

INNOFACTOR[®]

Innofactor Q3 Interim Report for January 1 – September 30 2015

October 20, 2015
Janne Martola, CFO

Microsoft Partner of the Year
2015 Winner

Finland



Innofactor Restates Previously Announced Financials

- On September 16, 2015, Innofactor terminated the contract of the Country Manager in Denmark due to suspected misconduct and lack of confidence.
- The above-mentioned has been part of the reasons leading to the error in project assessments, due to which Innofactor is correcting in this interim report the Group figures for the first and second quarter of 2015. For the time preceding the current financial period as a whole, the figures are corrected to the last quarter of 2014.
- The effect of the corrections in the Innofactor group's operating margin for 2015 is approximately EUR -0.24 million, for the operating margin of 2014 it is EUR -0.31 million, and in total approximately EUR -0.55 million.
- Adjustments and their effects on the Group figures are described in more detail in the attachment to the interim report.

Impact of the restatements to Group financials (appendix)

In the group company, an error in the assessment of projects was detected concerning the period of January 1–June 30, 2015, in the current financial period as well as the previous financial periods.

The assessment error has been corrected for the above-mentioned periods in accordance with IAS 8: 41–42. The total effect of the error is approximately EUR 552 thousand. This appendix presents the corrected profit and loss statements, balance sheets, statements of change in shareholders' equity, and most significant key figures.

Consolidated Profit and Loss Statement, IFRS

EUR thousand	Oct 1–Dec 31,2014			Jan 1–Dec 31,2014			Jan 1–Mar 31,2015			Apr 1–Jun 30,2015			Jan 1–Jun 30,2015		
	Original	Correction	Restated	Original	Correction	Restated	Original	Correction	Restated	Original	Correction	Restated	Original	Correction	Restated
Net sales	12,516	-285	12,231	44,119	-285	43,834	11,271	-83	11,188	11,507	-155	11,352	22,778	-238	22,540
Other operating income	83		83	337		337	13		13	30		30	43		43
Materials (–)	-963		-963	-4,141		-4,141	-672		-672	-1,030		-1,030	-1,702		-1,702
Employee benefits/expenses (–)	-7,895		-7,895	-30,349		-30,349	-8,012		-8,012	-8,184		-8,184	-16,196		-16,196
Depreciation (–)	-345		-345	-1,387		-1,387	-350		-350	-348		-348	-698		-698
Other operating expenses (–)	-1,947	-29	-1,976	-5,859	-29	-5,888	-1,796	-1,796		-1,681	-1,681		-3,477		-3,477
Operating profit/loss	1,449	-314	1,135	2,720	-314	2,406	454	-83	371	294	-155	139	748	-238	510
Financial income	0		0	541		541	0		0	0		0	0		0
Financial expenses (–)	-235		-235	-1,002		-1,002	-112		-112	-343		-343	-455		-455
Profit/loss before taxes	1,214	-314	900	2,259	-314	1,945	342	-83	259	-49	-155	-204	293	-238	55
Income taxes	-243	63	-180	-452	63	-389	-68	17	-51	10	31	41	-58	48	-10
Profit/loss for the financial period	971	-251	720	1,807	-251	1,556	274	-66	208	-39	-124	-163	235	-190	45
Items that may be later recognized in profit or loss:															
Exchange differences	1		1	-1		-1	-1		-1	0		0	-1		-1
Total comprehensive income	972	-251	721	1,806	-251	1,555	273	-66	207	-39	-124	-163	234	-190	44

Q3/2015 Interim Report

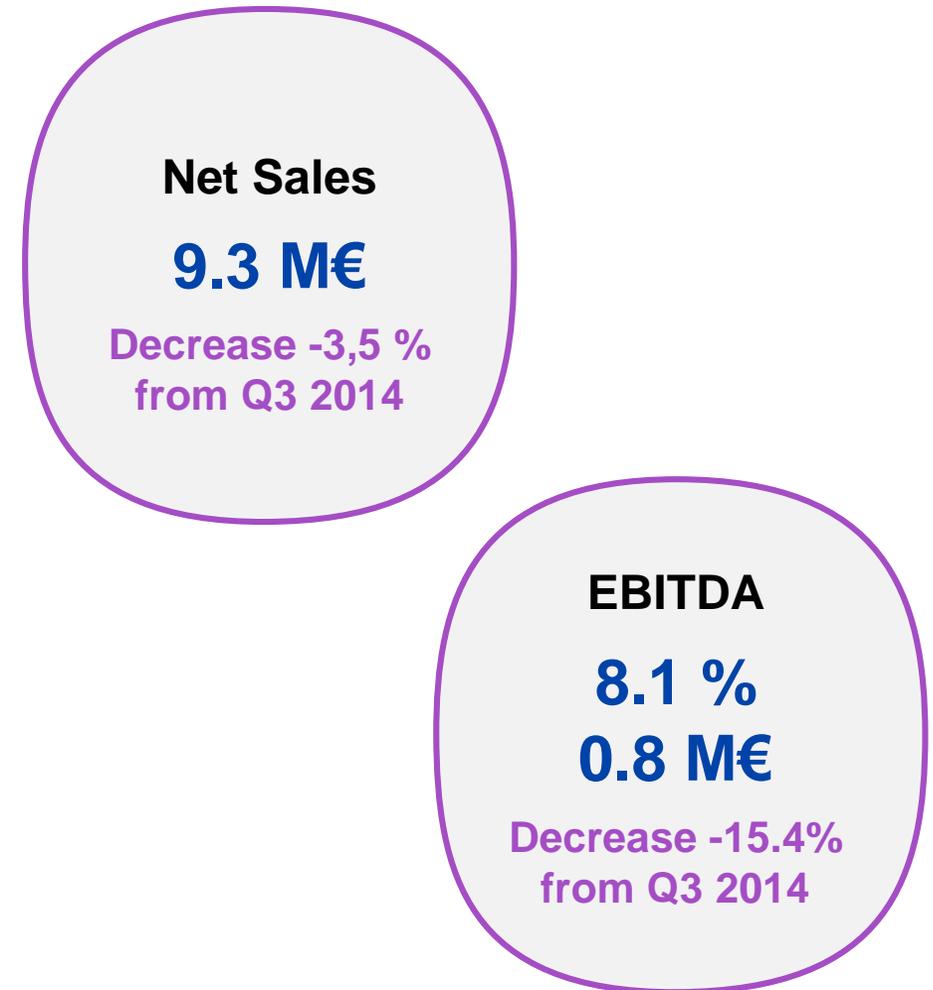
"Q3 in Brief"

The equity ratio at the end of Q3 was 55.0 percent (Q3 2014: 47.3%)

The Group's liquid assets totaled at the end of Q3 0.5 million euros (0.6 million euros Q3/2014)

Interest bearing debt at the end of Q3 was EUR 9.7 million (Q3/2014 12.7)

In addition, Innofactor had EUR 3.2 million hybrid loan. Innofactor has negotiated an EUR 3.2 million bank loan facility (senior bank loan) in order to redeem the hybrid bond.



Q1-Q3/2015 Actuals and 2015 Outlook

Selected Key Figures

	Q1-Q3 /2015	Q1-Q3 /2014	Change (%)	CEO's comment
Net Sales (kEUR)	31 862	31 603	+0.8%	<i>"Despite of the restated group figures, Innofactor has managed to increase the Net Sales during 2015"</i>
EBITDA (kEUR)	1 963	2 313	-15.1%	<i>"Due to restated group figures, organizational rearrangements and write-downs related to certain customer receivables prior to current fiscal year, the beginning fo the year shows significantly lower profitability."</i>
Equity Ratio (%)	55.0%	47.3%		<i>"During Q1-Q3 the cash flow from operations was EUR +2.5 million compared to EUR -0.5 million during the same period last year."</i>

Guidance for 2015

- Innofactor's net sales and operating margin (EBITDA) in 2015 is estimated to increase from 2014, during which the restated net sales were EUR 43.8 million and margin was EUR 3.8 million.

Stock Exchange Releases 1 July 30 September 2015

- August 25, 2015, announced the decision to start the acquisition of its own shares. A maximum of 800,000 shares will be acquired equaling approximately 2.45 % of the total amount of the company's shares. The decision is based on the authorization given to the Board by the Annual General Meeting on March 24, 2015 to acquire a maximum of 8,000,000 shares. The acquisition of own shares will start at the earliest on September 1, 2015 and will end on June 30, 2016 at the latest.
- September 22, 2015, The Board of Directors of Innofactor Plc has today accepted subscriptions of 800,000 new shares in Company's personnel issue. Subscription undertakings were submitted for 963,356 shares in total, which exceeded the offered 800,000 shares by 20.42 percent. As a result of the personnel issue the number of Innofactor's shares will increase with 800,000 shares to total of 33,453,737 shares. The new shares will correspond to 2.39 percent of Innofactor Plc's post-issue share capital and votes. The subscription price was 0.783 per share. The subscription price will be credited as an increase in the Company's fund for invested unrestricted equity.
- September 22, 2015, Innofactor Plc Board of Directors has decided, in the meeting held on 21 September, to update Innofactor's strategy.

Stock Exchange Releases after October 1, 2015

- October 7, 2015, Innofactor has signed an agreement, which enables Innofactor to raise a 6-year bank loan (senior bank loan) of EUR 3.2 million in order to redeem the hybrid bond. The bond has no due date, but the company has the right to redeem it in February 2016, before the rate increases to 12%. The bank loan will decrease Innofactor's financing costs significantly compared to the current hybrid loan.

Innofactor Executive Board Increased Share Ownership



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.



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

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: 0.1 million shares. (Increase 0.1 million shares)



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

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: 0.1 million shares. (Increase 0.1 million shares)



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

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: 0.05 million shares. (Increase 0.05 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: 0.2 million shares. (Increase 0.1 million shares)

Mission, Vision and Strategy

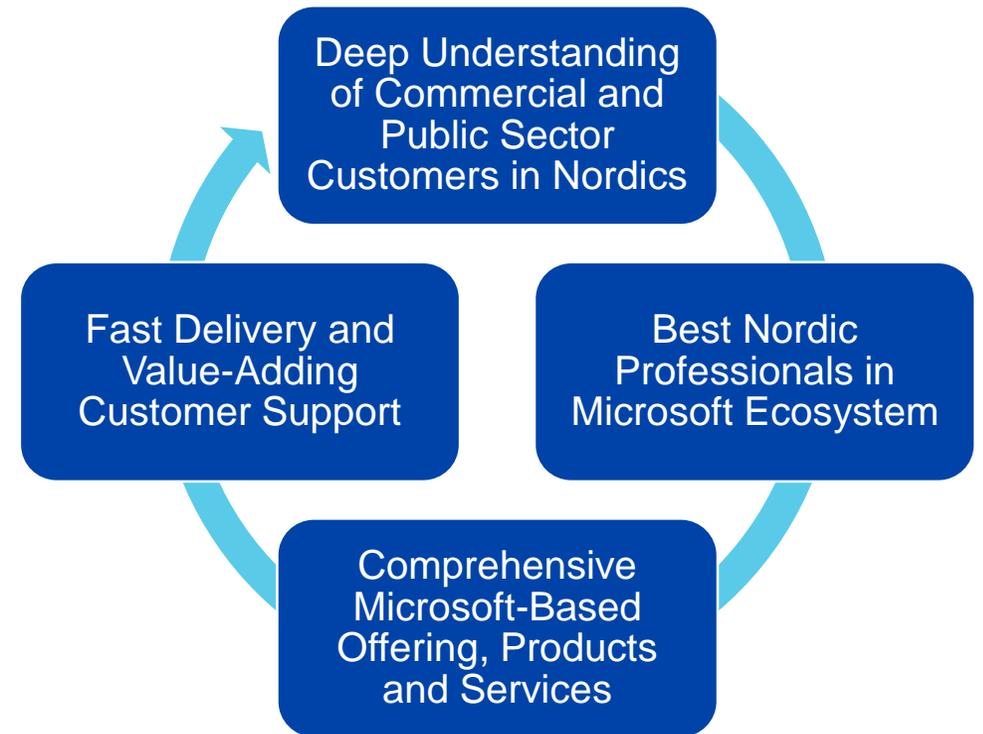
Mission

Empower organizations and people to make a difference in the digital world.

Vision

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

Strategy



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.

Results 2010–2014

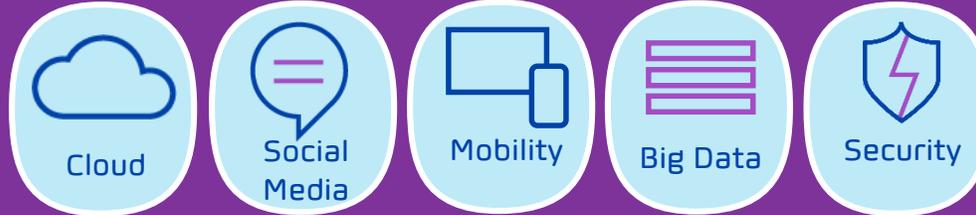
45 % Growth
2010–2014

EBITDA 9 %
2010–2014

High equity ratio
and operative
cash flow

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 broadest partner network continuously innovates new solutions for customers
- Microsoft is growing in the business sector much faster than the IT market in general

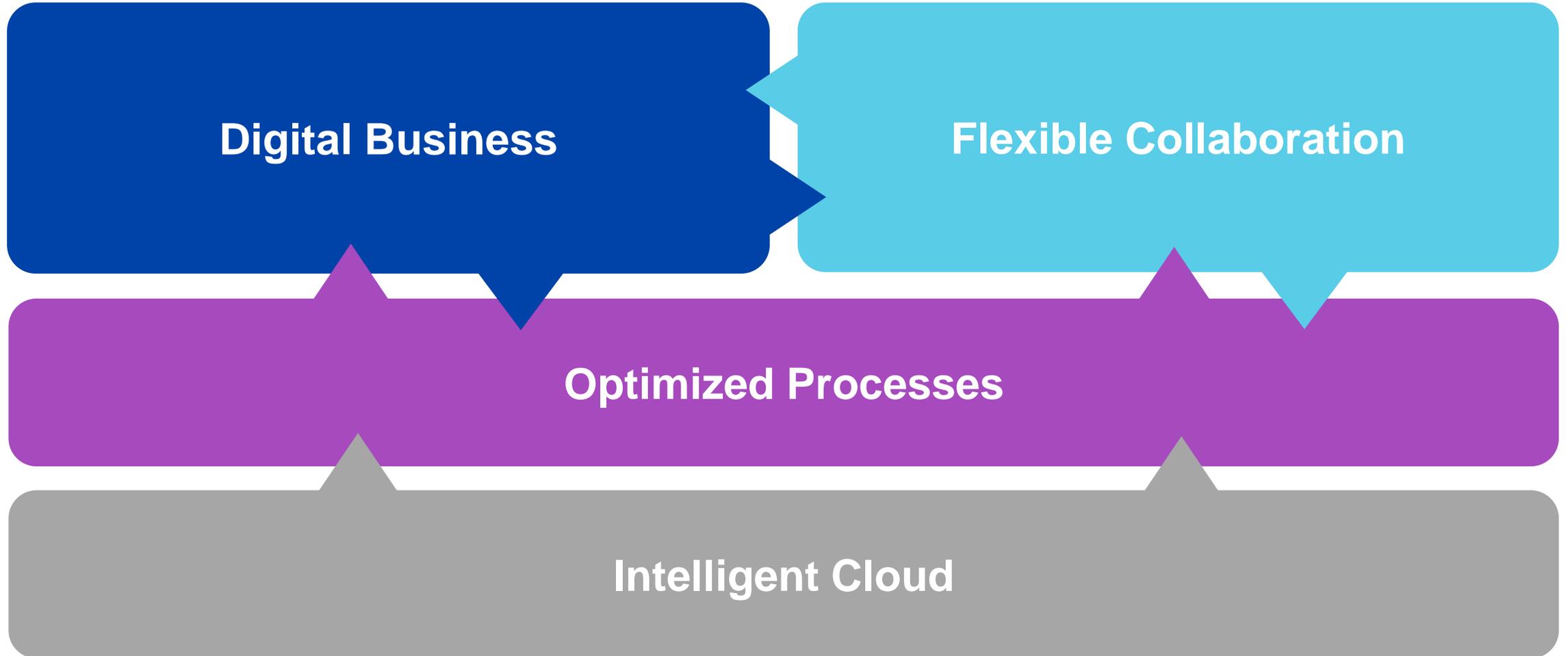
"Microsoft focuses on building a global cloud infrastructure on Azure and providing generic cloud services, such as Office 365, Dynamics CRM Online and Power BI."

3. Innofactor Will Succeed

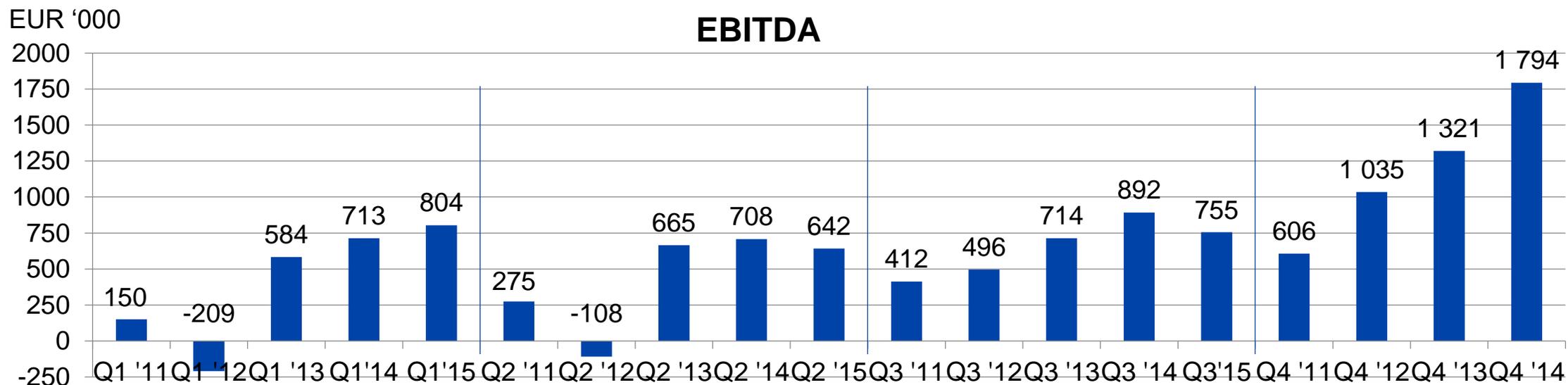
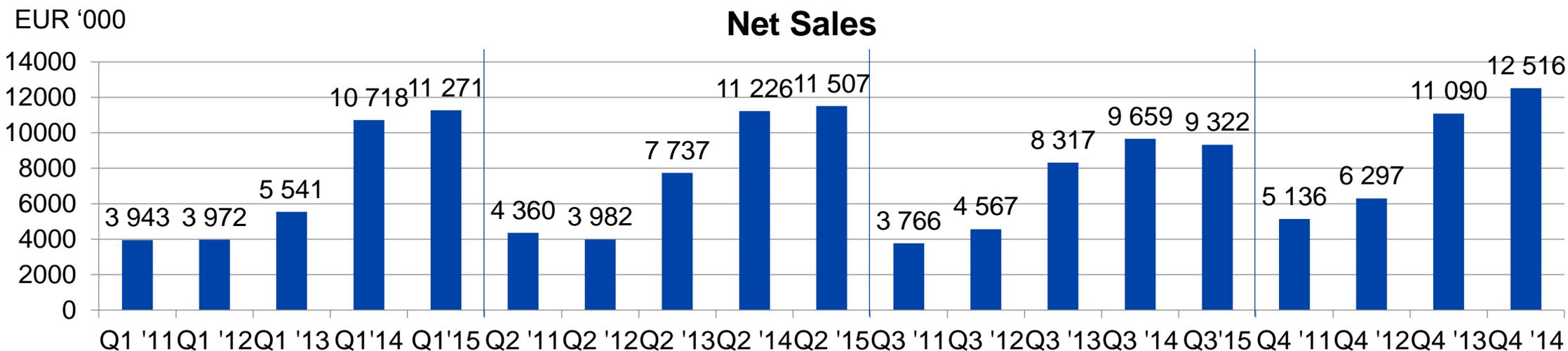
- Leading position and understanding of Microsoft ecosystem in the Nordic region
- One of the largest Microsoft-based solution, product and service portfolios in the Nordics
- Profound understanding of several customer verticals in private, public and third sectors
- Innofactor's location in two of Microsoft's 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."

Our comprehensive Microsoft offering has been tuned to make your business more profitable



Quarterly development of Innofactor Group financials



Key figures of the group, IFRS

	mo. 7-9/2015	mo. 7-9/ 2014	Change	mo. 1-9/2015	mo. 1-9/2014	Change	mo. 1-12/2014
Net sales, EUR thousand	9,322	9,659	-3.5%	31,862	31,603	+0.8%	43,834
Growth of net sales	-3.5%	16.1%		+0.8%	46.3%		34.1%
Operating profit before depreciation and amortization (EBITDA), EUR thousand*	755	892	-15.4%	1,963	2,313	-15.1%	3,793
percentage of net sales*	8.1%	9.2%		6.2%	7.3%		8.7%
Operating profit/loss (EBIT), EUR thousand*	562	540	+4.1%	1,072	1,271	-15.7%	2,406
percentage of net sales*	6.0%	5.6%		3.4%	4.0%		5.5%
Earnings before taxes, EUR thousand**	485	19	+2452.6%	540	1,044	-48.3%	1,945
percentage of net sales**	5.2%	0.2%		1.7%	3.3%		4.4%
Earnings, EUR thousand**	384	16	+2158.7%	432	835	-48.3%	1,555
percentage of net sales**	4.1%	0.2%		1.4%	2.6%		3.5%
Shareholders' equity, EUR thousand	23,974	22,027	+8.8%	23,974	22,027	+8.8%	22,462
Return on equity***	6.6%	0.3%		2.5%	5.3%		7.4%
Interest bearing liabilities, EUR thousand	9,710	12,701	-23.5%	9,710	12,701	-23.5%	10,638
Cash and cash equivalents, EUR thousand	524	566	-7.4%	524	566	-7.4%	997
Deferred tax assets, EUR thousand	7,076	7,385	-4.2%	7,076	7,385	-4.2%	7,238
Return on investment***	6.2%	6.3%		4.3%	7.3%		9.1%
Net gearing	38.3%	55.1%		38.3%	55.1%		42.9%
Equity ratio	55.0%	47.3%		55.0%	47.3%		48.7%
Balance sheet total, EUR thousand	44,831	47,610	-5.8%	44,831	47,610	-5.8%	47,413
Research and development, EUR thousand	538	428	+25.7%	1,609	1,523	5.6%	1,981
percentage of net sales	5.8%	4.4%		5.0%	4.8%		4.5%
Personnel on average during the review period	432	425	+160%	425	422	+0.7%	421
Personnel at the end of the review period	435	423	+0.7%	435	423	+2.8%	411
Number of shares at the end of the review period	33,453,737	32,153,737	+4.0%	33,453,737	32,153,737	+4.0%	32,153,737
Earnings per share (EUR)	0.0119	0.0005	+2276.9%	0.0133	0.0260	-48.7%	0.0485
Shareholders' equity per share (EUR)	0.717	0.685	+4.6%	0.717	0.685	+4.6%	0.699

*) In the group company, an error in the assessment of projects was detected concerning the period of January 1–June 30, 2015, in the current financial period and the last quarter of 2014 for the earlier financial periods. The assessment error has been corrected in accordance with IAS 8: 41–42. The total effect of the error on the net sales for January 1–June 30, 2015, is a decrease of approximately EUR -238 thousand in the operating margin and operating profit. For 2014, the effect is EUR -285 thousand in the net sales and EUR 29 thousand in costs, resulting in a total decrease of EUR -314 thousand in operating margin and operating profit. Adjustments and their effects on the Group figures are described in more detail in the attachment to this interim report. 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.

**) In the group company, an error in the assessment of projects was detected concerning the period of January 1–June 30, 2015, in the current financial period and the last quarter of 2014 for the earlier financial periods. The assessment error has been corrected in accordance with IAS 8: 41–42. The total effect of the error on the net sales for January 1–June 30, 2015, is a decrease of approximately EUR -238 thousand in the operating margin and operating profit. For 2014, the effect is EUR -285 thousand in the net sales and EUR 29 thousand in costs, resulting in a total decrease of EUR -314 thousand in the earnings. Adjustments and their effects on the Group figures are described in more detail in the attachment to this interim report. 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 first quarter of 2014 included financial income of EUR 325 thousand for the additional purchase price related to the acquisition.

Largest shareholders as of September 30, 2015

Name	Number of shares	% of share capital
1. Ensio Sami	7,448,017	22.26%
Ensio Sami	5,274,257	15.77%
Minor under guardianship	724,588	2.17%
Minor under guardianship	724,586	2.17%
Minor under guardianship	724,586	2.17%
2. Tilman Tuomo Tapani	2,797,169	8.36%
Tilman Tuomo Tapani	2,747,492	8.21%
Mpire Capital Oy	49,677	0.15%
3. Salminen Jyrki Kalle Tapio	2,540,954	7.60%
4. Laiho Rami Tapani	1,427,519	4.27%
5. Linturi Kaija and Risto	1,271,411	3.80%
R. Linturi Oyj	504,107	1.51%
Linturi Kaija Anneli	430,000	1.29%
Linturi Risto Erkki Olavi	337,304	1.01%
6. Ärje Matias Juhanpoika	946,278	2.83%
7. Mäki Antti-Jussi	930,201	2.78%
8. Lampi Mikko Olavi	892,098	2.67%
9. Muukkonen Teemu	522,230	1.56%
10. Bergqvist J.T.	350,000	1.05%
11. Kukkonen Heikki-Harri	336,021	1.00%
12. Järvenpää Janne-Olli	322,804	0.96%
13. Jokinen Klaus Antero	280,001	0.84%
14. Laiho Jari Olavi	270,000	0.81%
15. Ementor Norge As	269,299	0.80%
16. Karppinen Antti Sakari	196,138	0.59%
17. Martola Janne Matti Juhani	183,044	0.55%
18. Insurance company Henki-Fennia	150,000	0.45%
19. Mäkinen Antti Vilho Juhani	138,000	0.41%
20. Tiirikainen Vesa Martti	125,750	0.38%

For more information

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

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Investors > Innofactor as an investment

Innofactor in Brief

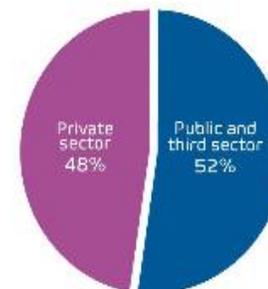
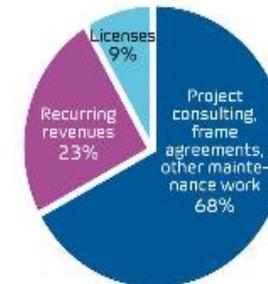
One of the leading IT solution providers in the Nordic countries focusing on Microsoft technologies and platforms.

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.



€ 0.83

19.10.2015 06:29 pm EET

Change	%	High	Low
€ +0.01	+1.23%	€ 0.84	€ 0.81

Stock Exchange Releases

12.10.2015

Publishing of Innofactor's Interim Report January-September 2015

07.10.2015

Innofactor agrees on a EUR 3.2 million bank loan facility to redeem the hybrid bond

▶ SHOW ALL

You're aiming
for profit?

We focus 100%
on growth.

Innofactor in Brief

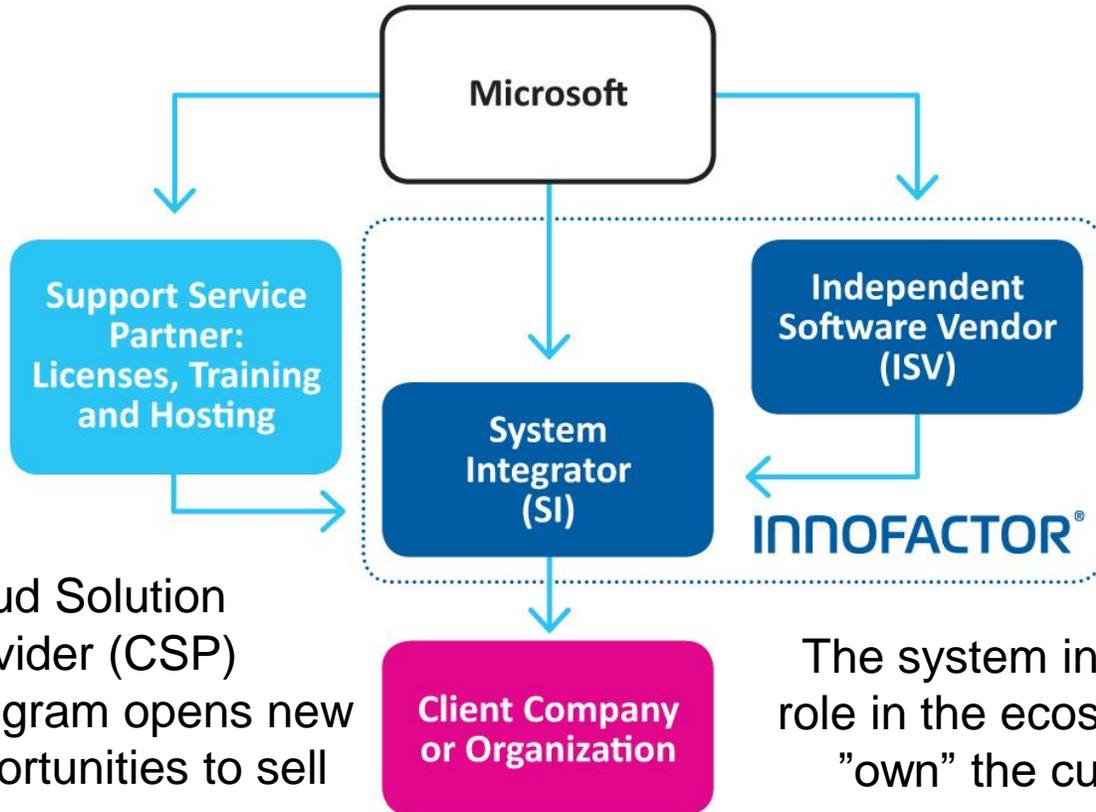
- A leading Microsoft-focused IT service provider in the Nordics
 - IT projects and IT systems maintenance (System integrator, SI)
 - Own products and services (Independent software vendor, ISV)
- Top-notch Microsoft professionals
 - More than 500 individual Microsoft certificates
 - Eight enterprise-level Microsoft Gold competencies
- Excellent track record in fast and profitable growth
 - 2014 Net Sales 43.8 million euros and EBITDA 3.8 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



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

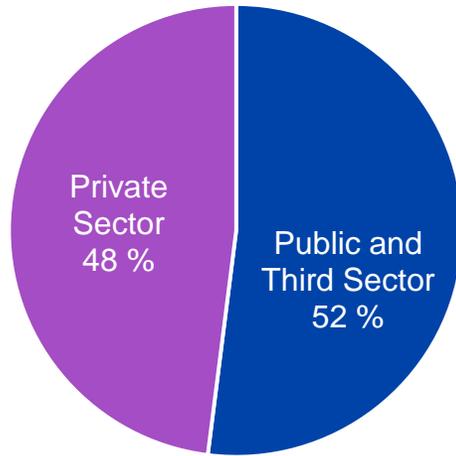
- Gold Application Development
- Gold Cloud Platform
- Gold Collaboration and Content
- Gold Customer Relationship Management
- Gold Data Analytics
- Gold Data Platform
- Gold Enterprise Resource Planning
- Gold Project and Portfolio Management

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

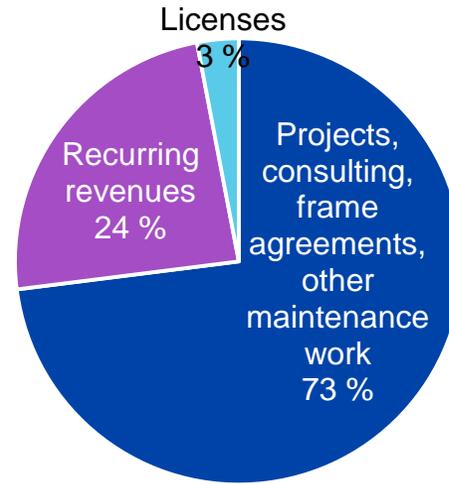


Customer Base and Long Term Contracts Bring Stability

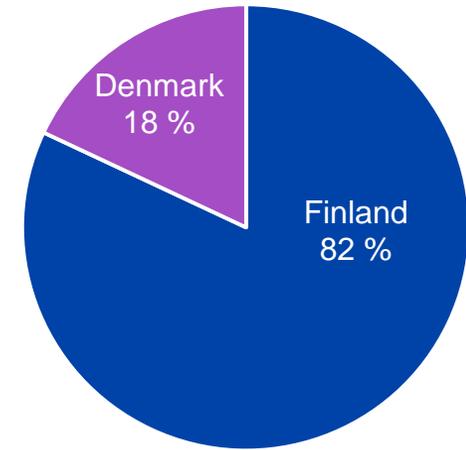
Distribution of net sales 1.1.–30.9.2015



- Strong customers in both public and private sectors bring stability in economic fluctuations
- 10 largest customers account for approximately 23 % of net sales

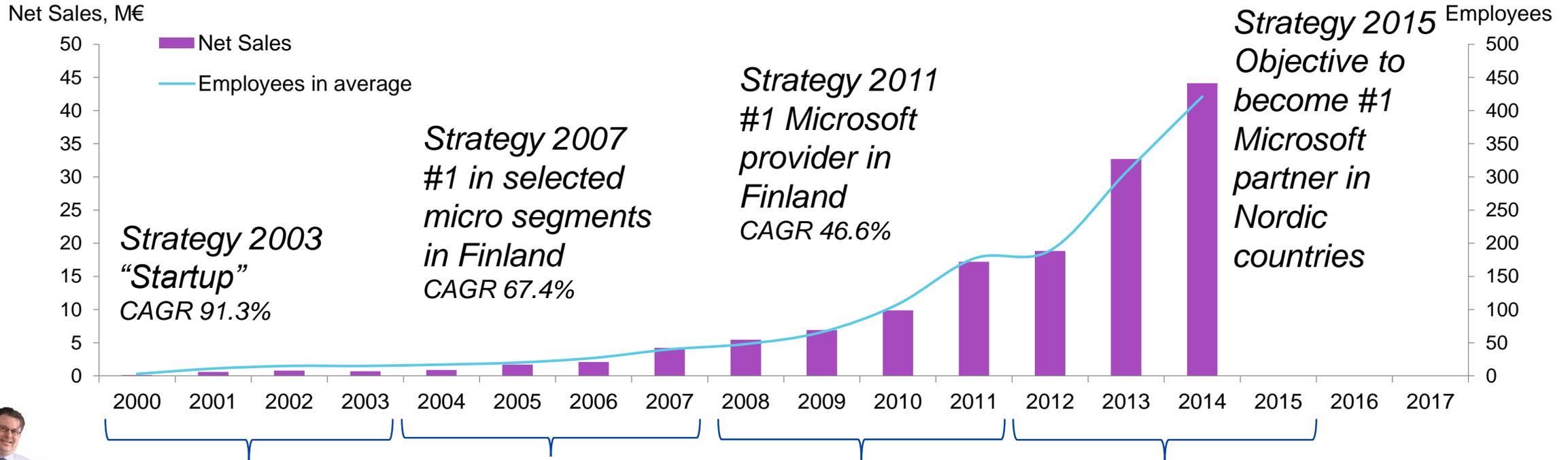


- Recurring revenues from service agreements and license sales bring competitive advantage and business stability
- Sales of labor moving increasingly to frame agreements and continuous maintenance work



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

Systematic growth orientation and entrepreneurship



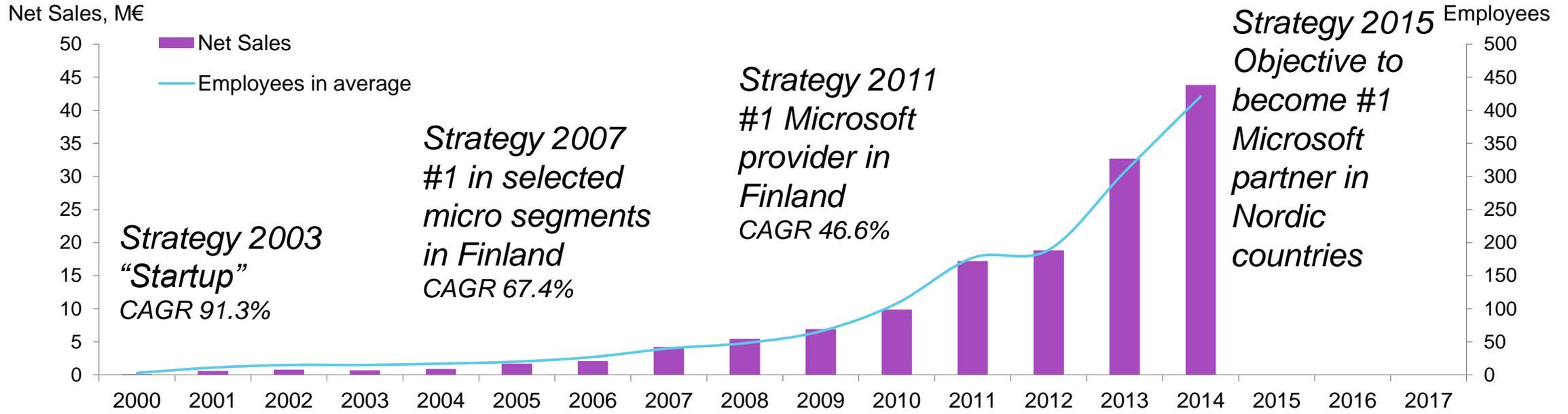
- Innofactor was founded by Mr. Sami Ensio in 2000
- Focus on Microsoft technologies
- 1-15 employees

- 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[®]

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

