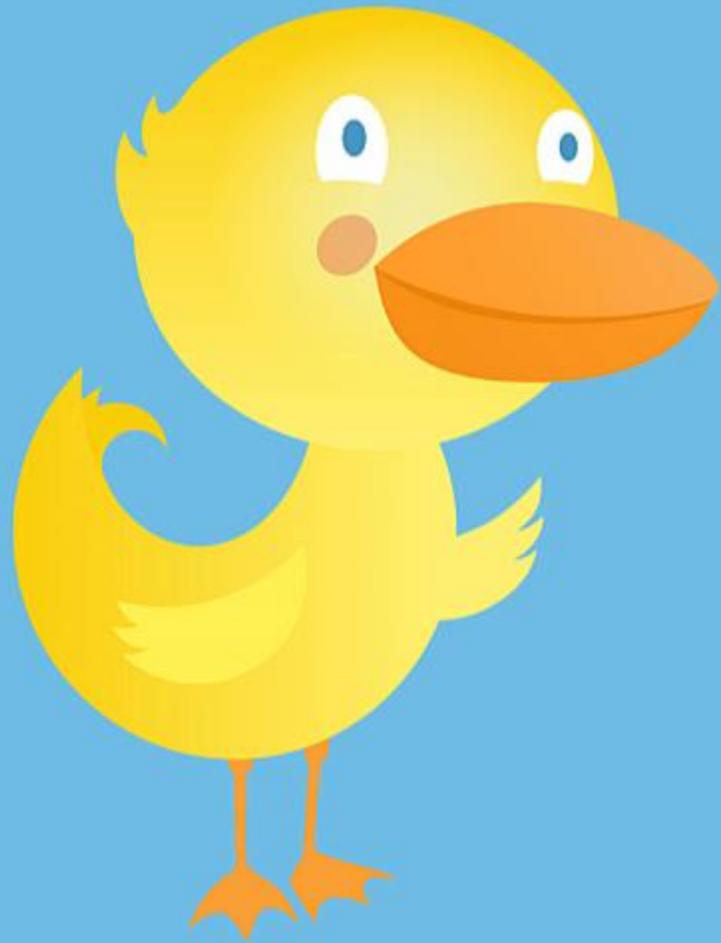
Innofactor received exceptional recognition from Microsoft in 2015

”Country Partner of the Year has been awarded a total of 9 times in Finland. Innofactor has won that title 3 times: In 2015, 2011 and 2007 (Satama). No other partner has won it more than 4 times.”



”In global award a Finnish company has been nominated as finalist for a total of 5 times, out of which Innofactor has been nominated 3 times: In 2015, 2015 and 2012.”





Innofactor® Skilli™ –
Better Learning by Analyzing Data
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Innofactor® Skilli™

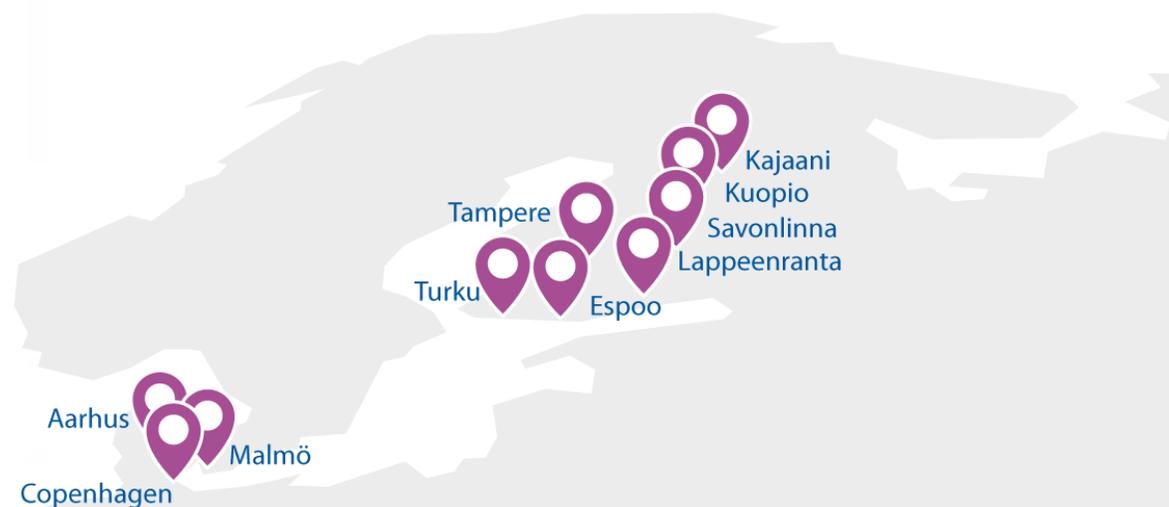
[More information](#)

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
 - Eight enterprise-level Microsoft Gold competencies
- Excellent track record in fast and profitable growth
 - 2014 Net Sales 44,1 million euros and EBITDA 4,1 million euros
 - Net sales growth 2010 to 2014: 45% p.a.
 - EBITDA margin 2010 to 2014: 9% of revenues in average
- Over 400 employees, over 1,000 customers
- Listed in NASDAQ OMX Helsinki main list
 - over 10,000 shareholders

Microsoft Partner

- Gold Application Development
- Gold Cloud Platform
- Gold Collaboration and Content
- Gold Customer Relationship Management
- Gold Data Analytics
- Gold Data Platform
- Gold Enterprise Resource Planning
- Gold Project and Portfolio Management



Mission, Vision and Strategy

Mission

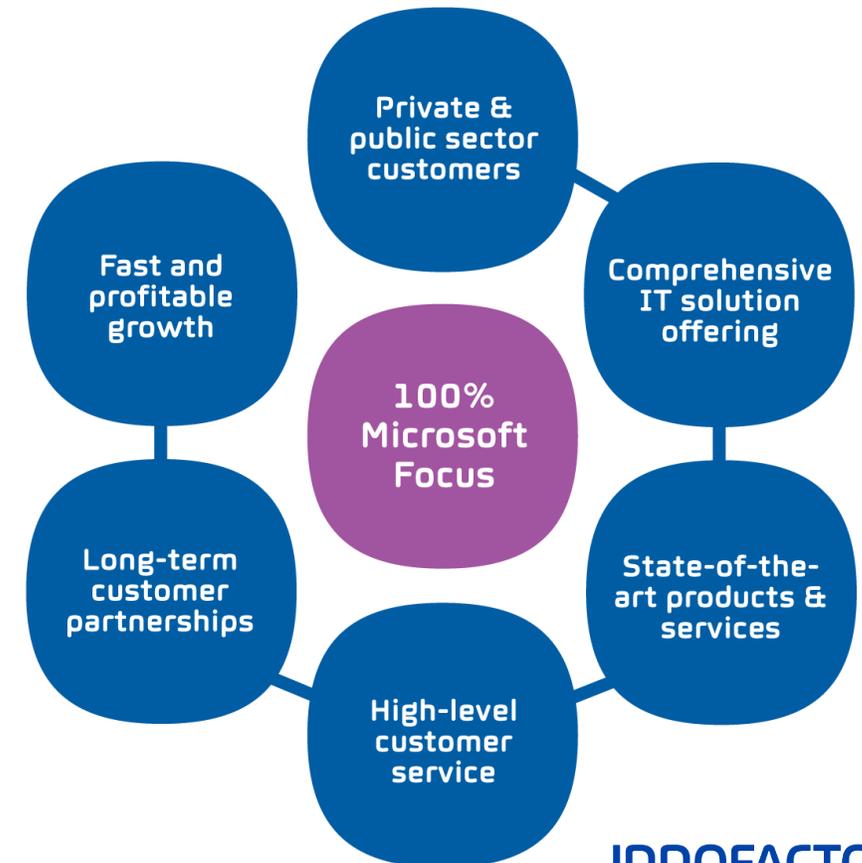
We strengthen our customers' competitiveness with outstanding IT solutions, products and services.

Vision

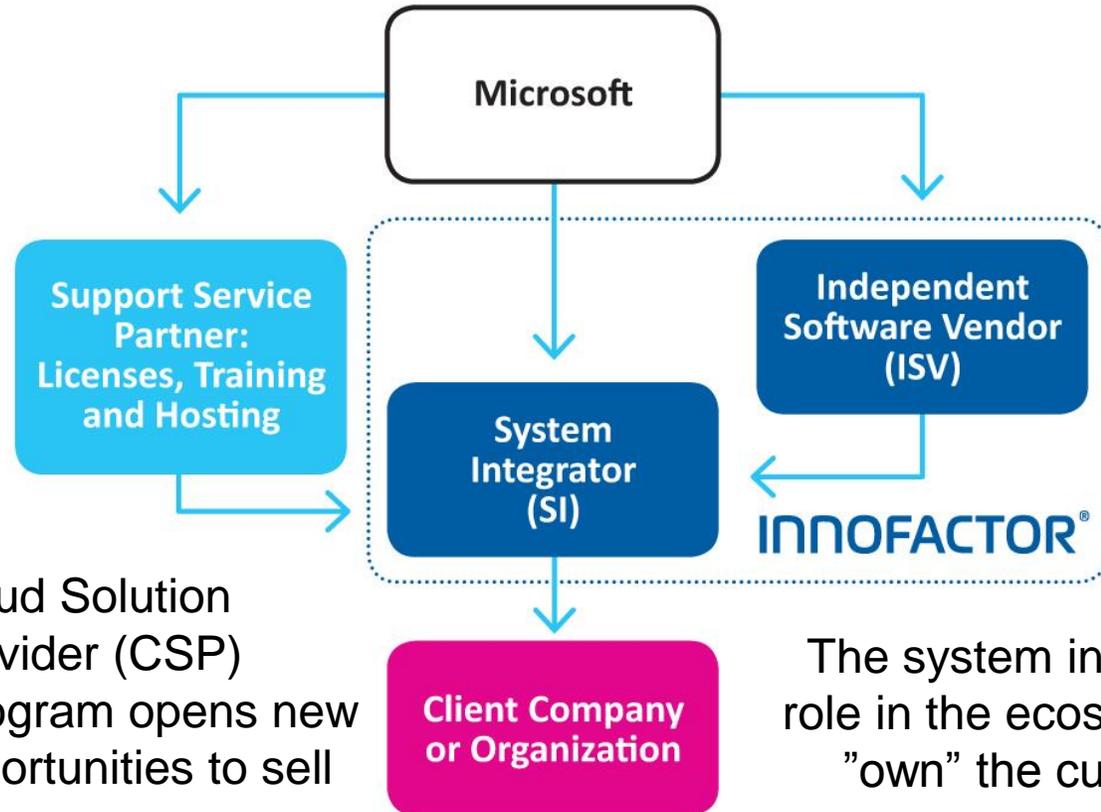
We are the number one Microsoft-based solution provider in the Nordic region.

"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



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



Cloud Solution Provider (CSP)
-program opens new opportunities to sell licenses

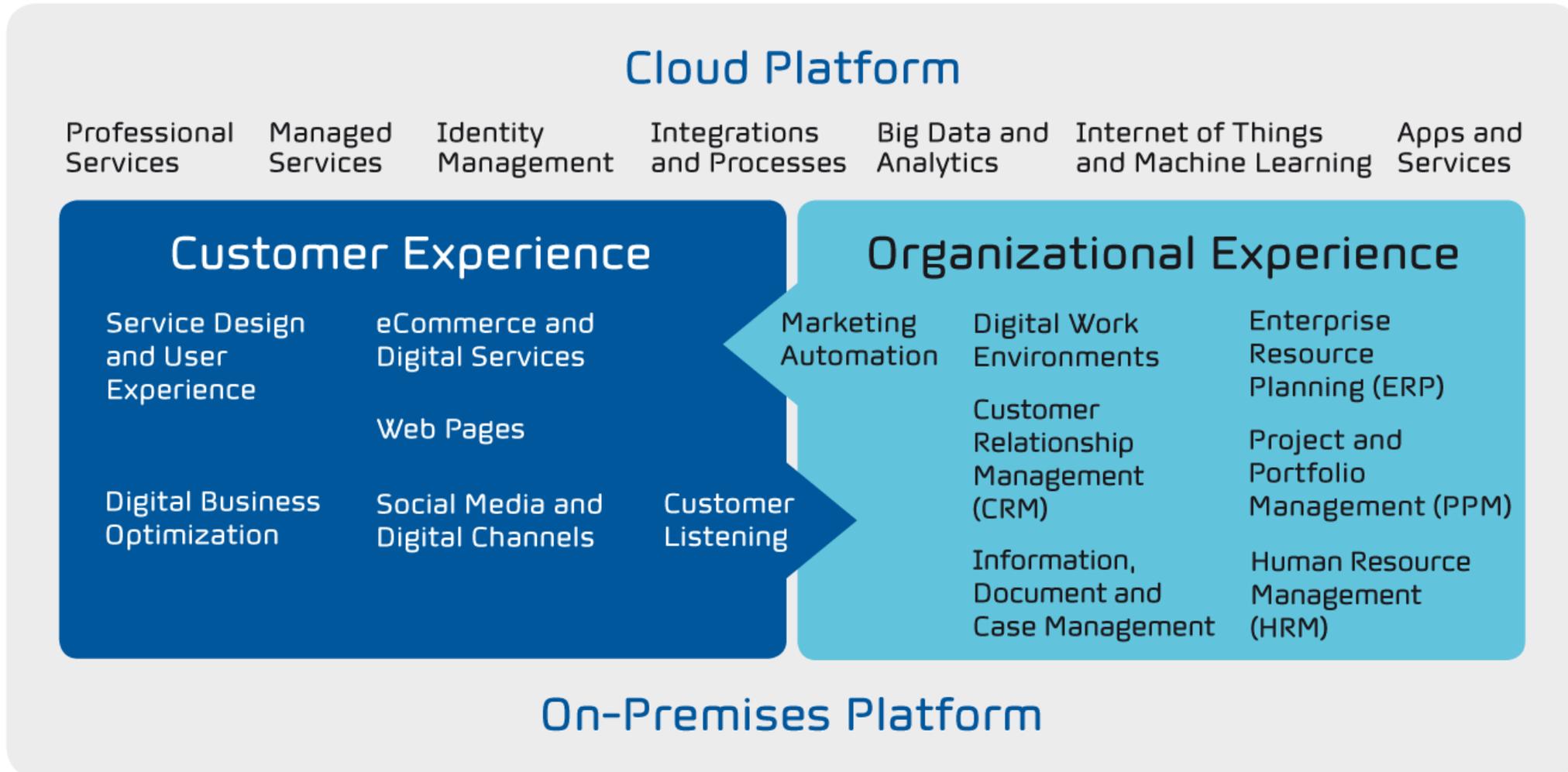
The system integrator is in a pivotal role in the ecosystem as they typically "own" the customer relationship.

"Over 90 % of Microsoft's Net Sales comes through partners", Kevin Turner, COO of Microsoft
"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 Cloud Platform
- Gold Collaboration and Content
- Gold Customer Relationship Management
- Gold Data Analytics
- Gold Data Platform
- Gold Enterprise Resource Planning
- Gold Project and Portfolio Management

"Our complete Microsoft offering is geared to make your business flexible."

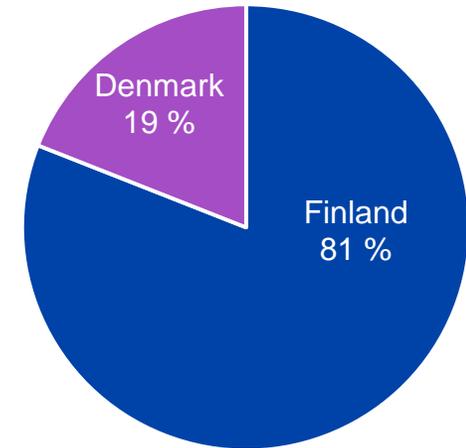
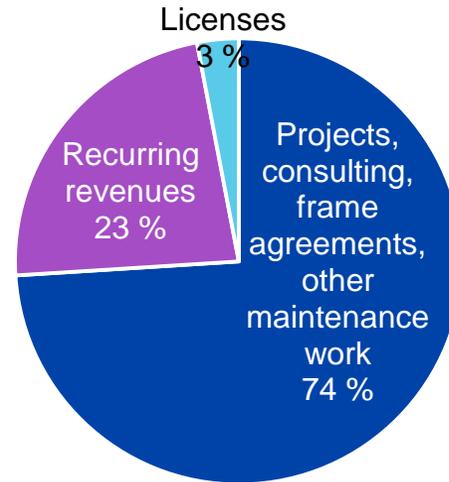
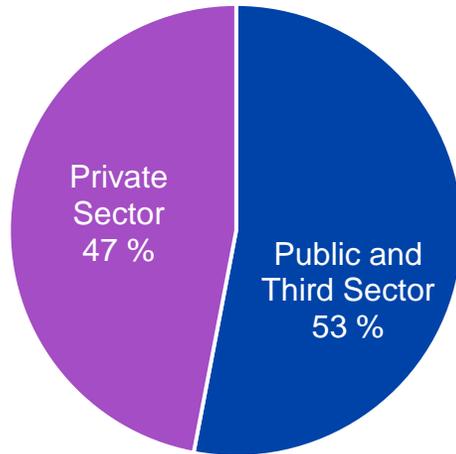


Strong references of over 1,000 private and public sector customers in the Nordics



Customer Base and Long Term Contracts Bring Stability

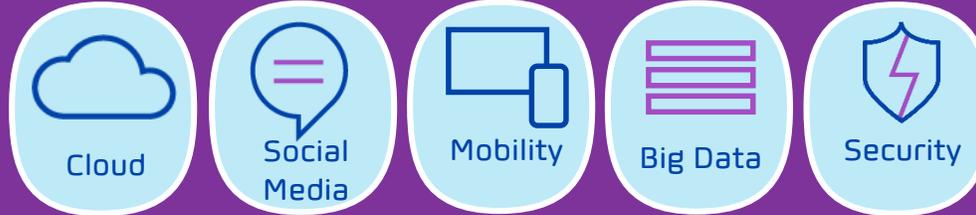
Distribution of net sales 1.1.–30.6.2015



- 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

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

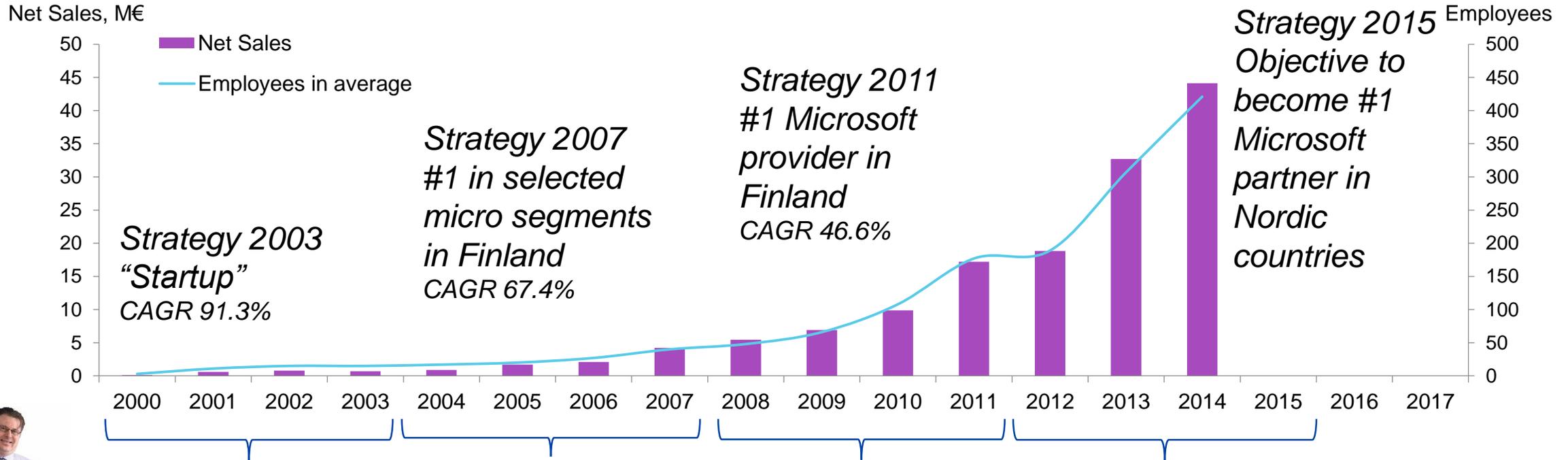
"Microsoft focuses on building a global cloud infrastructure on Azure and providing generic cloud services, such as Office 365, Dynamics CRM Online and Power BI."

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



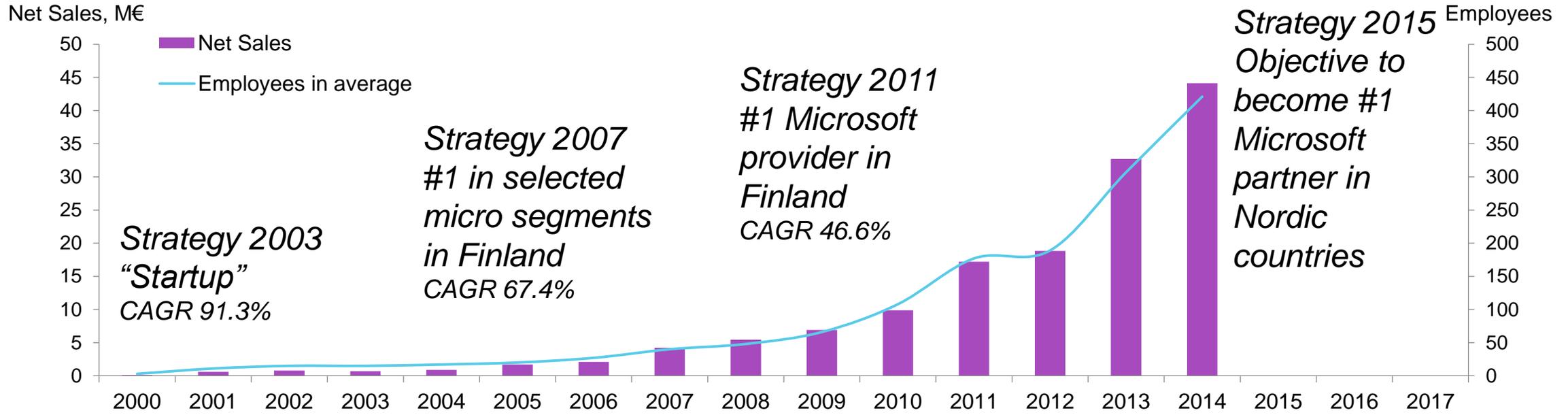
- Innofactor was founded by Mr. Sami Ensio in 2000
- Focus on Microsoft technologies
- 1-15 employees

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

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

- Organization tuned to support future growth
- 5 acquisitions, of which 3 in Finland and 2 in Denmark
- Over 400 employees

Several successful acquisitions



Strategy 2003
"Startup"
CAGR 91.3%

Strategy 2007
#1 in selected
micro segments
in Finland
CAGR 67.4%

Strategy 2011
#1 Microsoft
provider in
Finland
CAGR 46.6%

Strategy 2015
Objective to
become #1
Microsoft
partner in
Nordic
countries

TietoEnator^{TE}
Parish business



eServices business

f. Software
Innovation
Finland

**visual
management**

Documenta

**BRIDGE
CONSULTING**

TIETOTALO
PPM-business

atBusiness_

DYNAMIC TEAM

enabling
value through challenges

INNOFACTOR[®]

Q2/2015 results

”Renewal and strong cash flow”

At the end of Q2/2015 equity ratio was 52.8 % (47.6 % at the end of Q2/2014)

The group's liquid assets at end of Q2/2015 totaled EUR 1.1 million euros (EUR 0.5 million at the end of Q2/2014)

Interest bearing debt at end of Q2/2015 was EUR 9.2 million (EUR 12.0 million at end of Q2/2014). In addition Innofactor has an EUR 3.2 million hybrid loan.

Net Sales

11.5 M€

Increase +2.5%
from Q2 2014

EBITDA

5.6%

0.6 M€

Decrease -9.3%
from Q2 2014

Q1-Q2/2015 Actuals and 2015 Outlook

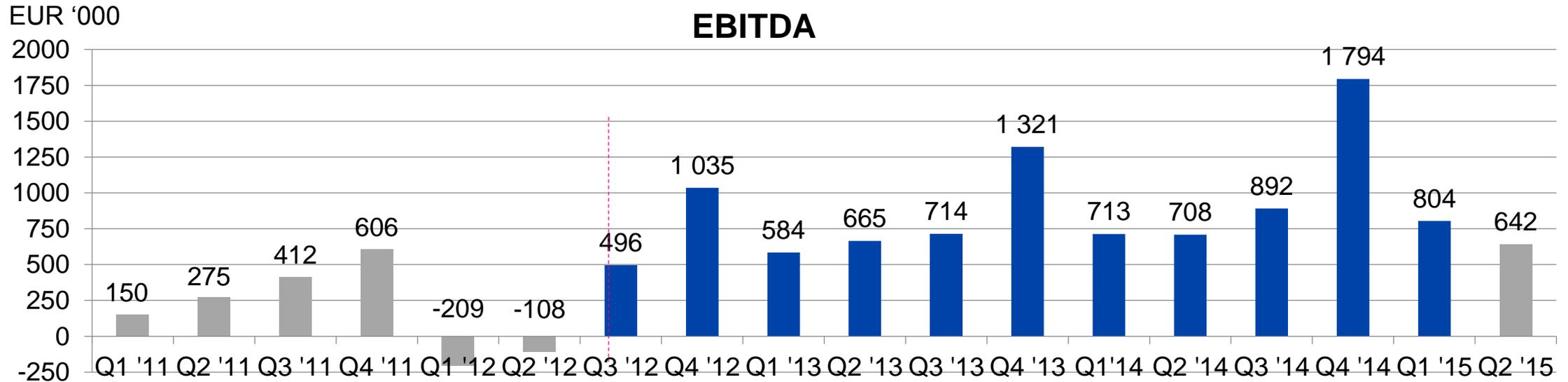
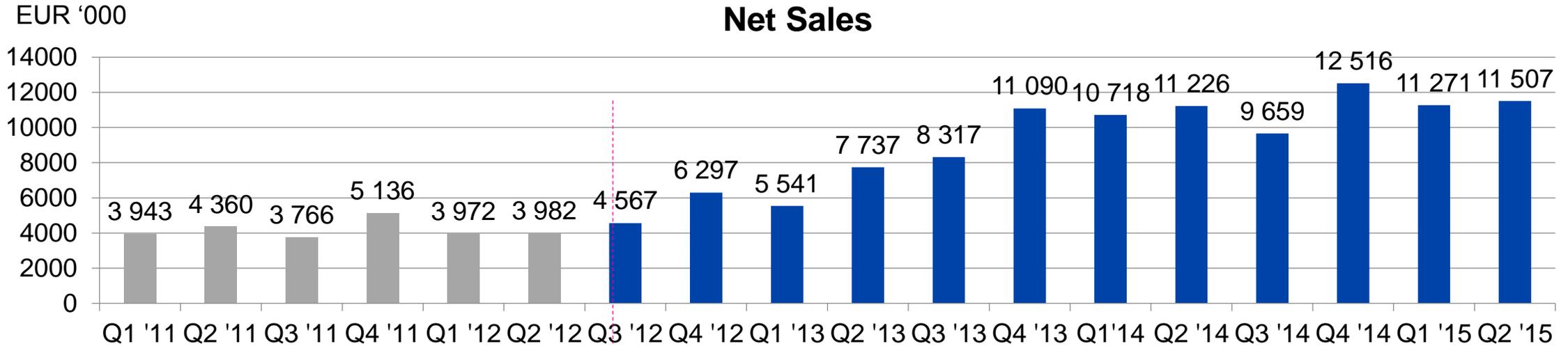
Selected key figures

	Q1-Q2 /2015	Q1-Q2 /2014	Change (%)	CEO's comment
Net Sales (kEUR)	22,778	21,944	+3.8%	<i>"During Q1-Q2/2015, Innofactor continued profitable growth. The growth was entirely organic. The order book developed positively during the period."</i>
EBITDA (kEUR)	1,446	1,421	+1.8%	<i>"Due to the organizational rearrangements and write-downs related to certain customer receivables prior to current fiscal year, the beginning of the year shows significantly higher costs than normally."</i>
Equity Ratio (%)	52.8%	47.6%		<i>"During Q1-Q2 the cash flow from operations was 3.5 million euros compared to -0.0 million euros during the same period last year"</i>

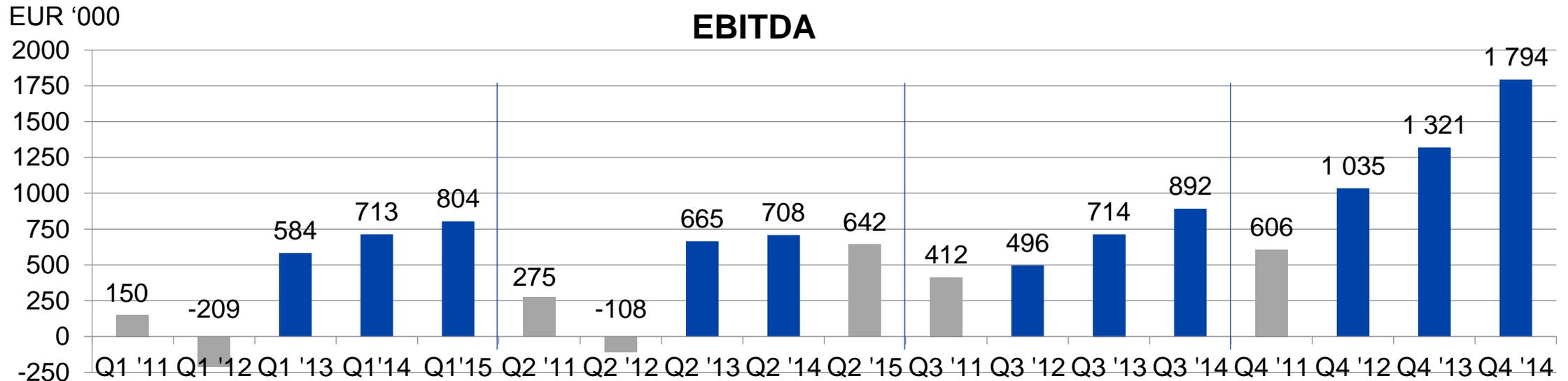
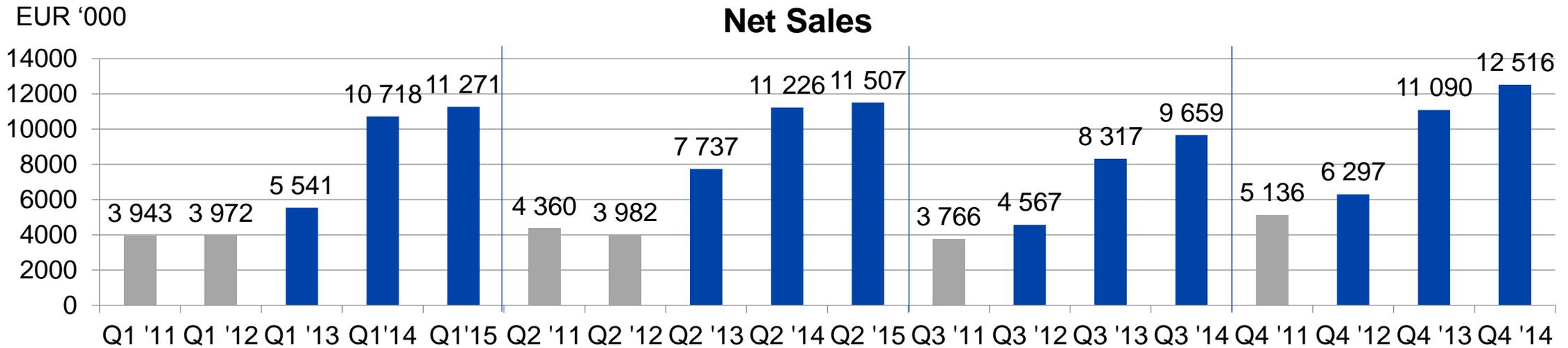
Outlook for 2015

- Innofactor's net sales and operating margin (EBITDA) in 2015 is estimated to increase from 2014, during which the net sales were EUR 44.1 million and operating margin was EUR 4.1 million.

The last eleven consecutive quarters have been record breaking in net sales



The last eleven consecutive quarters have been record breaking in net sales



Key figures of the group, IFRS

	mo. 4–6 /2015	mo. 4–6/ 2014	Change	mo. 1–6 /2015	mo. 1–6 /2014	Change	mo. 1–12 /2014
Net sales, EUR thousand	11,507	11,226	+2.5%	22,778	21,944	+3.8%	44,119
Growth of net sales	+2.5%	+45.1%		+3.8%	65.3%		35.0%
Operating profit before depreciation and amortization (EBITDA), EUR thousand*	642	708	-9.3%	1,446	1,421	+1.8%	4,107
percentage of net sales*	5.6%	6.3%		6.3%	6.5%		9.3%
Operating profit/loss (EBIT), EUR thousand*	294	358	-17.9%	748	731	+2.3%	2,720
percentage of net sales*	2.6%	3.2%		3.3%	3.3%		6.2%
Earnings before taxes, EUR thousand**	-49	456	-110.7%	293	1,026	-71.4%	2,259
percentage of net sales**	-0.4%	4.1%		1.3%	4.7%		5.1%
Earnings, EUR thousand**	-39	365	-110.7%	235	821	-71.4%	1,807
percentage of net sales**	-0.3%	3.3%		1.0%	3.7%		4.1%
Shareholders' equity, EUR thousand	23,478	22,012	+6.7%	23,478	22,012	+6.7%	22,713
Return on equity***	-0.7%	6.7%		2.0%	7.9%		8.5%
Interest bearing liabilities, EUR thousand	9,231	11,987	-23.0%	9,231	11,987	-23.0%	10,638
Cash and cash equivalents, EUR thousand	1,138	492	+131.3%	1,138	492	+131.3%	997
Deferred tax assets, EUR thousand	7,049	7,374	-4.4%	7,049	7,374	-4.4%	7,175
Return on investment***	3.6%	6.9%		4.5%	7.8%		10.0%
Net gearing	34.5%	52.2%		34.5%	52.2%		42.4%
Equity ratio	52.8%	47.6%		52.8%	47.6%		49.0%
Balance sheet total, EUR thousand	45,892	48,087	-4.6%	45,892	48,087	-4.6%	47,635
Research and development, EUR thousand	668	527	+26.7%	1,071	1,095	-2.3%	1,981
percentage of net sales	5.8%	4.7%		4.7%	5.0%		4.5%
Personnel on average during the review period	426	420	+1.4%	421	417	+1.0%	421
Personnel at the end of the review period	430	426	+0.9%	430	426	+0.9%	411
Number of shares at the end of the review period	32,653,737	32,153,737	+1.6%	32,653,737	32,153,737	+1.6%	32,153,737
Earnings per share (EUR)	-0.0012	0.0114	-110.6%	0.0073	0.0256	-71.5%	0.0563
Shareholders' equity per share (EUR)	0.719	0.685	+5.0%	0.719	0.685	+5.0%	0.706

*) 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 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 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.

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 2010–2014

45 % growth
2010–2014

EBITDA 9 %
2010–2014

High equity
ratio and
operative cash
flow

Stock exchange releases Q2

- On April 29, 2015, Innofactor announced in a stock exchange release that the Finnish Large Taxpayers' Office had provided Innofactor a positive decision according to which the Tax Authority will not carry out the adjustment presented in the tax inspection report. Due to the decision the risk related to tax receivables has been reduced materially.
- On May 28, 2015, Innofactor published a stock exchange release about the payment of the remaining purchase price of Enabling Holding ApS. The final purchase price was defined based on Enabling Group's realized EBITDA in 2014 and was approximately EUR 3.8 million, of which approximately EUR 2.2 million was paid in June 2015. Out of this sum, approximately EUR 1.7 was paid in cash and approximately EUR 0.5 million in company shares. After the registrations, the total number of Innofactor Plc shares is 32,653,737. The trading of the new shares in the Helsinki Stock Exchange (NASDAQ OMX) started in June 2015.
- On June 30, 2015, Innofactor announced in a stock exchange release that The Board of Directors of Innofactor Plc has decided on a new share-based incentive plan for all Innofactor Group's personnel in order to commit the personnel to the company and its goals. In the Personnel Issue, a maximum total of 800,000 new shares of the company will be issued to the Innofactor group personnel. Innofactor will grant a loan for its personnel to cover the subscription price. The loan term will be 10 years. The loan will be granted as part of the distributable funds of the company. The interest rate of the loan will be the 12 month Euribor rate at the time of the subscription period and will be adjusted annually. The subscription of the Personnel Shares and the loans will take place during September 7–September 11, 2015. The trading with the issued Personnel Shares on the Helsinki Stock Exchange (NASDAQ OMX) is estimated to start on October 1, 2015.

Innofactor's CEO

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

CEO of Innofactor Plc and Chairman of the Board. Previously the CEO of Innofactor Ltd and member of the Innofactor Plc Board of Directors since 2010 and Chairman since Nov 9, 2014. Founder of Innofactor Ltd and CEO since 2000. Previously member of the Omnitele Ltd Management Team. Board member in Sovolto and several positions of trust in the Federation of Finnish Technology Industries.

Sami Ensio's specialties include solid and comprehensive know-how of the software industry as well as strategic and operational leadership and managing profitable growth. Sami Ensio was selected Software Entrepreneur of the year in 2011 by the Finnish Software Entrepreneurs Association.

Education: Master of Science (Technology), technical physics, Helsinki University of Technology (Aalto University), legal studies at the University of Helsinki, general business studies at UCLA.

Shareholding: 7,4 million shares



Proposal for Innofactor's new Board of Directors



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

Sami Ensio acts as founder and CEO of Innofactor Plc and has been a member of the Board of Directors since 2010. Ensio has strong and comprehensive expertise in the software industry and solid experience in strategic and operative management and management of profitable growth. Shareholding: 7.4 million shares.



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

Member of the Board of Directors as of March 20, 2014. 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. Shareholding: 0.4 million shares.



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

Member of the Board of Directors as of March 27, 2012. Currently works as the CEO of venture capital investing company Eqvitec Partners Ltd. Mäkinen has twenty years of experience from various tasks from the companies in the IT sector (Siemens-Nixdorf, Oracle, IBM and Xerox). Worked in more than twenty Boards of companies, and executed series of acquisitions in Finland and internationally. Shareholding: 0.1 million shares.



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

Member of the Board of Directors as of March 26, 2013. Currently works as Senior Vice President and a member of the Executive Team in Basware Corporation. Before that, Nurmi worked for 14 years in managerial positions in Nokia Plc'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: 0.1 million shares.



Pekka Puolakka, b. 1971, LL.M., Attorney-at-Law

Member of the Board of Directors. Puolakka has worked in various tasks in different law firms. His latest main occupation was as the Managing Partner of Law Firm Sorainen in the Baltic countries. Puolakka has also been the Chairman of the Board of Directors of Mediverkko Yhtymä Oy. Puolakka has previously been a member of the Board of Directors of Innofactor Oy, and in the Board of Directors of Innofactor Plc 2010-02/2014. Shareholding: 0.2 million shares.



Ari Rahkonen, s. 1963, BBA

Chairman of the Board as of March 24, 2015. Rahkonen has vast experience of 26 years in software business both in Finland and globally. Rahkonen has most recently been the Managing Director of Microsoft Oy 2007-2014. In addition he has been in different executive positions and in the Executive Board at IBM 2001-2007, vice Chairman of the Board of Directors of Technology Industries 2011-2014 and the Chairman of the Board of the Finnish Federation of Advertisers since 2012. Rahkonen has been elected the TIVI influencer (Finnish top ICT influencers) of the year in 2011.

Innofactor's Executive Team



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

Sami Ensio acts as founder and CEO of Innofactor Plc and has been a member of the Board of Directors since 2010. Ensio has strong and comprehensive expertise in the software industry and solid experience in strategic and operative management and management of profitable growth. Shareholding: 7.4 million shares.



Christian Andersen, b. 1966, BBA

Country Manager, Denmark. With Innofactor since 2012. Founder and previous CEO of Bridgeconsulting. Held previously various positions, for instance Managing Director and member of the European Executive Board of Niscayah, senior sales duties at the SAS Institute and Controller at Maersk Data and Honeywell. Excellent knowledge of the Danish IT market and management of an It company. Shareholding: 0.2 million shares.

Anthony Gyursanszky, b. 1969, M.Sc. (Tech.) 10.8.2015-

Anthony Gyursanszky has been selected as Innofactor's Chief Operating Officer (COO) as of August 2015. Before Innofactor, Anthony has worked, for example, as the Marketing and Business Director of Microsoft Finland, CEO of the IT service company Endero, Product and Marketing Director of SSH, Business Unit Manager in F-Secure, and has been responsible for Tellabs Oy's international business in Asia and for developing Tellabs Oy's business as a whole. Shareholding: 0.0 million shares.



Elina Jokinen, b. 1974, M.Soc.Sci. (Pol. Sci.)

Innofactor's head of HR since 2013. Previously HR Manager at VTT (Technical Research Centre of Finland) and various HR positions at Nokia. Jokinen's special expertise areas include competency development, change management, leadership development and communications. Jokinen's responsibility is to implement HR activities that support Innofactor's international business activities and personnel development. Shareholding: 0.0 million shares.



Janne Martola, b. 1974, M.Sc. (Tech.)

CFO and Deputy CEO since 9 July 2014. Also responsible for Innofactor Plc's internationalization and all acquisitions since June, 2011. Previously Investment Director at a Nordic private equity company CapMan Plc. and board member in several technology companies with international operations. More than 15 years experience of domestic and international M&A, corporate finance and international business. Shareholding: 0.1 million shares.

Janne Heikkinen, b. 1974, M.Sc. (Tech.), 1.9.2015-

Innofactor's new Chief Technology Officer (CTO) and in charge of Products and Services Unit (Executive Vice President, Products and Services). Before joining Innofactor, Janne has worked for Microsoft in the global organization where his last position was Head of Product Management, Surface, based in San Diego. He has also worked at Nokia for 14 years and has held several roles in the product management and marketing for devices, SW and services. Moreover, he has worked at Nokia in technology strategies, business analysis and development roles. Shareholding: 0.0 million shares.

Largest shareholders as of June 30, 2015

Name	Number of shares	% of share capital
1. Ensio Sami	7,448,017	22.81%
<i>Ensio Sami</i>	5,274,257	16.15%
<i>Minor under guardianship</i>	724,588	2.22%
<i>Minor under guardianship</i>	724,586	2.22%
<i>Minor under guardianship</i>	724,586	2.22%
2. Tilman Tuomo Tapani	2,797,169	8.57%
<i>Tilman Tuomo Tapani</i>	2,747,492	8.41%
<i>Mpire Capital Oy</i>	49,677	0.15%
3. Salminen Jyrki Kalle Tapio	2,611,149	8.00%
4. Laiho Rami Tapani	1,419,215	4.35%
5. Linturi Kaija and Risto	1,271,411	3.89%
<i>R. Linturi Oyj</i>	504,107	1.54%
<i>Linturi Kaija Anneli</i>	430,000	1.32%
<i>Linturi Risto Erkki Olavi</i>	337,304	1.03%
6. Ärje Matias Juhanpoika	946,278	2.90%
7. Mäki Antti-Jussi	930,201	2.85%
8. Lampi Mikko Olavi	922,098	2.82%
9. Muukkonen Teemu	501,468	1.54%
10. Bergqvist J.T.	350,000	1.07%
11. Kukkonen Heikki-Harri	336,021	1.03%
12. Järvenpää Janne-Olli	322,804	0.99%
13. Jokinen Klaus Antero	280,001	0.86%
14. Laiho Jari Olavi	270,000	0.83%
15. Ementor Norge As	269,299	0.82%
16. Karppinen Antti Sakari	187,138	0.57%
17. Insurance company Henki-Fennia	150,000	0.46%
18. Mäkinen Antti Vilho Juhani	132,000	0.40%
19. Muurinen Hannu Olavi	125,750	0.39%
20. Tiirikainen Vesa Martti	125,750	0.39%

For more information

<http://www.innofactor.com/investors>

Sami Ensio

CEO

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Janne Martola

CFO

janne.martola@innofactor.com



Innofactor as an investment

- CEO's review
- Mission and vision
- Key figures
- Growth and financial targets
- Business environment and strategy
- Customers
- Personnel
- Solutions
- Acquisitions
- Corporate responsibility
- Future outlook

Share information

Corporate governance

Releases, publications and reports

Analysts

Investor calendar

General meeting

Investor contacts

Investors > Innofactor as an investment



Innofactor in Brief

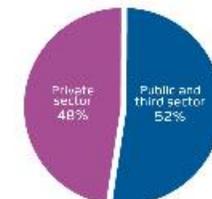
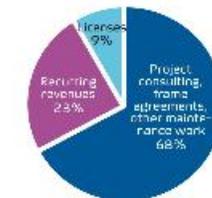
One of the leading IT solution providers in the Nordic countries focusing on Microsoft technologies and platforms.

Excellent track record on being able to grow fast and profitably

- 2014 net sales approximately EUR 44.1 million, an increase of 35.0 percent
- Net sales growth 2010–2014: 45 percent p.a.
- EBIT margin 2010–2014: 8.8 percent in average

Over 400 employees, 7 offices located in Finland, 2 in Denmark and 1 in Sweden, over 1,000 customers.

Listed in NASDAQ OMX Helsinki. Approximately 10,000 shareholders.



€ 0.95

20.07.2015 06:30 pm EET

Change	%	High	Low
€ 0.00	0.00%	€ 0.96	€ 0.94

Stock Exchange Releases

13.07.2015
Publishing of Innofactor's Interim Report January-June 2015

30.06.2015
Innofactor Plc's board of directors has made a decision on a new share-based incentive plan for Innofactor's personnel

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News

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[SHOW ALL](#)

You're aiming
for profit?

We focus 100%
on growth.