



Innofactor Interim Report for Q1 2016 January 1 – March 31, 2016

April 26, 2016

Janne Martola, CFO, Deputy CEO

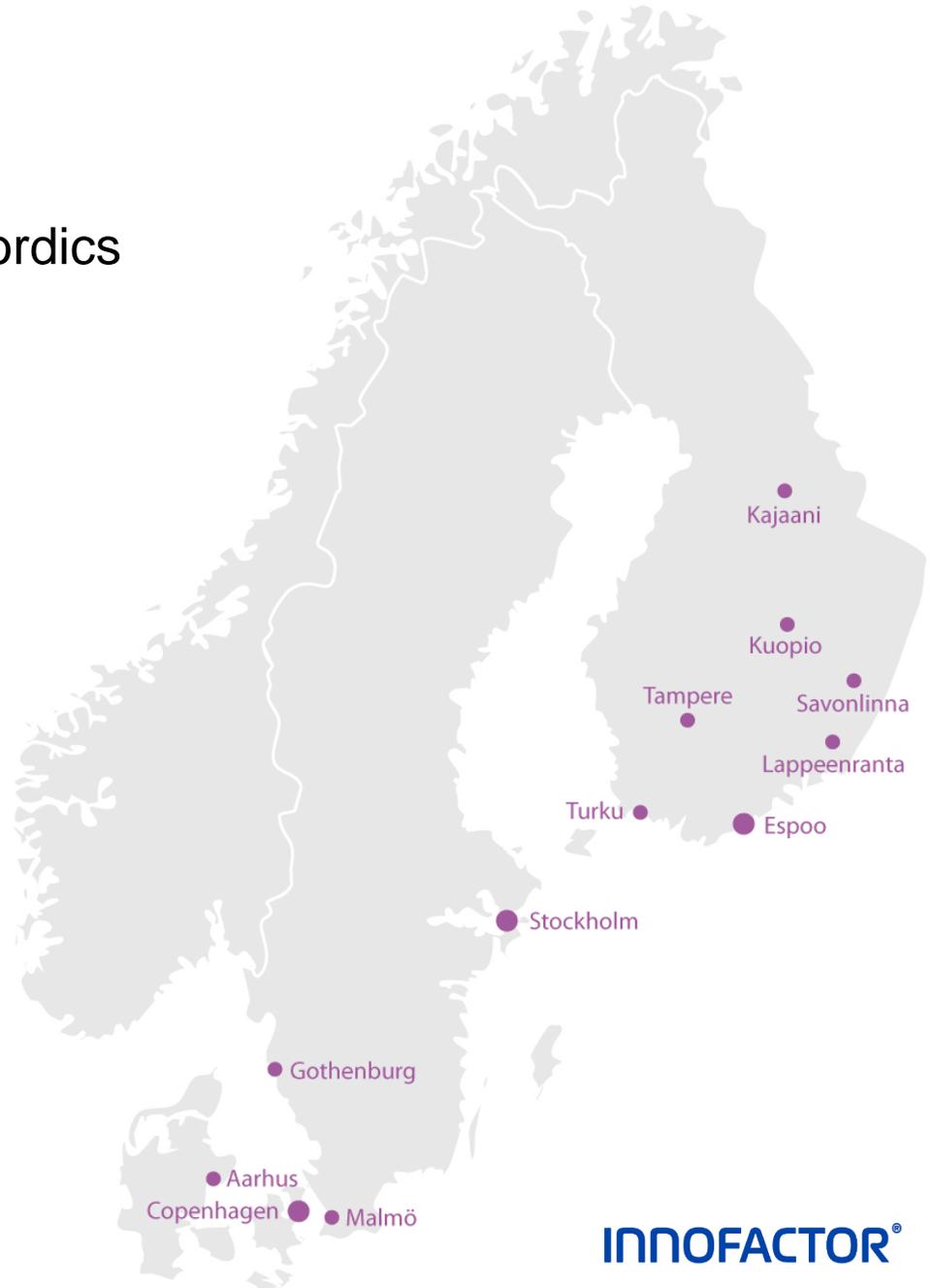
Microsoft Partner

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



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)
- 1200+ customers from private, public sector and membership-based organizations
- 500+ employees, 600+ individual Microsoft certificates
- 10+ enterprise-level Microsoft Gold Competencies
- Revenue EUR 55M+ (Pro Forma 2015)
- Growth 35% and EBITDA 8% (2011 to 2015 in average)
- Listed in NASDAQ Helsinki, 10,000+ shareholders



Microsoft Partner
Gold Application Development
Gold Application Integration
Gold Cloud Customer Relationship Management
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Gold Customer Relationship Management
Gold Data Analytics
Gold Data Platform
Gold Enterprise Resource Planning
Gold Project and Portfolio Management



Our Mission:

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

Our Vision:

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

Our Strategy:

Deep understanding of commercial, public sector and membership-based customers in the Nordics

Fast delivery and value-adding customer support

The best Nordic professionals in the Microsoft Ecosystem

Comprehensive Microsoft-based offering, products and services

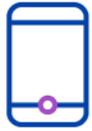
Global Megatrends



Cloud



Social media



Mobility



Analytics



Security

Our Beliefs on our Strategy

We live in an inspiring, digitalizing world where solutions are primarily designed in terms of utilizing the cloud, mobility, and big data analytics.

Our customers want long-term strategic advisors who produce more added value for their operations, quick results, cost efficiency, transparency, and streamlining.

Customers' business processes and requirements for IT systems are very much alike in the Nordic countries.

Fast and profitable growth in the Nordics requires centralized offering, own products, productized services, and scalable customer-oriented business models.

Increasing competition in the IT field allows Microsoft to strengthen its position and become one of the winners.

In the Microsoft ecosystem companies who are innovative, develop quickly, comprehensively master the service portfolio, and invest in growth, succeed in the completion.

Innofactor Success Factors

Innofactor has obtained the leading expertise in the Nordics in the digitalization and the latest technologies, such as Microsoft cloud technologies, mobile solutions, and advanced analytics.

Through process innovation, Innofactor creates significant competitive advantage, notable cost-savings, and no less than completely new operative models for its customers – always seeking fast results in all of its deliveries.

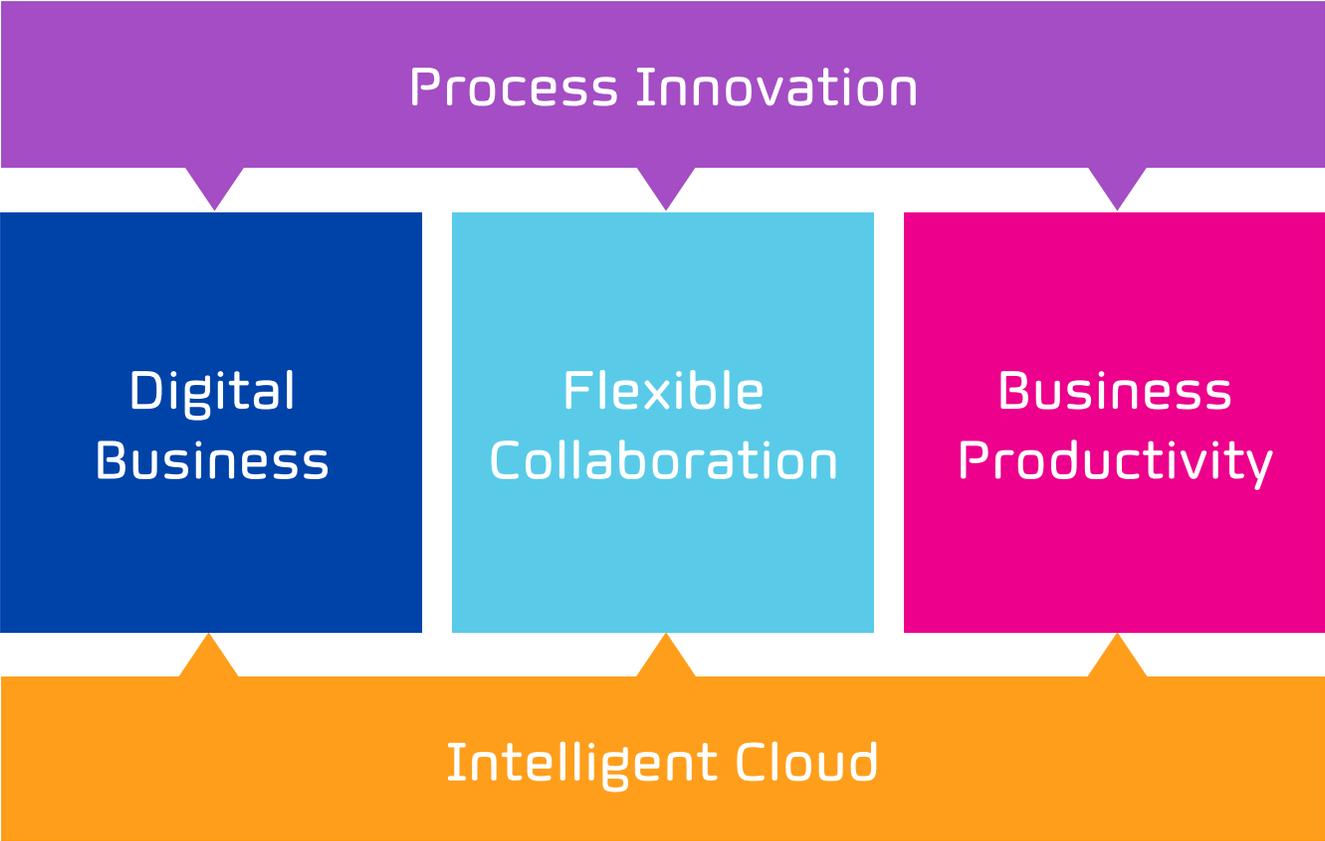
Innofactor has more than 1,200 private, public sector and membership-based customers in the Nordics and presence in more than 10 offices in Finland, Sweden and Denmark.

Innofactor has Nordic level managed customer-based business model development and offering, including the development of its own products and services and utilization of Microsoft and third-party solutions.

Microsoft Partner of the Year in Finland, 11 Microsoft Gold Competencies, and more than 600 individual-level Microsoft Certificates.

Innofactor holds the leading Microsoft-based innovative offering in the Nordics that Microsoft has awarded also with many international recognitions..

Empowering Business of Our Customers





Process Innovation

Better Business Process

- Customer Relations, Marketing, Sales & Support
- Production, Logistics, Delivery and Projects
- Business and Product Development and Innovation
- Financial Management and Business Forecasting
- HR, Quality, Risk Management, ICT and Legal Matters

Digital Business

Better Customer Experience

- Service Design
- Digital Marketing
- Websites and Mobile Applications
- Digital Customer Service

Flexible Collaboration

Better Employee Experience

- Mobile Productivity
- Digital Collaboration
- Enterprise Communication

Business Productivity

Better Business Experience

- Customer Relationship Management (CRM) and xRM
- Project and Portfolio Management (PPM)
- Enterprise Resource Planning (ERP) and Customized Solutions
- Information, Case and Quality Management

Intelligent Cloud

Better Cloud Experience

- Azure Managed Services
- Enterprise Mobility Services (EMS)
- Analytics and Machine Learning
- Internet of Things (IoT)



Concrete benefits right from the beginning

- Increasing customer’s know-how
- Evaluation of customer’s environment and requirements
- Consultation
- Proof of Concept (PoC) or demo, visible evidences fast

The best options through cooperation

- Scope definition
- Business objectives
- Functional requirements
- Architectural framework
- Security and performance
- Selecting the right delivery, service, support and governance models

Agile delivery and fast customer benefits

- Efficient project management
- Planning and specifications
- Technical implementation
- Documentation
- Quality assurance and testing
- Risk management
- Deployment and end user support

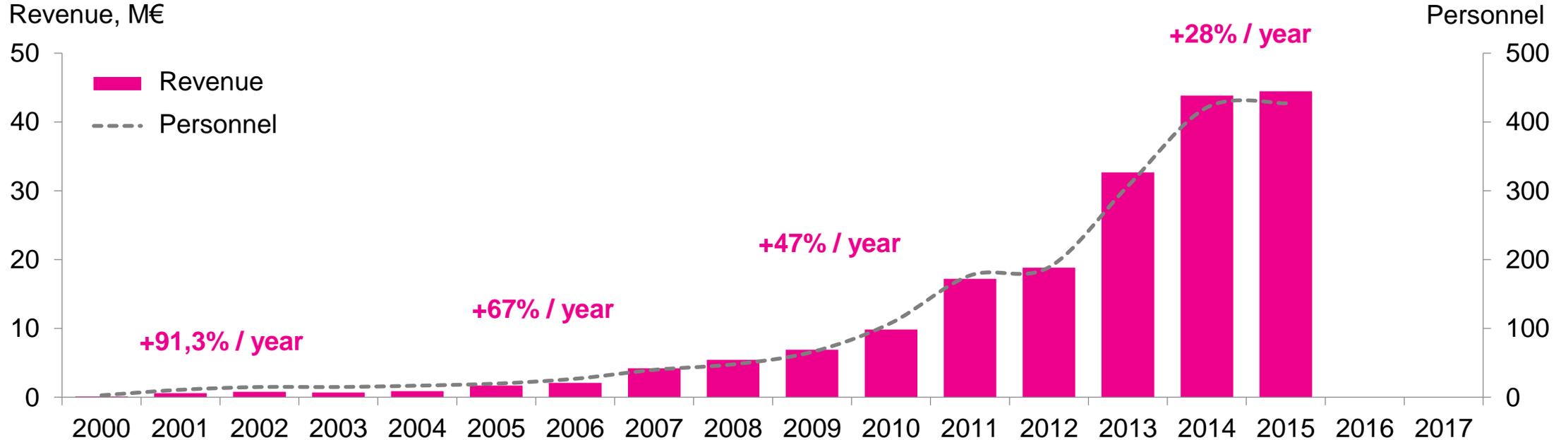
Flexible and continuously developing service

- Reliable services
- Suitable service model
- Right service level
- Continuous development in deep cooperation with the customer

1200+ Commercial, Public Sector and Membership-based Customers in the Nordics



Systematic Growth from Year 2000



Start Up – Everything for Everyone

- Innofactor founded by Sami Ensio in Jan 2000
- Innofactor’s first Microsoft-based product "Prime" released

#1 in Selected Micro Segments

- Microsoft SharePoint pioneer
- First M&A activities

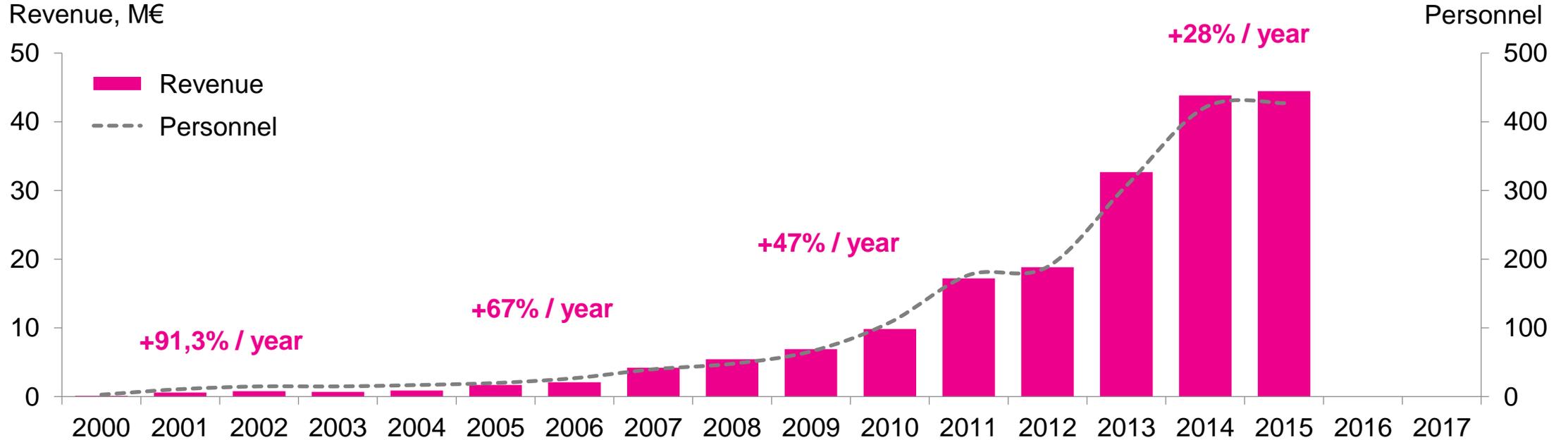
#1 Microsoft-based Provider in Finland

- CRM, BI and case management included in the offering
- Reverse IPO, NASDAQ Helsinki

#1 Microsoft-based Provider in the Nordic Countries

- Transformation of our offering from on-premises to cloud
- Organization change to support growth and internationalization
- Several acquisitions in the Nordic Countries

Several Successful Acquisitions



TietoEnator^{TE}
Parish Business



Software Innovation
Finland



BRIDGE
CONSULTING



enabling
value through challenges



enfo
E-Business Solutions



visual management



TIETOTALO
PPM Business



CINTEROS



atBusiness



DYNAMIC TEAM



Q1/2016 Interim Report

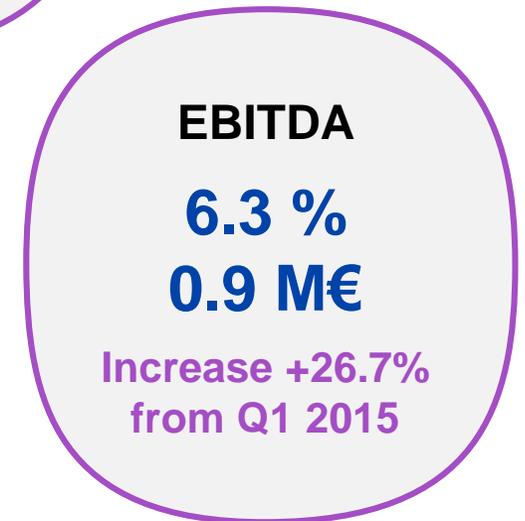
”The Best Q1 in our History”

Net Sales grew +30.5% and >EBITDA +26.7%.

The operating cash flow remained strong and was EUR +3.5 million.

Innofactor took an EUR 4.1 million loan for Cinteros acquisition and redeemed the EUR 3.2 million hybrid loan with cash.

Interest bearing debt at the end of Q1 was EUR 11.8 million and cash was EUR 1.2 million.



Q1/2016 Actuals and 2016 Outlook

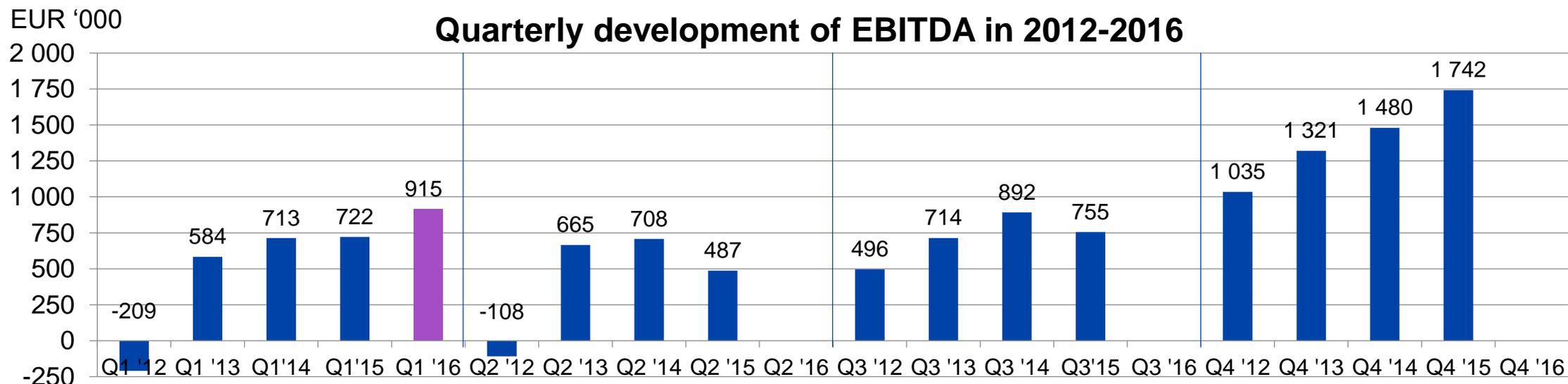
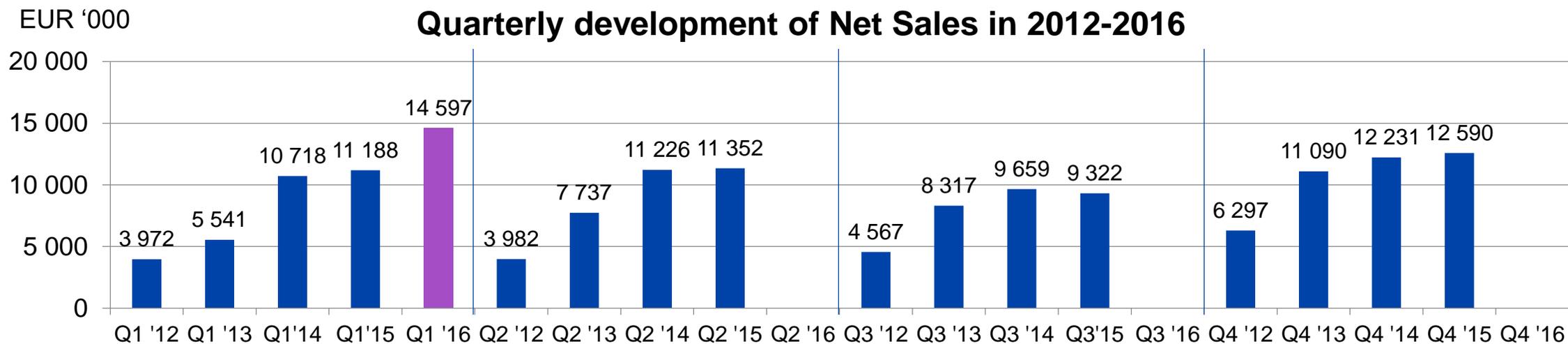
Selected Key Figures

	Q1 /2016	Q1 /2015	Change (%)	CEO's comment
Net Sales (kEUR)	14 597	11 188	+30.5%	<i>"The Net Sales grew in line with our strategic targets of 25-35%, which is satisfactory. A significant part of the growth was achieved as a result of the Cinteros AB acquisition."</i>
EBITDA (kEUR)	915	722	+26.7%	<i>"The EBITDA increased from previous year, but was relatively lower compared to Net Sales than in 2015. The EBITDA was somewhat impacted by costs relates to Cinteros AB acquisition. The EBITDA is typically better during the latter part of the year."</i>
Equity Ratio (%)	40.5%	50.3%		<i>"During Q1 Innofactor redeemed the EUR 3.2 million hybrid loan, which decreased the equity ratio. Operating cash flow remained strong and was EUR +3.5 million."</i>

Guidance for 2016

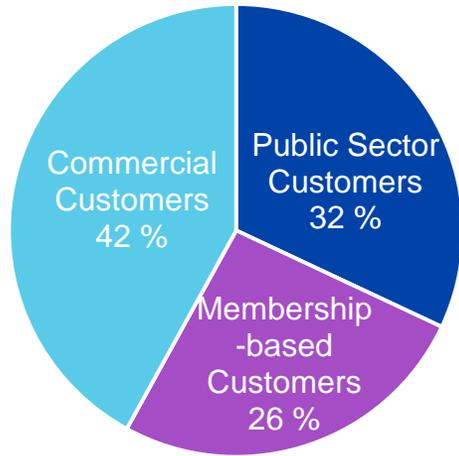
- Innofactor's net sales and operating margin (EBITDA) in 2016 is estimated to increase significantly from 2015, during which net sales were EUR 44.5 million and EBITDA margin was EUR 3.7 million.

Quarterly development of Innofactor Group financials

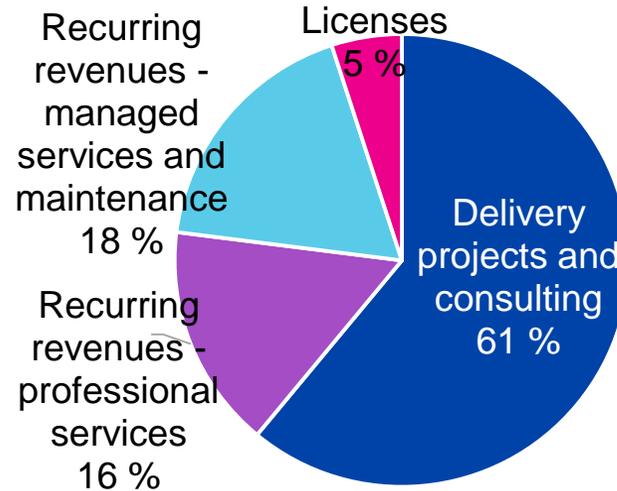


Customer Base and Long Term Contracts Bring Stability

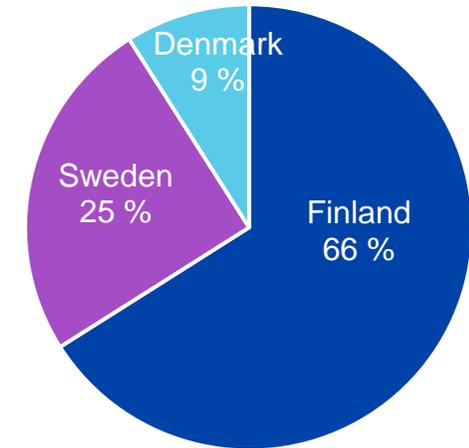
Distribution of net sales 1.1.–31.3.2016



- Strong customers in both public and private sectors bring stability in economic fluctuations
- 10 largest customers account for approximately 34 % 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



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

Key figures of the Group, IFRS

	Jan 1–Mar 31, 2016	Jan 1–Mar 31, 2015	Change	Jan 1–Dec 31, 2015
Net sales, EUR thousand	14,597	11,188	30.5%	44,452
Growth of net sales	30.5%	0.9%		1.4%
Operating profit before depreciation and amortization (EBITDA), EUR thousand*	915	722	26.7%	3,705
percentage of net sales*	6.3%	6.5%		8.3%
Operating profit/loss (EBIT), EUR thousand*	306	372	-17.7%	2,542
percentage of net sales*	2.1%	3.3%		5.7%
Earnings before taxes, EUR thousand**	171	260	-34.2%	1,935
percentage of net sales**	1.2%	2.3%		4.4%
Earnings, EUR thousand**	142	208	-31.6%	1,548
percentage of net sales**	1.0%	1.9%		3.5%
Shareholders' equity, EUR thousand	21,288	22,667	-6.1%	24,534
Return on equity***	2.4%	3.7%		6.6%
Interest bearing liabilities, EUR thousand	11,756	9,595	22.5%	9,219
Cash and cash equivalents, EUR thousand	1,188	3,560	-66.6%	843
Deferred tax assets, EUR thousand	6,578	7,196	-8.6%	6,704
Return on investment****	3.7%	4.6%		7.6%
Net gearing	49.6%	26.6%		34.1%
Equity ratio	40.5%	50.3%		56.9%
Balance sheet total, EUR thousand	54,864	47,208	16.2%	43,983
Research and development, EUR thousand	853	403	111.7%	2,495
percentage of net sales	5.8%	3.6%		5.6%
Active personnel on average during the review period****	500	397	25.9%	427
Active personnel on average at the end of the review period****	504	399	26.3%	432
Number of shares at the end of the review period	33,453,737	32,153,737	4.0%	33,453,737
Earnings per share (EUR)	0.0041	0.0065	-36.3%	0.0475
Shareholders' equity per share (EUR)	0.636	0.705	-9.7%	0.733

*) During the third quarter, an error in the assessment of projects was detected in the Group company concerning the period of January 1–June 30, 2015, for the year 2015 and only the last quarter of 2014 for 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 on the net sales for January 1–March 31, 2015, was a decrease of approximately EUR -83 thousand in the operating margin and operating profit. For the net sales of entire year 2015, the effect was a decrease of approximately EUR -238 thousand in the operating margin and operating profit. Adjustments and their effects on the Group figures are described in more detail in the attachment to the interim report for January 1–September 30, 2015, which was published on October 20, 2015.

**) During the third quarter, an error in the assessment of projects was detected in the Group company concerning the period of January 1–June 30, 2015, for the year 2015 and only the last quarter of 2014 for 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 on the net sales for January 1–March 31, 2015, was a decrease of approximately EUR -83 thousand in the earnings before taxes, which decreased the profit of the period January 1–March 31, 2015 for EUR -66 thousand. The effect of the error on the net sales of the entire year 2015 was a decrease of approximately EUR -238 thousand in the earnings before taxes, which decreased the profit of the financial period of 2015 by EUR -190 thousand. Adjustments and their effects on the Group figures are described in more detail in the attachment to the interim report for January 1–September 30, 2015, which was published on October 20, 2015.

***) The percentages for the return on equity and return on investment have been adjusted to correspond with the figures for a 12-month period.

****) The Innofactor Group monitors the number of active personnel. The number of active personnel does not include employees who are on a leave of over 3 months.

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 2011–2015

35 % Growth
2011–2015

EBITDA 8.4 %
2011–2015

High equity ratio
and operative
cash flow

Key Stock Exchange Releases

1 January to 31 March 2016 (1/2)

- On 25 January 2016, Innofactor announced in a stock exchange release that Keva has selected Innofactor in a public procurement competition as the provider of a web content management system and related services for it. The delivery includes deployment, support and maintenance services. The value of the procurement is EUR 549,324.
- On 26 January 2016, Innofactor announced in a stock exchange release that Innofactor CEO Sami Ensio takes sick leave Starting from January 26, 2016 for approximately two months related to an operation he is going to have and the recovery from it. During Sami Ensio's sick leave, his deputy will be Innofactor's CFO Janne Martola.
- On 28 January 2016, Innofactor announced in a stock exchange release that the Board of HKL (Helsinki City Transport) decided on January 27, 2016, to cancel its the procurement decision regarding the situational information system for the Metro's total security as Tieto Finland Oy, which came third in the bidding competition, has made a claim for rectification concerning the procurement. Innofactor considers the HKL's decision on cancelling the procurement decision to be clearly in violation of the Procurement Act, and Innofactor will make a complaint about the matter to The Market Court, unless the City of Helsinki changes its decision. The legal process concerning the legality of the decision will possibly take about 2-3 years.

Key Stock Exchange Releases

1 January to 31 March 2016 (2/2)

- On 28 January 2016, Innofactor announced in a stock exchange release that Hospital District of Helsinki and Uusimaa (HUS) has selected Innofactor in a competitive tendering governed by a framework agreement, to transfer application and infrastructure solutions into cloud and provide continuous services and related professional services. HUS estimated in its invitation to tender that the value of delivery would be approximately EUR 1.5 million during the 2016 – 2017 contract period. However, the final value of the deal cannot be stated for certain at this point.
- On February 29 2016, Innofactor announced in a stock exchange release that Innofactor redeemed EUR 3.2 million hybrid bond in its entirety. Innofactor has no other hybrid bonds. Innofactor did not take a new bank loan to redeem the hybrid bond. Currently, Innofactor has bank loans for a total of approximately EUR 11.3 million.
- On March 29, 2016, Innofactor announced in a stock exchange release that that the share repurchase program started in autumn 2015 has ended. The Board of Directors decided to cancel the 552,360 treasury shares. After the cancellation, the total number of Innofactor Plc shares is 32,901,377.

Board of Directors



Ari Rahkonen, Chairman
BBA. Chairman of the Board and member of Board of Directors as of March 24, 2015. Born in 1963. Ownership: 30 000 shares.



Sami Ensio
M.Sc. (Tech.) CEO of Innofactor Plc since 2010 and member of the Innofactor Plc Board of Directors since 2010. CEO and founder of Innofactor since 2000. Born in 1971. Ownership: 7 448 017 shares.



Jukka Mäkinen
Member of the Board of Directors as of March 27, 2012. Born in 1954. Ownership: 70 793 shares.



Ilari Nurmi
M.Sc. (Tech.). Member of the Board of Directors as of March 26, 2013. Born in 1975. Ownership: 50 630 shares.



Pekka Puolakka
LLM, lawyer. Member of the Board of Directors from since March 24, 2015, and in years 2010–2014. Born in 1971. Ownership 181 705 shares.

Innofactor Group Executive Board



Sami Ensio, President and CEO
M.Sc. (Tech.) President and CEO. Member of the Board of Directors. CEO and founder of Innofactor since 2000. Born in 1971. Ownership: 7 448 017 shares.



Robert Erlandsson
M.Sc. (Econ. & Bus. Adm.) Managing Director Innofactor Sweden. CEO and co-founder of Cinteros AB since 2005. Employed by Innofactor since 2016 (acquisition). Born in 1966. Ownership: after earn out period.



Anthony Gyursanszky
M.Sc. (Tech.) Chief Operating Officer. Employed by Innofactor since 2015. Born in 1969. Ownership: 83 044 shares.



Jari Hahl
Diploma in Business Information Technology. Chief Sales Officer. Employed by Innofactor since 2016. Born in 1962. Ownership: 66 793 shares.



Janne Heikkinen
M.Sc. (Tech.) Chief Technology Officer and EVP Products and Services. Employed by Innofactor since 2015. Born in 1974. Ownership: 83 044 shares.



Elina Jokinen
M.Sc. (Political Science) Vice President HR. Employed by Innofactor since 2013. Born in 1974. Ownership: 53 979 shares.



Jørgen Krog Kaufmann
Managing Director Innofactor Denmark. Employed by Innofactor since 2016. Born in 1959. Ownership: 83 044 shares.



Janne Martola
M.Sc. (Tech.). Chief Financial Officer and Deputy CEO. Employed by Innofactor since 2011. Born in 1974. Ownership: 183 044 shares.

Innofactor Nordic Advisory Board



Jonas Persson, Sweden
Industrial Advisor at EQT Partners.
Former country manager of
Microsoft Sweden.



Niels Soelberg, Denmark
Independent Consultant. Former
country manager of Microsoft
Denmark and Microsoft Vice
President EMEA Public Sector.



Knut Aasrud, Norway
CEO at Norstat. Former country
manager of Microsoft Norway and
Microsoft GM Communications
Sector EMEA, Former country
manager of SAP in Norway and
Sweden.



Ari Rahkonen, Chairman of Board
BBA. Chairman of the Board and
member of Board of Directors as of
March 24, 2015. Born in 1963.
Ownership: 30 000 shares.



Sami Ensio, President and CEO
M.Sc. (Tech.) President and CEO.
Member of the Board of Directors.
CEO and founder of Innofactor since
2000. Born in 1971.
Ownership: 7 448 017 shares.

Largest shareholders as of March 31, 2016

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	2,772,169	8.29%
Tilman Tuomo Tapani	2,747,492	8.21%
Mpire Capital Oy	24,677	0.07%
3. Laiho Rami Tapani	1,418,519	4.24%
4. 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%
5. Ilmarinen Mutual Pension Insurance Company	1,250,000	3.74%
6. Salminen Jyrki Kalle Tapio	1,111,149	3.32%
7. Ärje Matias Juhanoika	941,278	2.81%
8. Mäki Antti-Jussi	930,201	2.78%
9. Lampi Mikko Olavi	892,098	2.67%
10. Muukkonen Teemu	522,230	1.56%
11. Bergqvist J.T.	350,000	1.05%
12. Kukkonen Heikki-Harri	336,021	1.00%
13. Järvenpää Janne-Olli	322,804	0.96%
14. Laiho Jari Olavi	270,000	0.81%
15. Ementor Norge As	269,299	0.80%
16. Damen Klaus Antero	250,001	0.75%
17. Karppinen Antti Sakari	200,000	0.60%
18. Martola Janne Matti Juhani	183,044	0.55%
19. Hellen Stefan Andreas	180,000	0.54%
20. Mäkinen Antti Vilho Juhani	152,000	0.45%

In addition, Innofactor Plc had a total of 552,360 (1.65%) Innofactor shares in its possession. These share were cancelled on April 18, 2016.

On February 22nd, 2016 Innofactor made a flagging announcement pursuant to Chapter 9, Section 10 of the Finnish Securities Markets Act that as a result of a share transaction made on February 22, 2016, Jyrki Salminen's ownership of Innofactor Plc has decreased below five percent. After the transaction, Jyrki Salminen has 1,111,149 shares, which represents 3.32 percent of all the shares and votes.

For more information

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

Sami Ensio, CEO

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Janne Martola, CFO, Deputy CEO

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janne.martola@innofactor.com



Flexible
Collaboration

Better Employee Experience

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

Investors > Innofactor as an investment

Innofactor in Brief

One of the leading Microsoft-focused IT service provider in the Nordics

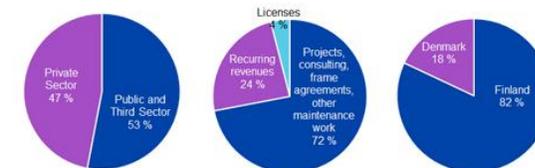
Excellent track record in fast and profitable growth

- 2015 Net Sales approx. 44.5 million euros and EBITDA approx. 3.7 million euros
- Net sales growth 2011 to 2015: 35% p.a.
- EBITDA margin 2011 to 2015: 8.4% of revenues in average

Over 500 employees. Over 1,000 customers.

7 offices located in Finland, 3 in Sweden and 2 in Denmark.

Listed in NASDAQ Helsinki. Approximately 10,000 shareholders.



€ 0.94

25.04.2016 11:17 am EET

Change % High Low
€ +0.01 +0.54% € 0.94 € 0.92

Stock Exchange
Releases

18.04.2016

Innofactor Plc cancellation of own shares registered in the Trade Register

12.04.2016

Publishing of Innofactor's Interim Report January - March 2016

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News

12.04.2016

Publishing of Innofactor's Interim Report January - March 2016

You're aiming
for profit?

We focus 100%
on growth.