



Innofactor Interim Report for Q2 2016 January 1 – June 30, 2016

July 19, 2016

Janne Martola, CFO, Deputy CEO

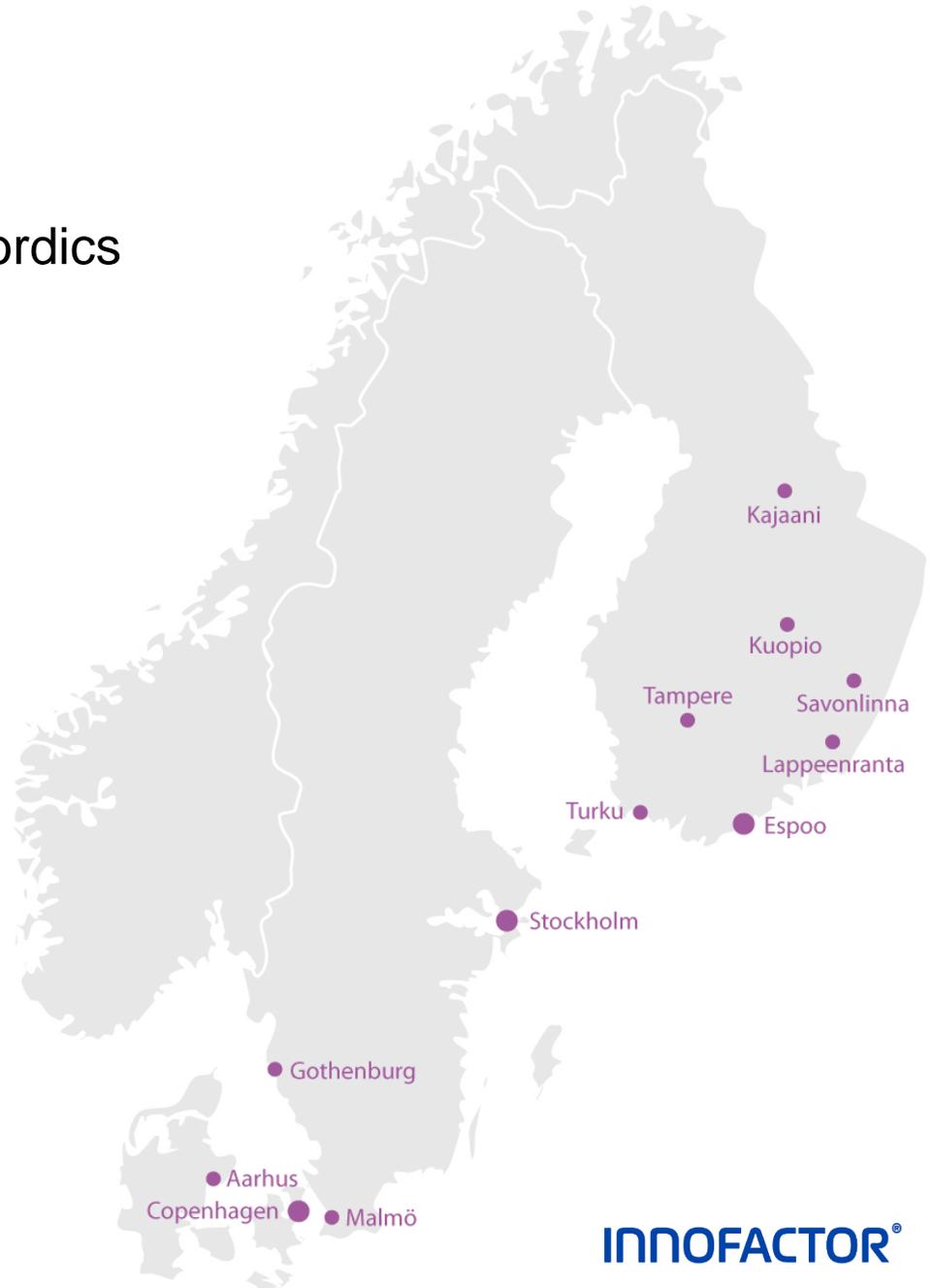
Microsoft Partner

- 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
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



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:



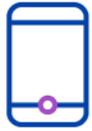
Global Megatrends



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.

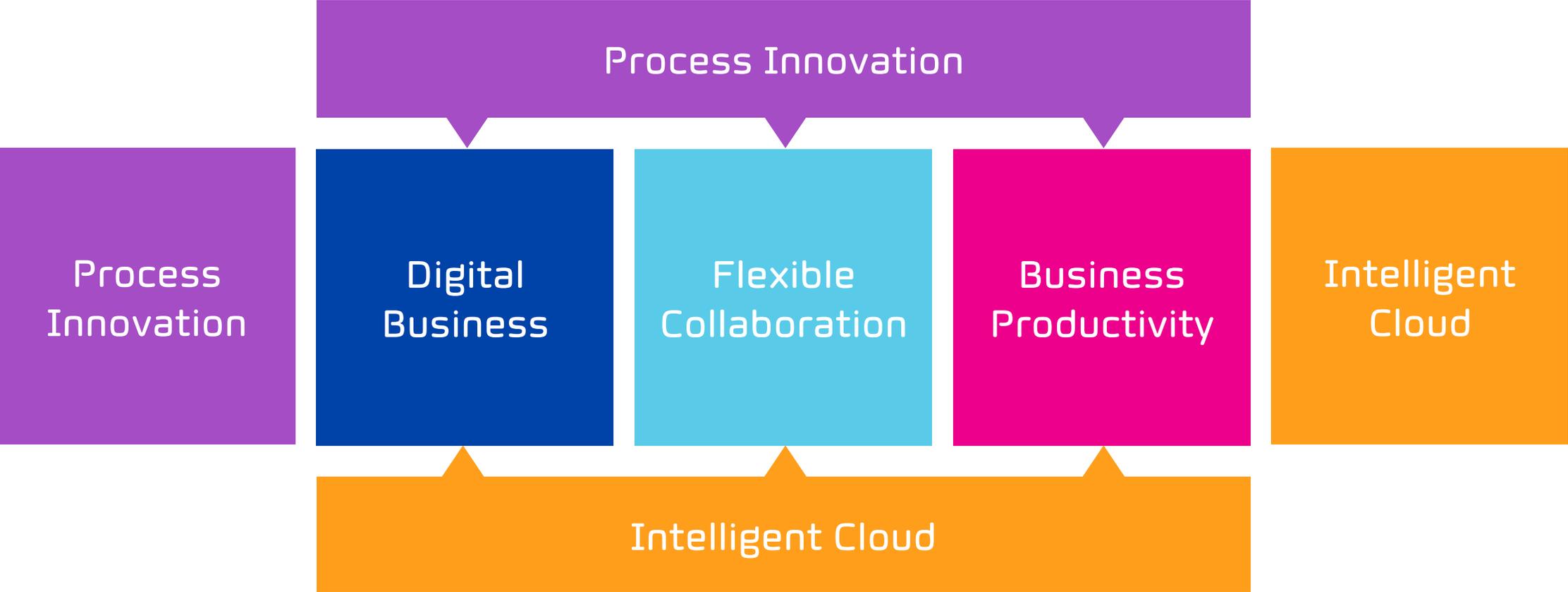
Innofactor has more than 1,200 private, public sector and membership-based customers in the Nordics and presence in more than 10 offices in Finland, Sweden and Denmark.

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

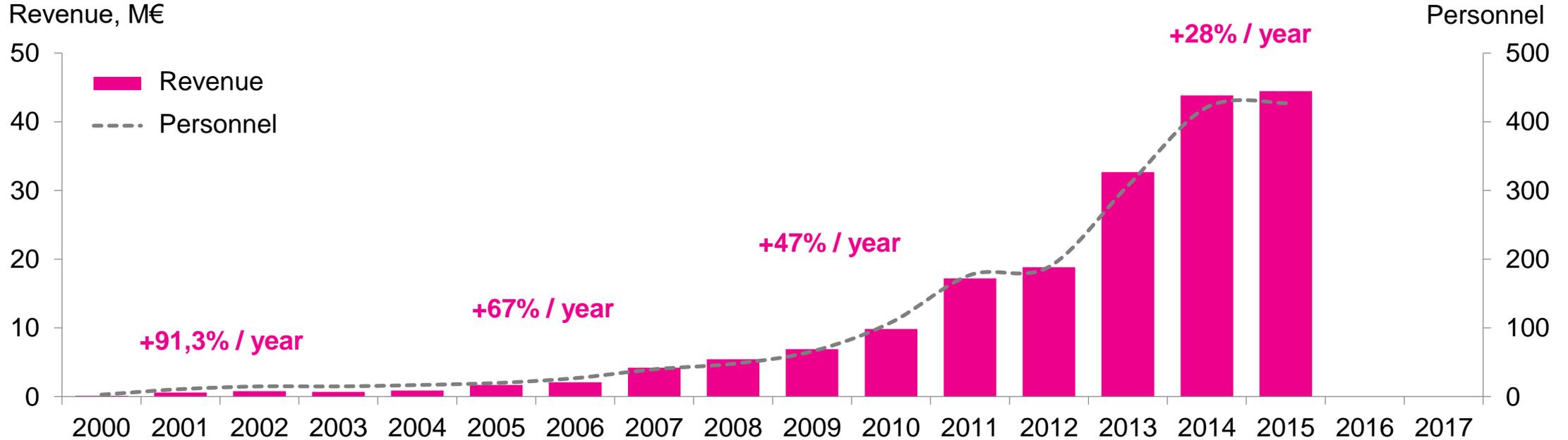
Flexible and continuously developing service

- 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

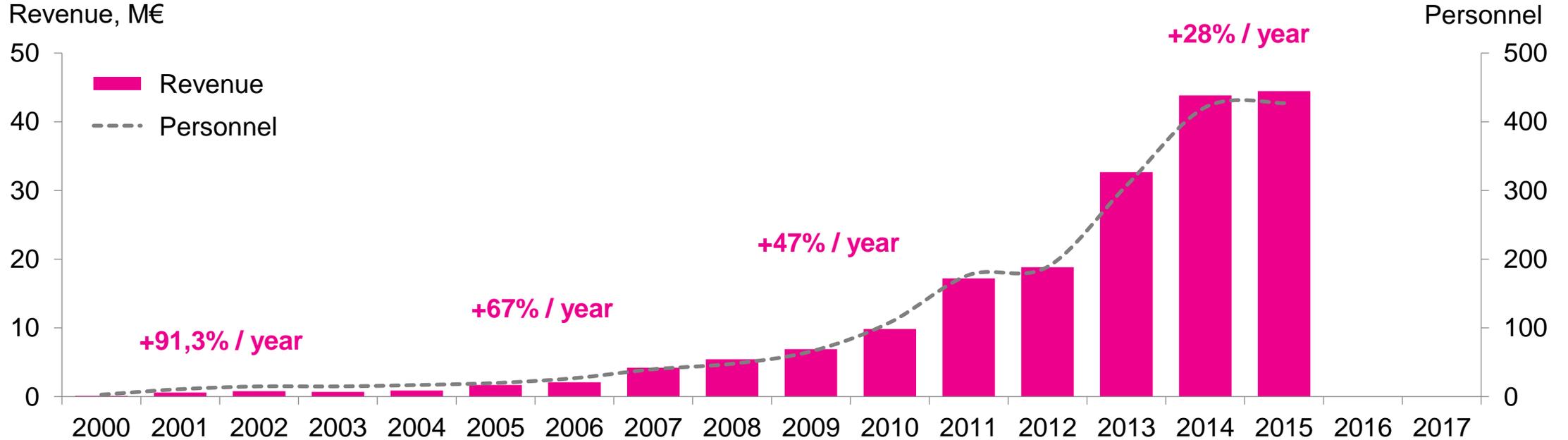
#1 Microsoft-based Provider in Finland

- 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

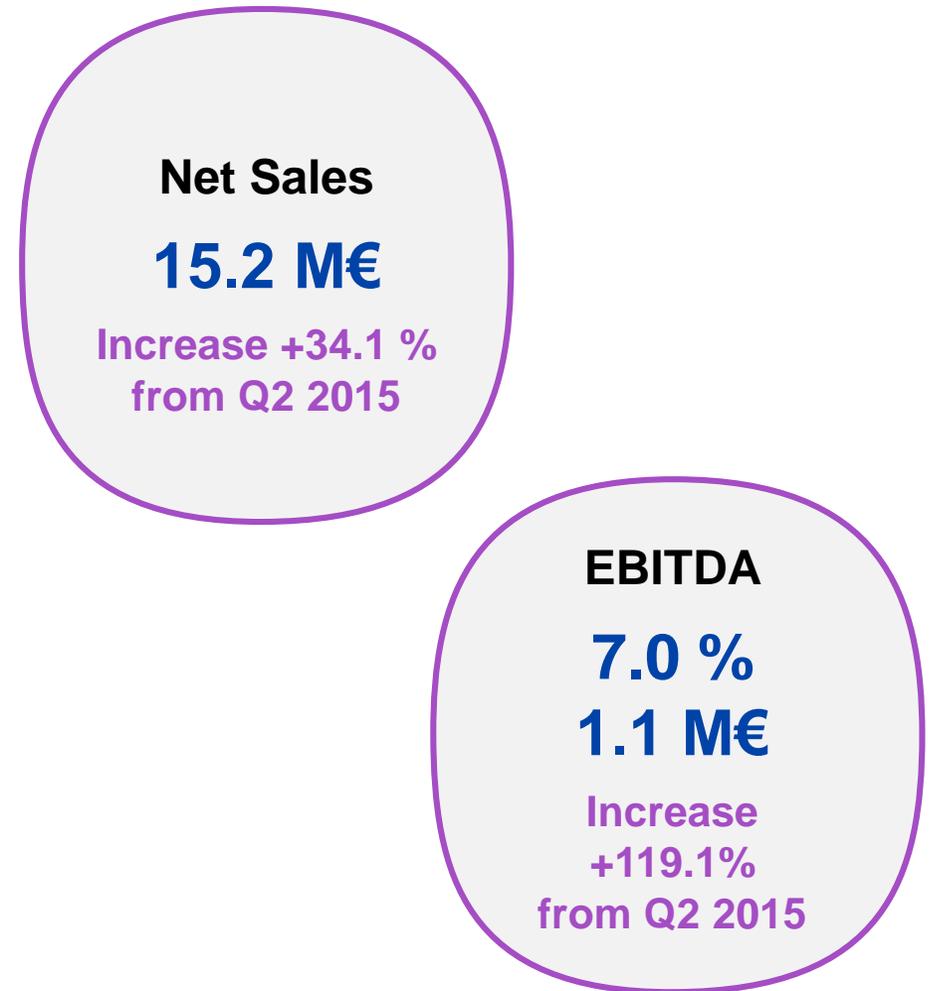


Q2/2016 Interim Report

”The Best Q2 in our History”

Net Sales grew +34.1% and EBITDA +119.1%.

Interest bearing debt at the end of Q2 was EUR 12.5 million and cash was EUR 1.3 million.



Q1-Q2/2016 Actuals and 2016 Outlook

Selected Key Figures

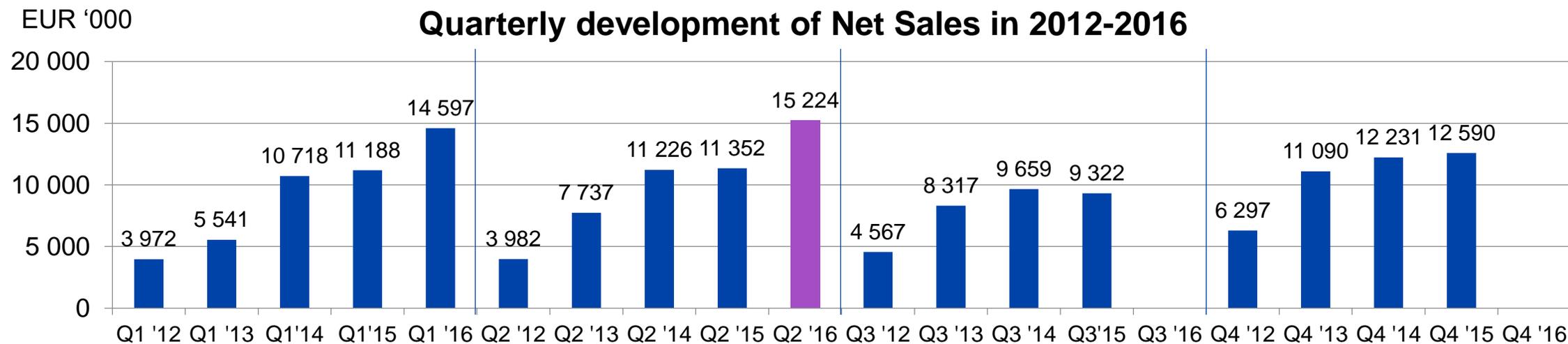
	Q1-Q2 /2016	Q1-Q2 /2015	Change (%)	CEO's comment
Net Sales (kEUR)	29,821	22,540	+32.3%	<i>"The Net Sales grew in line with our strategic targets of 25-35%, which is satisfactory. A significant part of the growth was achieved as a result of the Cinteros AB acquisition."</i>
EBITDA (kEUR)	1,982	1,208	+64.1%	<i>"The EBITDA increased significantly from previous year. 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 (%)	39.3%	52.3%		<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 +2.9 million."</i>

Guidance for 2016

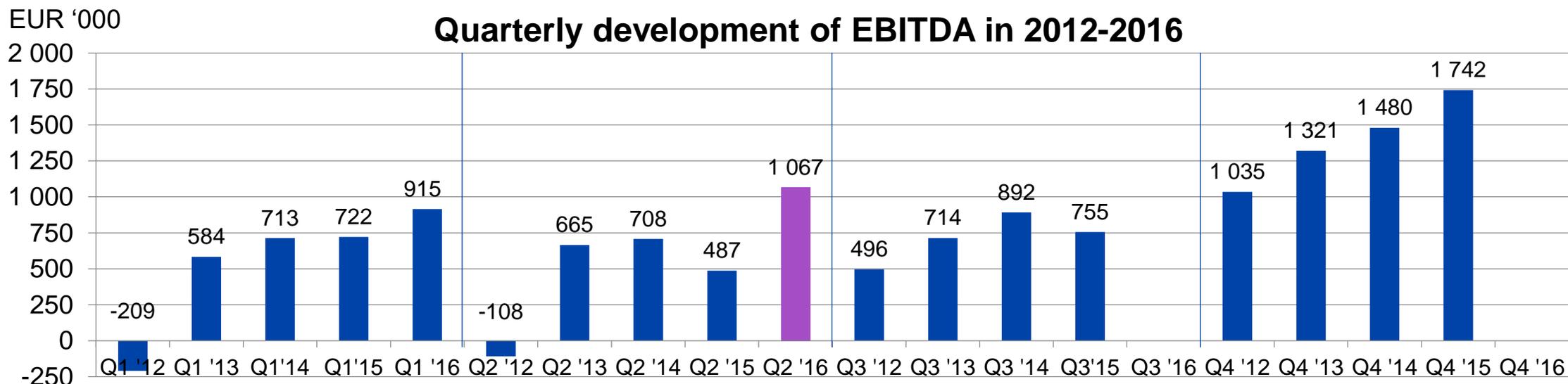
- Innofactor's net sales and operating margin (EBITDA) in 2016 is estimated to increase significantly from 2015, during which net sales were EUR 44.5 million and EBITDA margin was EUR 3.7 million.

Quarterly development of Innofactor Group financials

Quarterly development of Net Sales in 2012-2016

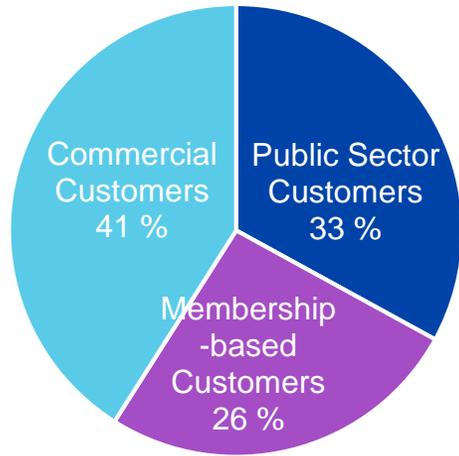


Quarterly development of EBITDA in 2012-2016

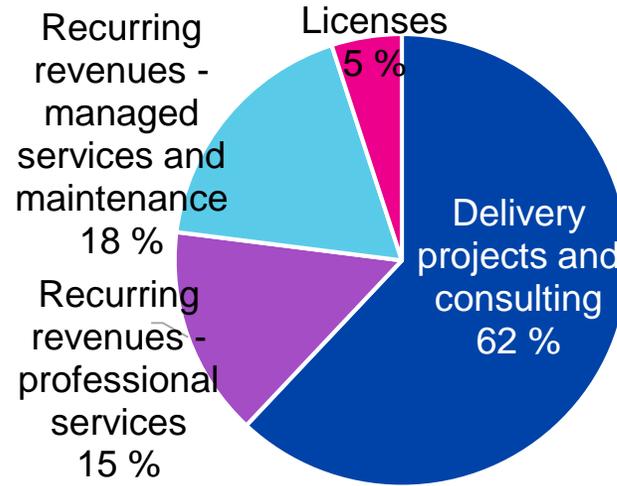


Customer Base and Long Term Contracts Bring Stability

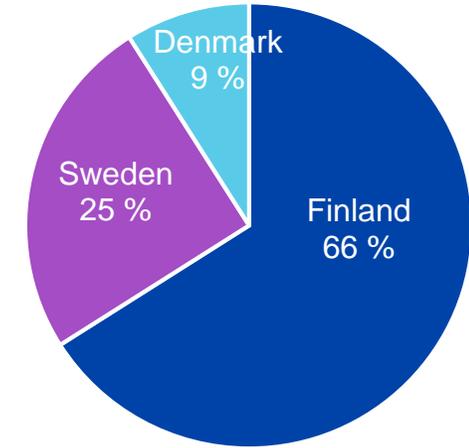
Distribution of net sales 1.1.–30.6.2016



- Strong customers in both public and private sectors bring stability in economic fluctuations
- 10 largest customers account for approximately 33 % 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

	Apr 1–Jun 30, 2016	Apr 1–Jun 30, 2015	Change	Jan 1–Jun 30, 2016	Jan 1–Jun 30, 2015	Change	Jan 1–Dec 31, 2015
Net sales, EUR thousand	15,224	11,352	34.1%	29,821	22,540	32.3%	44,452
Growth of net sales	34.1%	1.1%		32.3%	2.7%		1.4%
Operating margin (EBITDA), EUR thousand*	1,067	487	119.1%	1,982	1,208	64.1%	3,705
percentage of net sales*	7.0%	4.3%		6.6%	5.4%		8.3%
Operating profit/loss (EBIT), EUR thousand*	446	139	220.9%	752	510	47.5%	2,542
percentage of net sales	2.9%	1.2%		2.5%	2.3%		5.7%
Earnings before taxes, EUR thousand** ***	396	-204	294.1%	567	55	930.9%	1,935
percentage of net sales	2.6%	-1.8%		1.9%	0.2%		4.4%
Earnings, EUR thousand** ***	294	-163	280.4%	436	44	900.0%	1,548
percentage of net sales	1.9%	-1.4%		1.5%	0.2%		3.5%
Shareholders' equity, EUR thousand	21,579	23,037	-6.3%	21,579	23,037	-6.3%	24,534
Return on equity****	5.5%	-2.9%		3.9%	0.4%		6.6%
Interest bearing liabilities, EUR thousand	12,546	9,231	35.9%	12,546	9,231	35.9%	9,219
Cash and cash equivalents, EUR thousand	1,272	1,138	11.8%	1,272	1,138	11.8%	843
Deferred tax assets, EUR thousand	6,407	7,159	-10.5%	6,407	7,159	-10.5%	6,704
Return on equity****	5.3%	1.7%		4.5%	3.2%		7.6%
Net gearing	52.2%	35.1%		52.2%	35.1%		34.1%
Equity ratio	39.3%	52.3%		39.3%	52.3%		56.9%
Balance sheet total, EUR thousand	56,667	45,480	24.6%	56,667	45,480	24.6%	43,983
Research and development, EUR thousand	895	668	34.0%	1,748	1,071	63.2%	2,495
percentage of net sales	5.9%	5.9%		5.9%	4.8%		5.6%
Active personnel on average during the review period*****	500	407	22.9%	501	402	24.6%	427
Active personnel on average at the end of the review period*****	502	412	21.8%	502	412	21.8%	432
Number of shares at the end of the review period	32,901,377	32,653,737	-5.4%	32,901,377	32,653,737	-5.4%	33,453,737
Earnings per share (EUR)	0.0096	-0.0050	290.7%	0.0137	0.0014	893.7%	0.0475
Shareholders' equity per share (EUR)	0.656	0.705	-7.0%	0.656	0.705	-7.0%	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 April 1–June 30, 2015, was a decrease of approximately EUR -155 thousand in the operating margin (EBITDA) and operating profit. The total effect of the error on the net sales for January 1–June 30, 2015, and for the net sales of the entire year 2015 was a decrease of approximately EUR -238 thousand in the operating margin (EBITDA) 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 April 1–June 30, 2015, was a decrease of approximately EUR -155 thousand in the earnings before taxes, which decreased the profit of the period April 1–June 30, 2015, for EUR -124 thousand. The effect of the error on the net sales for January 1–June 30, 2015, and for 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.

***) In accordance with IFRS 3, the operating profit for April 1–June 30, 2016, includes EUR 455 thousand (2015: 120) in depreciations related to acquisitions, concerning the allocations of the purchase price to intangible assets. Adjusted for the said depreciations, Innofactor's operative business profit for the review period of April 1–June 30, 2016, would have been EUR 901 thousand (2015: 259), the operative business result before taxes EUR 851 thousand (2015: -84), the operative business result EUR 681 thousand (2015: -67), and the operative business result per share EUR 0.0207 (2015: -0.0021). The operating profit for January 1–June 30, 2016, includes EUR 910 thousand (2015: 241) in depreciations related to acquisitions, concerning the allocations of the purchase price to intangible assets. Adjusted for the said depreciations, Innofactor's operative business profit for the review period of January 1–June 30, 2016, would have been EUR 1,662 thousand (2015: 751), the operative business result before taxes EUR 1,477 thousand (2015: 296), the operative business result EUR 1,182 thousand (2015: 236), and the operative business result per share EUR 0.0358 (2015: 0.0073).

****) 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 in Q2 2016

- On April 18, 2016, Innofactor announced in a stock exchange release that the company had cancelled 552,360 treasury shares. The cancellation of the shares has been registered in the Trade register on April 18, 2016. After the registrations, the total number of Innofactor Plc shares is 32,901,377.
- On May 13, 2016, Innofactor announced in a stock exchange release that Innofactor Plc's CFO and deputy CEO Janne Martola has handed in his resignation on his own initiative on May 12, 2016. Innofactor's Board of Directors and Martola have agreed that Martola will continue as the CFO until the end of the third quarter on September 30, 2016.
- On June 7, 2016, Innofactor announced in a stock exchange release that in its meeting on June 6, 2016, the Board of Directors of Innofactor Plc decided to start the acquisition of the company's own shares. A maximum of 800,000 shares will be acquired, equaling approximately 2.43% of the total number of the company's shares. The decision is based on the authorization, given to the Board by the General Meeting on March 29, 2016, to acquire a maximum of 8,000,000 shares. The acquisition of own shares will start at the earliest on July 1, 2016, and will end on March 31, 2017, at the latest.
- On June 23, 2016, Innofactor announced in a stock exchange release that ABB Oy in Finland and Innofactor Plc signed an agreement on June 23, 2016, concerning the delivery of an Azure-based Integrated Management System to be used by ABB in Finland and the Baltic countries. The total value of the agreement is approximately EUR 925 thousand. The solution is based on Innofactor's Quality First out-of-the-box product, and the management system is used in a Microsoft Azure cloud environment. The three-year agreement encompasses management system licenses and their maintenance, the delivery project, support and maintenance services as well as Innofactor's Azure Managed Services.

Key Stock Exchange Releases after June 30, 2016

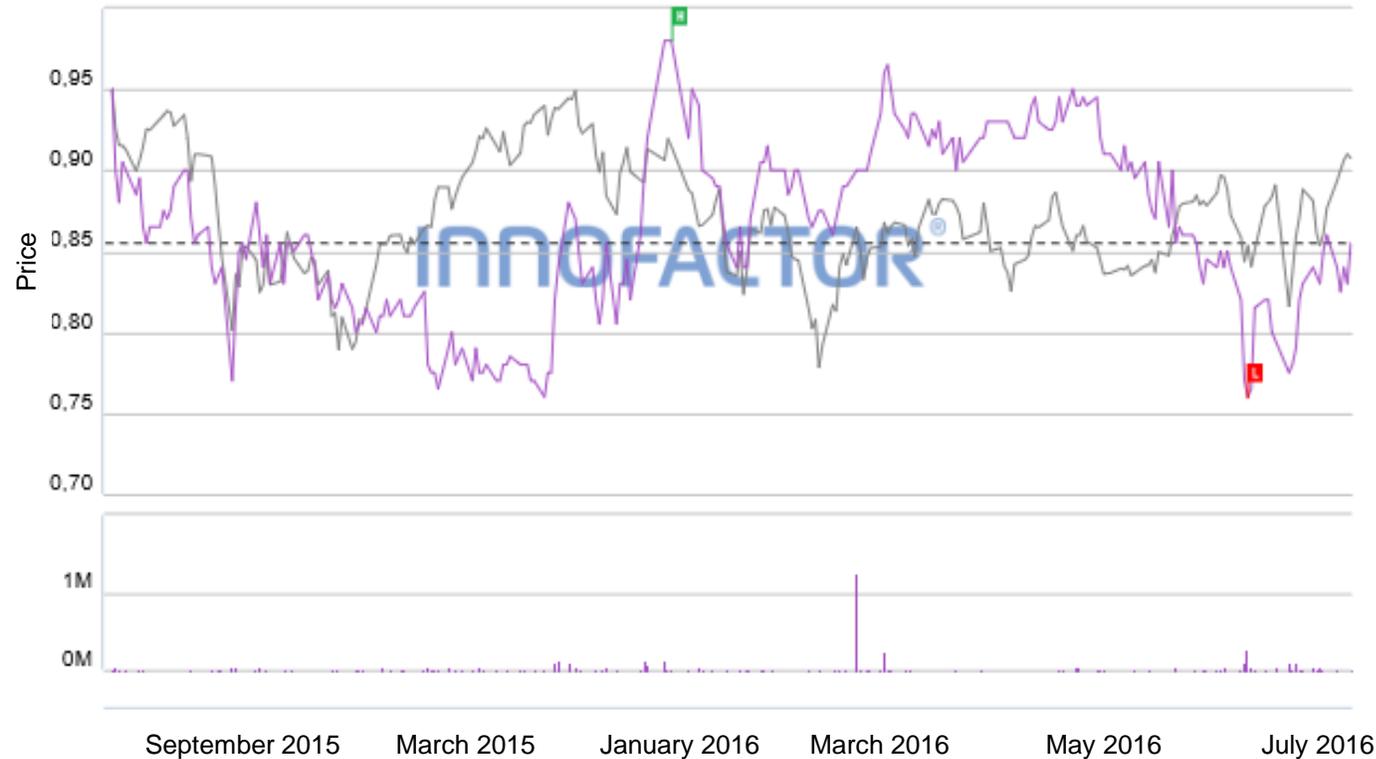
- On July 1, 2016, Innofactor announced in a stock exchange release that Innofactor's Board of Directors had appointed Patrik Pehrsson as Innofactor Plc's new Chief Financial Officer (CFO) as of October 1, 2016. Previously, Pehrsson has worked as a CFO at Microsoft Oy since 2008. In his new role, Pehrsson, M.Sc. (Econ. & Bus. Adm.), will be a member of Innofactor's Executive Board, reporting to CEO Sami Ensio.

Largest shareholders as of June 30, 2016

Name	Number of shares	% of share capital
1. Ensio Sami	7,460,715	22.68%
Ensio Sami	5,286,955	16.07%
Minor under guardianship	724,588	2.20%
Minor under guardianship	724,586	2.20%
Minor under guardianship	724,586	2.20%
2. Tilman Tuomo Tapani	2,772,169	8.43%
Tilman Tuomo Tapani	2,747,492	8.35%
Mpire Capital Oy	24,677	0.08%
3. Laiho Rami Tapani	1,418,519	4.31%
4. Linturi Kaija and Risto	1,271,411	3.86%
R. Linturi Oyj	504,107	1.53%
Linturi Kaija Anneli	430,000	1.31%
Linturi Risto Erkki Olavi	337,304	1.03%
5. Ilmarinen Mutual Pension Insurance Company	1,250,000	3.80%
6. Salminen Jyrki Kalle Tapio	1,111,149	3.38%
7. Ärje Matias Juhanpoika	941,278	2.86%
8. Mäki Antti-Jussi	930,201	2.83%
9. Lampi Mikko Olavi	881,770	2.68%
10. Muukkonen Teemu	522,230	1.59%
11. Bergqvist J.T.	350,000	1.06%
12. Kukkonen Heikki-Harri	336,021	1.06%
13. Järvenpää Janne-Olli	322,804	0.98%
14. Laiho Jari Olavi	270,000	0.82%
15. Damen Klaus Antero	250,001	0.76%
17. Karppinen Antti Sakari	200,000	0.61%
18. Martola Janne Matti Juhani	183,044	0.56%
18. Hellen Stefan Andreas	180,000	0.55%
19. Mäkinen Antti Vilho Juhani	154,000	0.47%
20. Insurance company Henki-Fennia	150,000	0.46%

Innofactor Plc had no treasury shares on June 30, 2016.

Innofactor Share Price Development Compared to Nasdaq Helsinki Index (Closing 18 July 2016 at €0.88)



Share price development

Beginning of 2016 **-10.71%**

1 year change **-7.89%**

2 year change **-25.21%**

8 year change **-3.85%**

5 year change **+4.17%**

Year highest 1.00EUR

Year lowest 0.75EUR

12 month highers 1.01EUR

12 month lowest 0.75EUR

For more information

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

Sami Ensio, CEO

+358 50 584 2029

Sami.ensio@innofactor.com

Janne Martola, CFO, Deputy CEO

+358 50 359 0844

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

Investors > Innofactor as an Investment

Innofactor in Brief

One of the Leading Nordic IT Solution Providers Focused on Microsoft Platforms

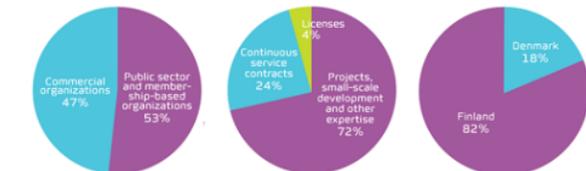
Excellent track records in fast and profitable growth

- 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.



€ 0.88

18.07.2016 08:29 pm EET

Change % High Low
€ +0.02 +2.34% € 0.90 € 0.87

Stock Exchange Releases

08.07.2016

Publishing of Innofactor's Interim Report January - June 2016

01.07.2016

Patrik Pehrsson Appointed Innofactor's CFO

[SHOW ALL](#)

News

08.07.2016

Publishing of Innofactor's Interim Report January - June 2016

You're aiming
for profit?

We focus 100%
on growth.