



The 2018 Financial Statements Bulletin and Q4/2018

March 5th, 2019
Sami Ensio, CEO

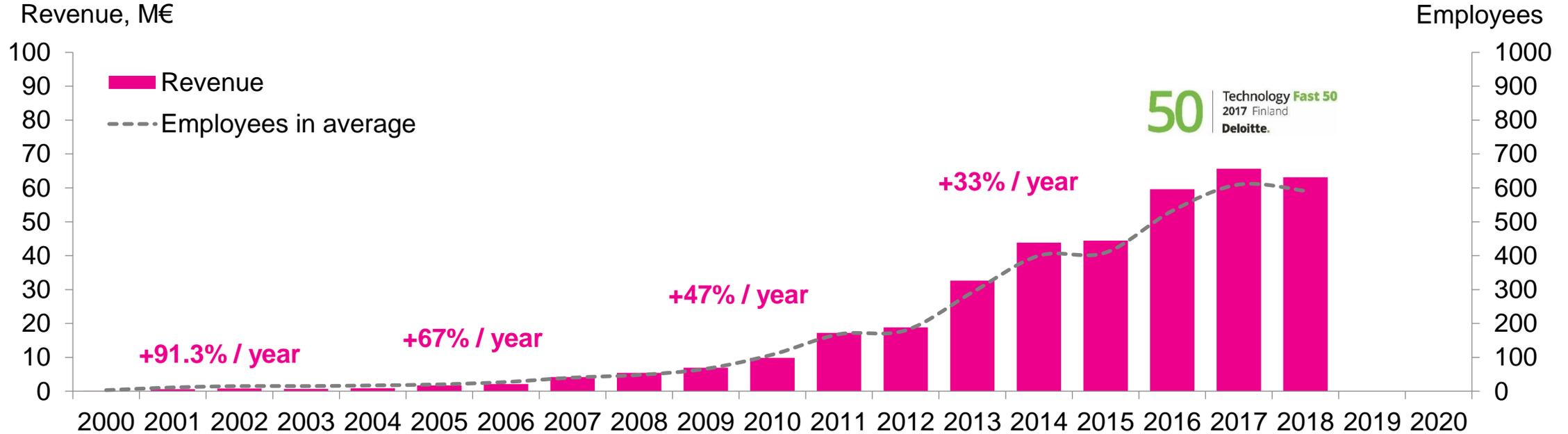


Innofactor's Business

Driving the #ModernDigitalOrganization

INNOFACTOR®

Systematic Growth since 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 Nordics

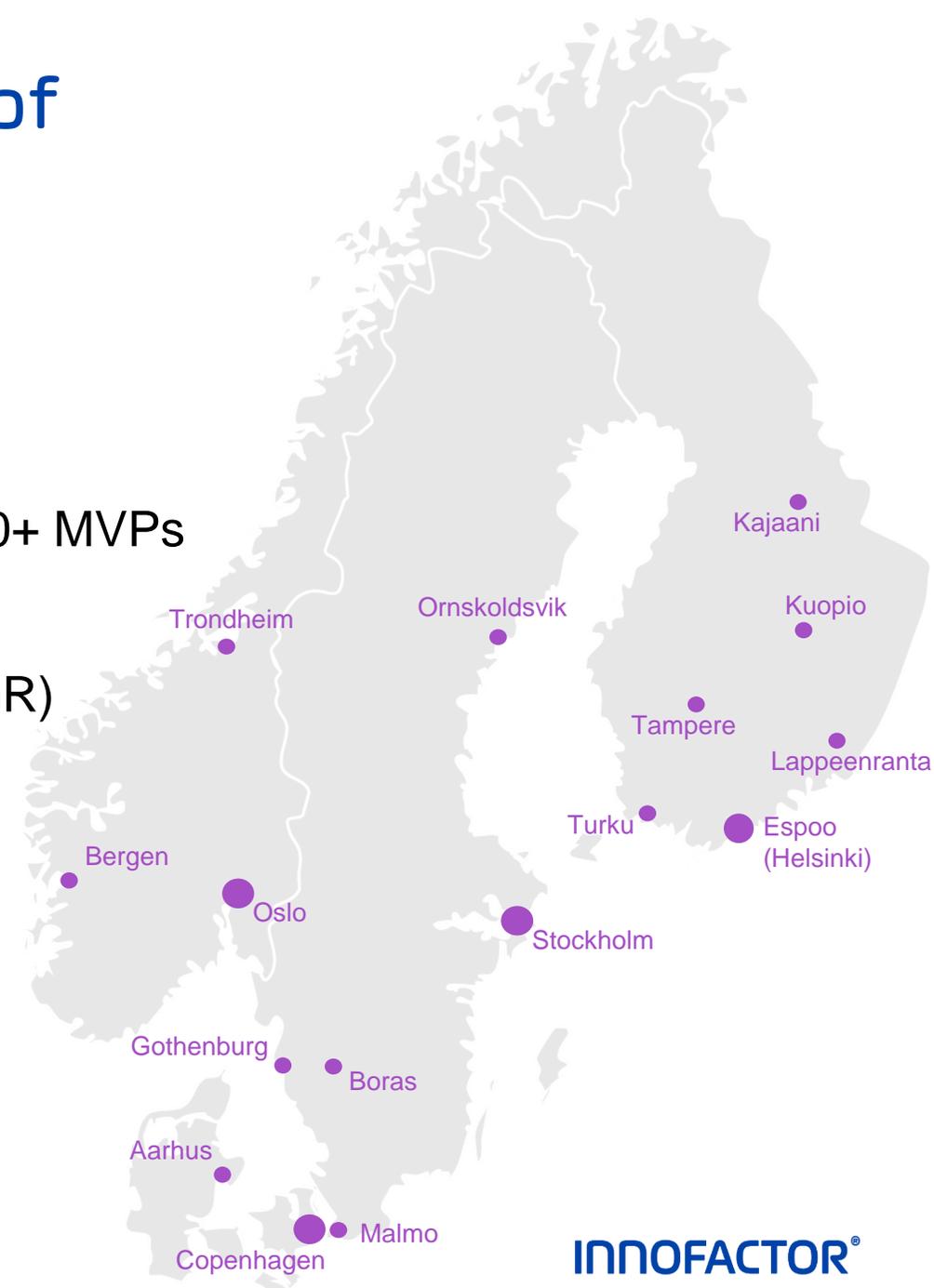
- Cloud transition
- Several acquisitions in the Nordic countries

#1 Provider of Cloud Solutions and Digital Transformation in the Nordics

- Harmonizing offering across the Nordics
- 20% growth and 20% EBITDA

Innofactor – Leading Nordic driver of Modern Digital Organization

- 1,500+ customers from commercial, public sector and membership-based organizations
- 15 enterprise-level Microsoft Gold Competencies
- Circa 600 professionals, 1,600+ Microsoft certificates, 10+ MVPs
- Revenue EUR 63,1M (2018)
- Growth over 14% and EBITDA 5,1% (2014 to 2018 CAGR)
- Listed in NASDAQ Helsinki, 11,000+ shareholders



- 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 Datacenter
- Gold Enterprise Mobility Management
- Gold Enterprise Resource Planning
- Gold Identity and Access
- Gold Project and Portfolio Management
- Gold Windows and Devices

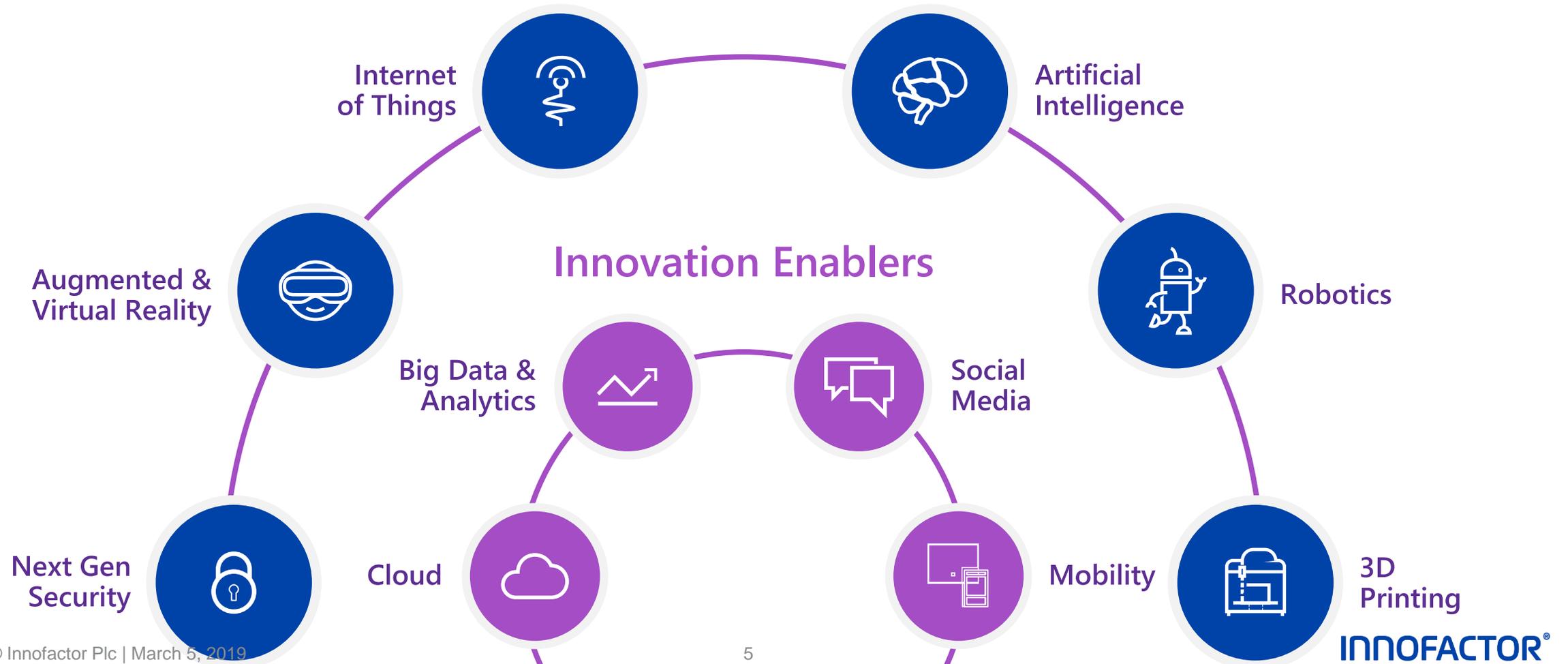


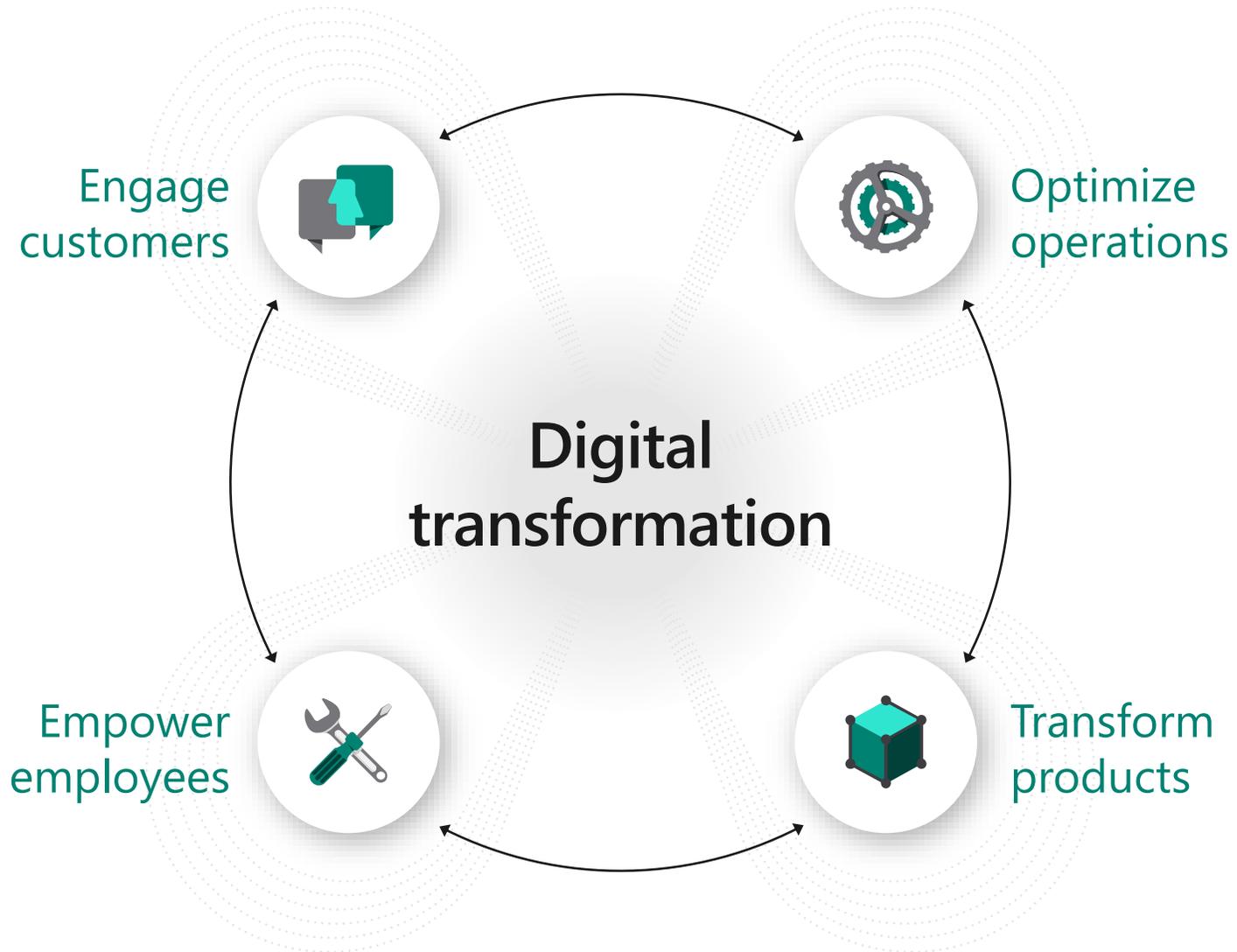
- ISO 9001
- ISO 13485
- ISO/IEC 27001
- AQAP-2110



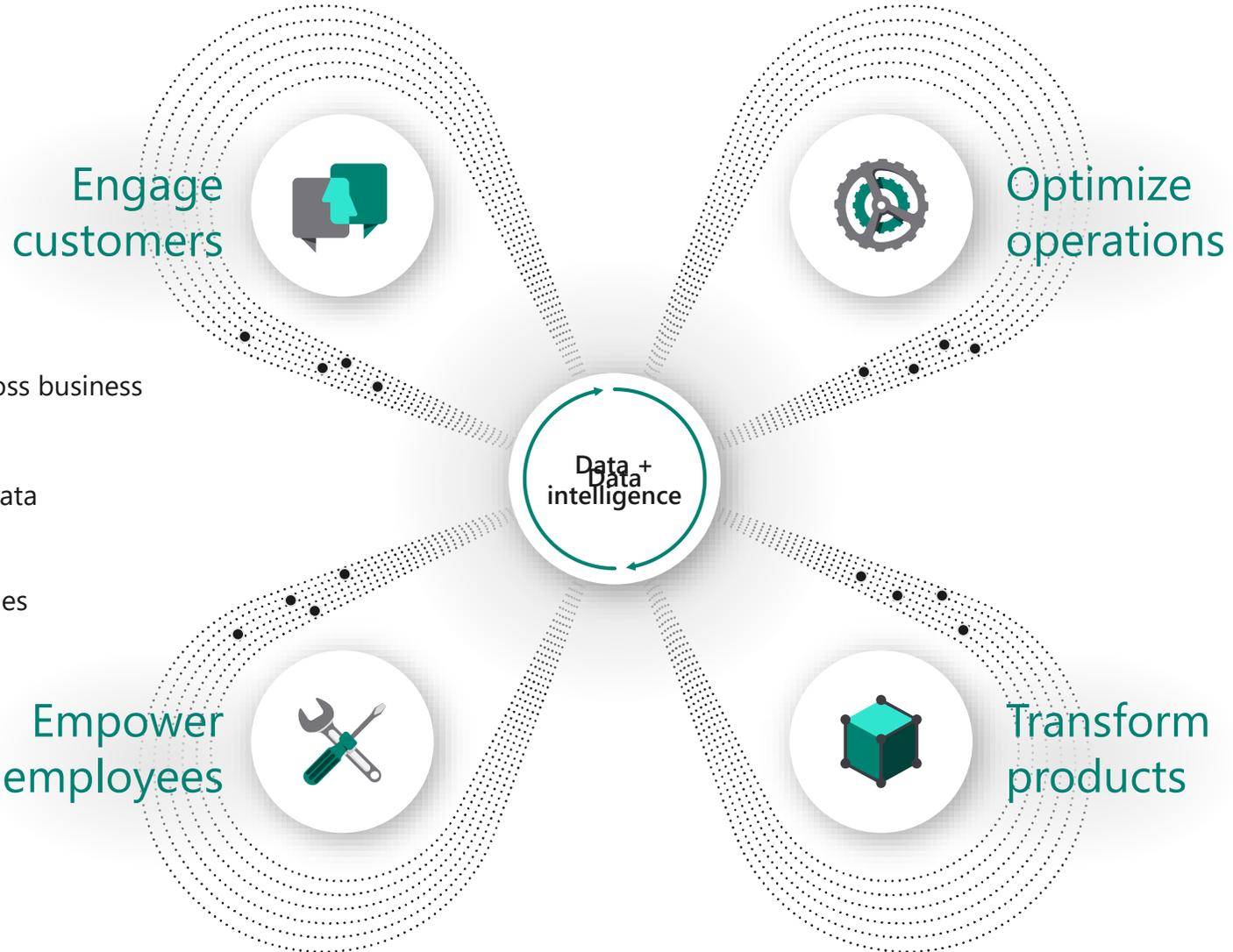
Digital Transformation Changes Our Society

Key Trends Driving Innovation



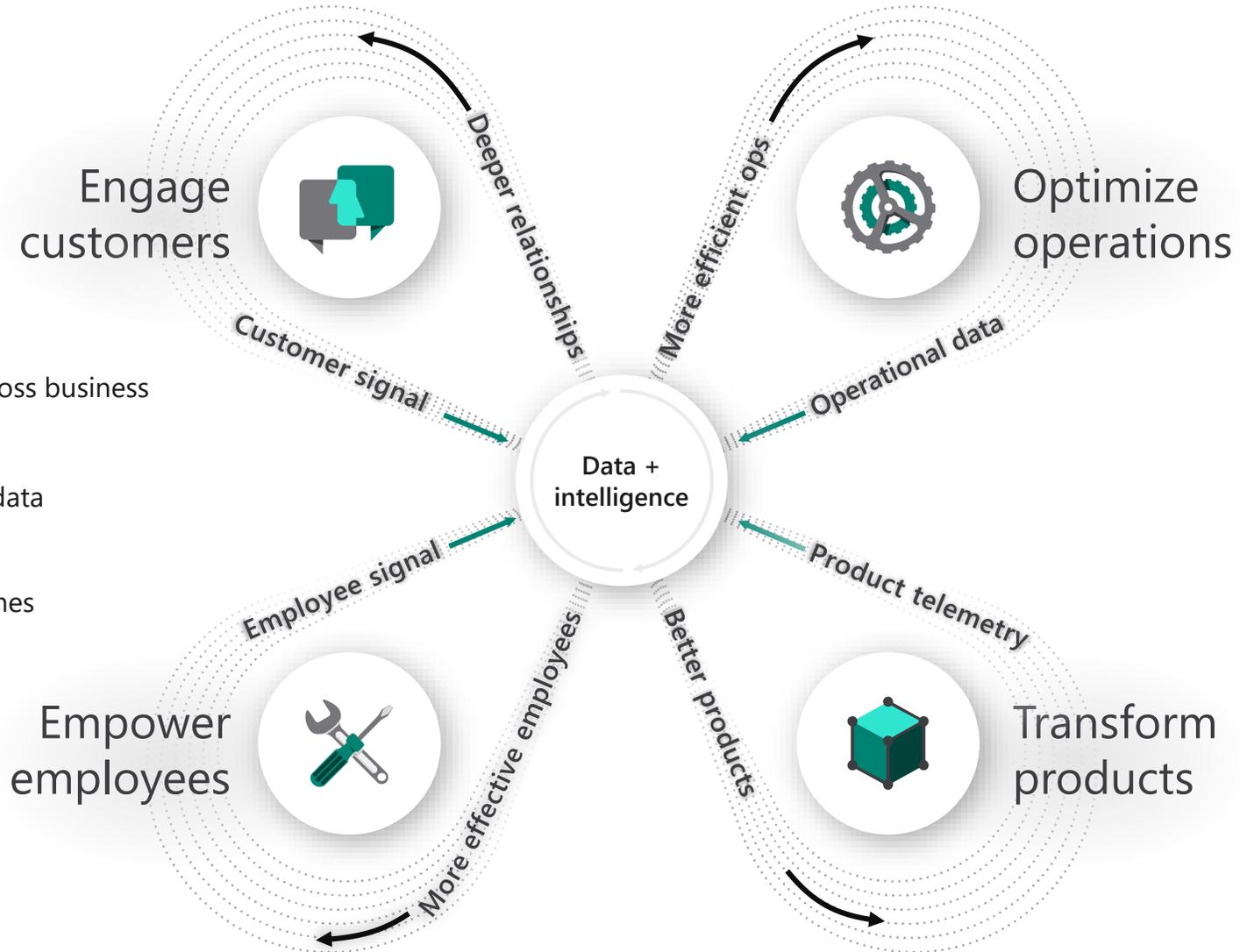


DIGITAL FEEDBACK LOOP



- 1 Data**
Capture digital signal across business
- 2 Intelligence**
Connect and synthesize data
- 3 Action**
Improve business outcomes

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Our Solutions for Building a Modern Digital Organization



Modern Digital Organization



More Personal Digital Customer Experience

- Service Design
- Websites & Mobile Apps
- Digital Customer Service & Marketing



Higher Operational Productivity

- Customer Relationship Management (CRM)
- Enterprise Resource Planning (ERP)
- Project & Portfolio Management (PPM)
- Quality & Management Solutions
- Case & Document Management
- HR & Talent Management



Modern Employee Experience

- Digital Collaboration & Modern Work



Secure Cloud Platform

- Cloud Infrastructure, Governance, Security & GDPR
- Identity & Access Management
- Enterprise Mobility + Security
- Managed Cloud Services



Data-Driven Business

- Business Intelligence
- Advanced Analytics, Artificial Intelligence & Machine Learning
- Internet of Things (IoT)

Modern delivery model guarantees effective implementation and maximum business value Throughout Their Life-cycle



Top Nordic customers: 1500+ Commercial, Public Sector and Membership-based Customers



Our Mission:

Driving the #ModernDigitalOrganization

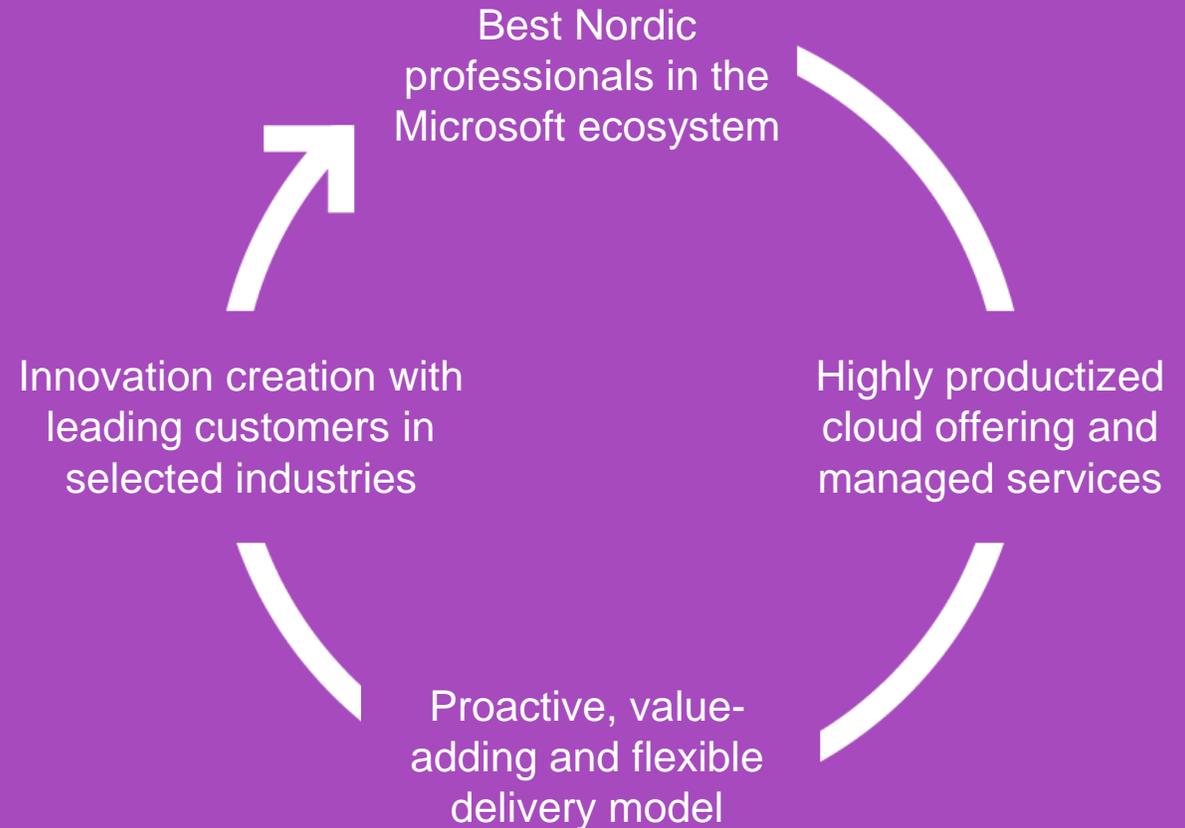
Our Vision:

The leading provider of organizations' digital transformation in each of the Nordic Countries.

Our long-term financial goal is to grow profitably:

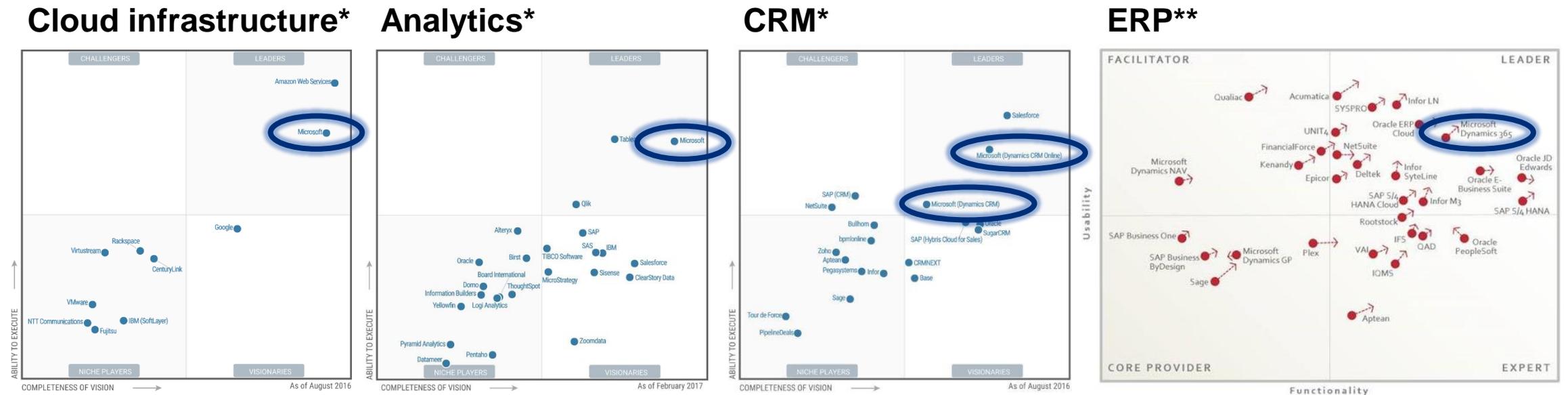
- By achieving annual growth of about 20 percent, most of which should be organic
- By achieving about 20 percent EBITDA in relation to the net sales
- By keeping the cash flow positive and securing solid financial standing in all situations

Our Strategy:



Microsoft Has the Leading Ecosystem in Innofactor's Strategic Focus Areas

- Microsoft is the leading global provider in Innofactor's strategic focus areas
- By focusing on the Microsoft ecosystem Innofactor can attract the best talent and know-how and have close relations to Microsoft
- If Microsoft were to lose its leading position in some areas Innofactor could transition to other partners in these areas



Innofactor Competitive Positioning in the Nordic EUR 10 Billion Microsoft IT Services Market

Nordic IT services market
25 billion euro*

Large companies, in every Nordic Country, all solution areas, and several technologies
- E.g. Tieto, CGI, Fujitsu and Accenture

Nordic Microsoft IT-services market
10 billion euro**

Mid-sized, not in all Nordic Countries, several technologies
- E.g. Siili, Solita, Digia, Netcompany and Precio

Our Competitive Advantage:
- leading know-how in Microsoft-based solutions
- productized offering

Our Competitive Advantage:
- more skilled local professionals
- better productized offering
- more flexible mode of operation

INNOFACTOR®

Our Competitive Advantage:
- Trustworthiness of a listed company
- Established processes
- Strong customer references.

Our Competitive Advantage:
- leading know-how in Microsoft-based solutions
- stronger industry focus & knowledge
- Broader offering

Mid-sized, in every Nordic Country, focusing on specific solutions
- E.g. Atea, HiQ, Knowit and EG

Small companies, usually only in home market, one solution or one technology
- E.g. Sulava, Cloudriven ja Proactive

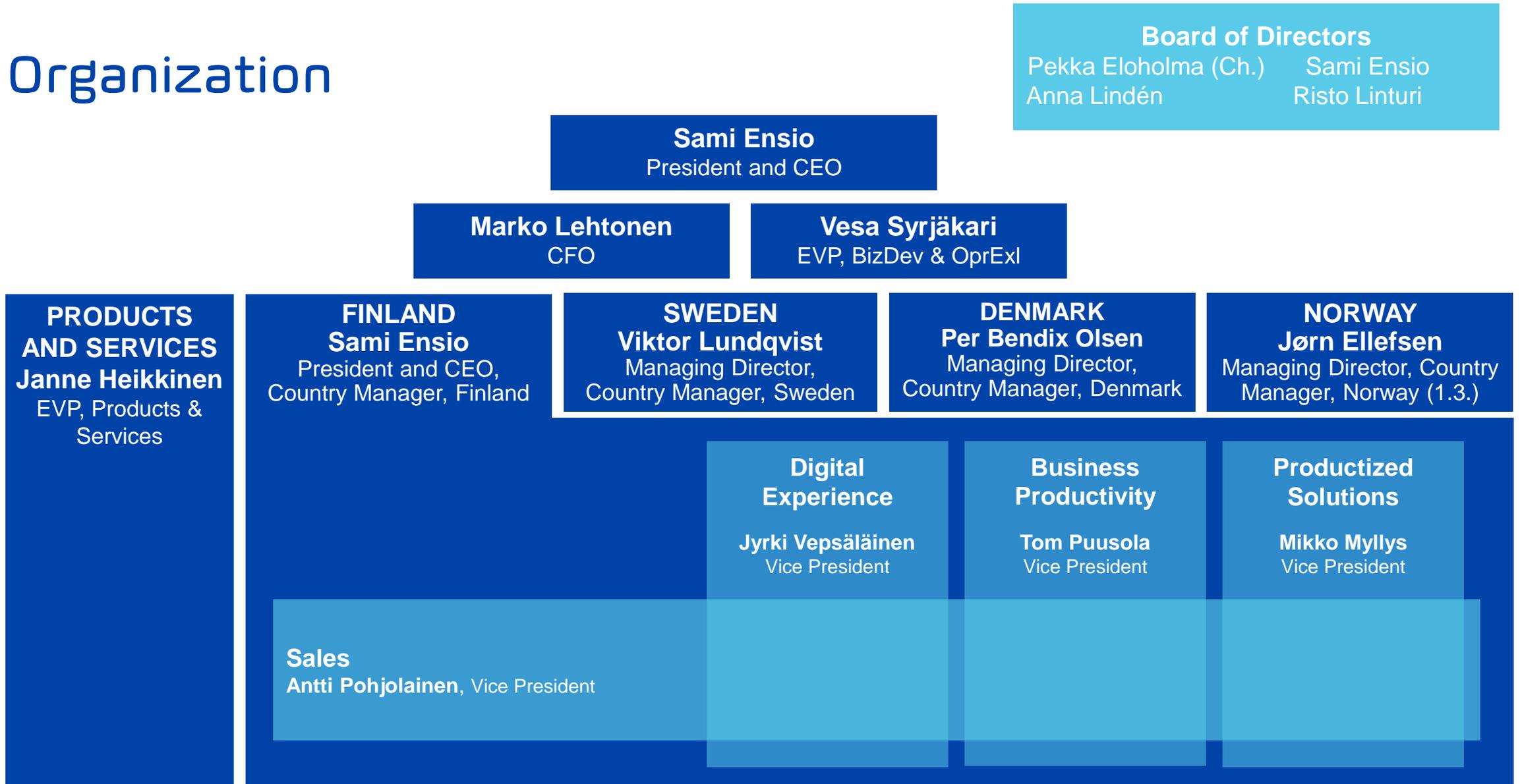
>+5%

+3–5%

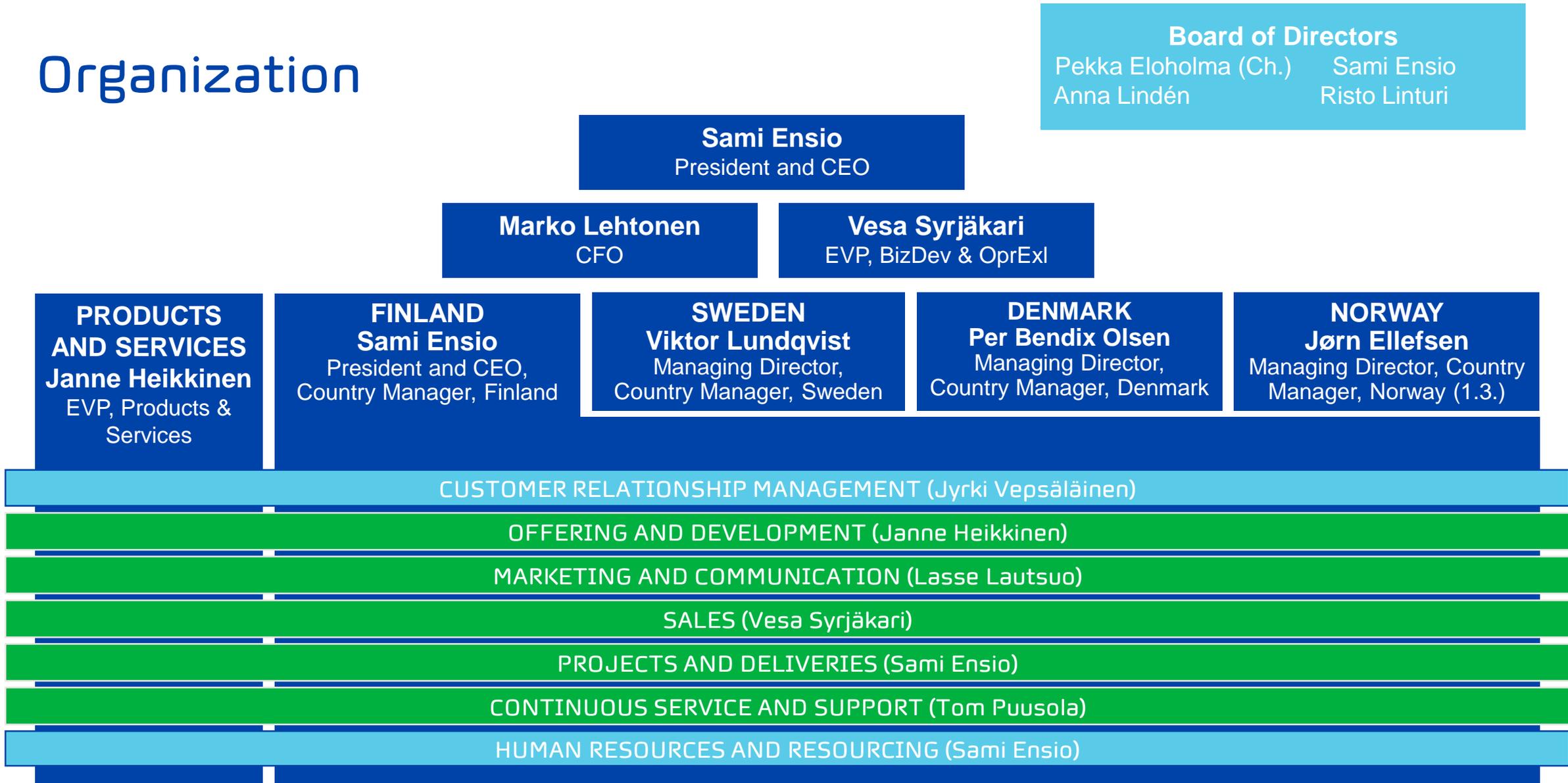
* Source: IDC, internet

** Estimate Microsoft market share to approx. 40%

Organization



Organization



Innofactor's Founder and CEO

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

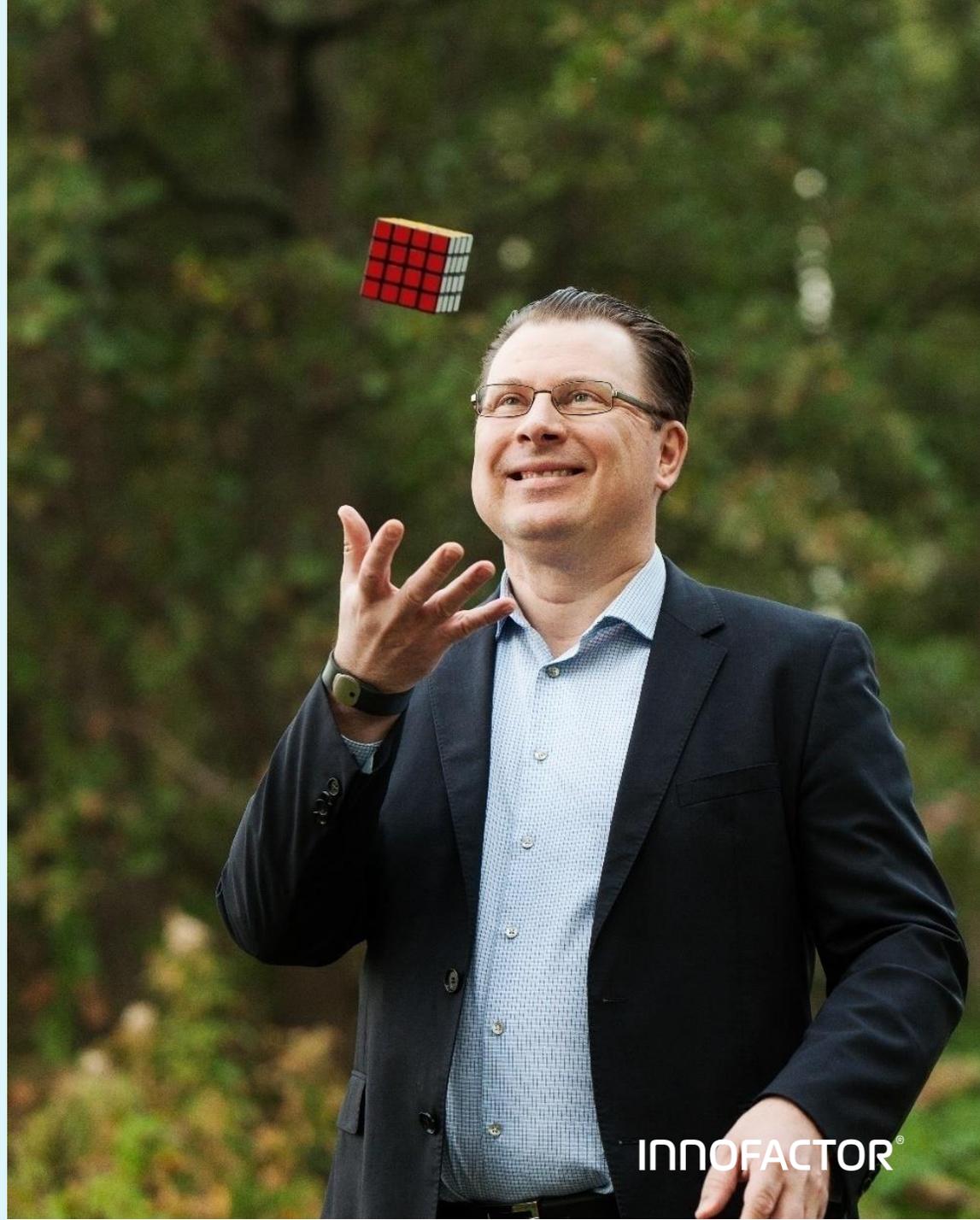
Founder and CEO of Innofactor. Previously member of the Omnitele Management Team. Several positions of trust in the Federation of Finnish Technology Industries and Confederation of Finnish Industries. Member of Partner Advisory Council in Microsoft Corporation.

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, for example, selected Software Entrepreneur of the year 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 and general business studies at University of California, Los Angeles UCLA.

Shareholding: about 7.7 million shares (circa 21%)

More information: <https://fi.linkedin.com/in/ensio>



Other Group Executive Board



Per Bendix

MBA. Managing Director, Country Manager, Denmark. Employed by Innofactor since 2017. Born in 1958. Ownership: 57,499 shares.



Jørn Ellefsen

MBA. Managing Director, Country Manager, Norway. Employed by Innofactor since March 1, 2019. Born in 1971. Ownership: 0 shares.



Janne Heikkinen

M.Sc. (Tech.) EVP, Products and Services. Employed by Innofactor since 2015. Born in 1974. Ownership: 83,044 shares.



Marko Lehtonen

M.Sc.(Econ) Chief Financial Officer. Employed by Innofactor since 2018. Born in 1972. Ownership: 200 shares.



Viktor Lundqvist

M.Sc. (Computer Engineering) MD, Country Manager, Sweden. Employed by Innofactor since 2016. Born in 1982. Ownership 30,000 shares.



Vesa Syrjäkari

M.Sc. Executive Vice President, Business Development and Operational Excellence. Employed by Innofactor since 2017. Born in 1960. Ownership: 60,000 shares.

Board of Directors



Pekka Eloholma, Chairman

M.Sc. (Tech.) CEO of Nebula 2014–2017. CEO of Affecto 2006–2013. Former management positions in, for example, Setec, Siemens, FinnetCom, and Helsingin Puhelin (current Elisa). Born in 1960. Ownership: 31,109 shares.



Sami Ensio

M.Sc. (Tech.) Innofactor's founder and CEO since 2000. Member of the Microsoft Corporation's Partner Advisory Council since 2014. Several positions of trust in the Federation of Finnish Technology Industries and the Confederation of Finnish Industries since 2013. Born in 1971. Ownership with related parties: 7,716,173 shares.



Anna Lindén

M. Pol.Sc. Several positions at Nokia since 1998, latest position COO of the Nokia Mobile Networks business group. Born in 1973. Ownership with related parties: 21,200 shares.



Risto Linturi

M.Sc. (Tech.) Chairman of the Board of Sovolto. Director of Aalto University's Radical innovations program 2004–2014. Previously CTO of Helsingin Puhelin (current Elisa). One of Finland's most acknowledged researchers of future and has drawn up reports, for example, for the Finnish Parliament. Born in 1957. Ownership with related parties: 1,256,411 shares.

How to Achieve Long-term Financial Goals

20% Growth:

Focus on selected industries and solution areas (customer journeys) that provide the highest growth opportunities and allow us best to scale existing offering in the Nordics

Focus on current customers and cross sales getting bigger share of wallet of customer's digital transformation budget

Improving modern digital marketing and sales skill to achieve better and more cost-effective sales results

Focus on competence planning, recruiting and resource optimization across Nordics

20% EBITDA:

Shifting revenues from projects and professional services toward products, IP-based and continuously managed services that support selected solution areas and industries

Getting increasing hour price because of the best Nordic professionals (seniors and juniors) and leading offering

Reducing organizational layers, creating self-organized teams, better span of control, communication and faster decision making

Continuously improving our flexible value-adding delivery model minimizing number of non-invoiced hours and maximizing customer satisfaction

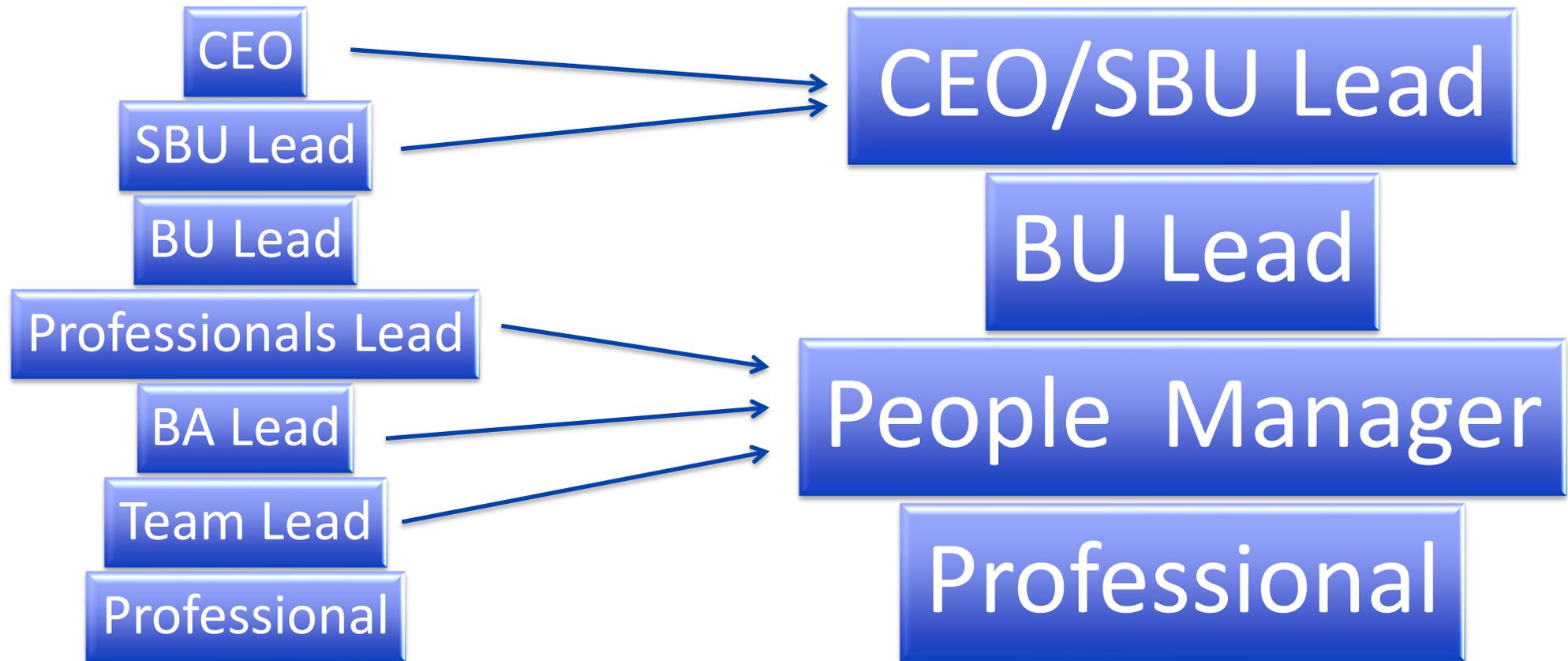
Co-operation Negotiations

- Innofactor announced start of negotiations 8.10.2018 and they were concluded 29.10.2018.
- The goal of the negotiations was to achieve, through reorganization of tasks, an operation model that would better support our strategy, and also an annual positive effect of EUR 2.0 million in Innofactor's operating margin starting from 2019.
- Innofactor reduces the number of personnel by a total of 12 or 13, which will result in annual savings of EUR 1.4 million starting from 2019. However, the number of employees laid off does not exceed 8 persons in any of the Innofactor companies. Additionally, tasks are reorganized so that persons, who have previously worked either partially or totally in internal tasks, can be transferred to customer work. This is estimated to improve the operating margin approximately EUR 1.0 million annually. In total, starting from 2019, the current actions are estimated to result in a positive annual effect of EUR 2.4 million in the operating margin
- In the Finnish delivery organization, we manage to remove three levels of organization. This will be achieved by introducing self-organized teams and by replacing the current 50 superiors, most of whom are acting as superiors in addition to their actual tasks, with 16 full-time superiors and line managers, which means that a significant part of current superiors will have much more time for sales and customer work, and also by an arrangement in which the Innofactor Group's CEO Sami Ensio will handle also the tasks of the Finnish Country Manager. From now on in Finland, there will only be two levels of superiors between the professionals and the CEO.

Reduction of Organization Layers in Finland

From current 7 organization layers

To new 4 organization layers

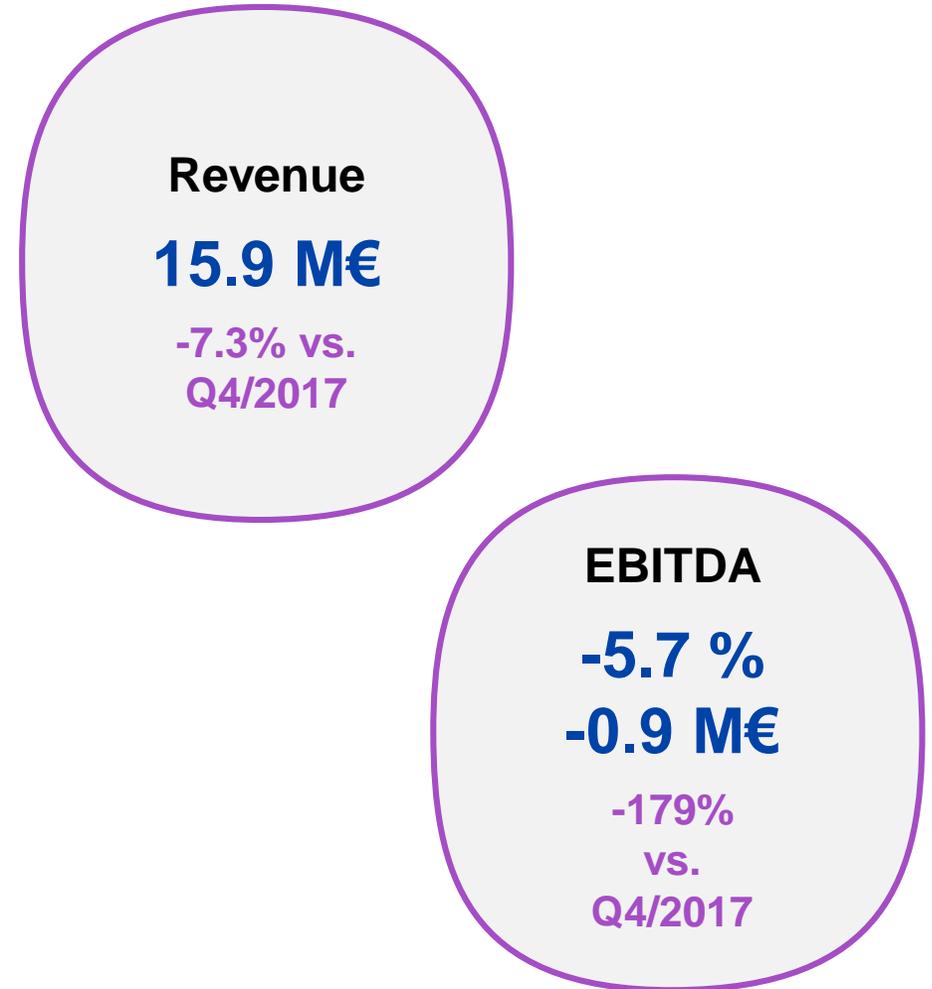


Q4/2018 Results

The last quarter of 2018 was very challenging, the net sales and operating margin were under the target

As a result of co-operation negotiations related to strategy and its implementation, we aim to have ca. 2,4 million euros positive impact on EBITDA on annual basis.

The cooperation negotiations in the last quarter together with other actions are believed to have an effect already starting from the first quarter of 2019.

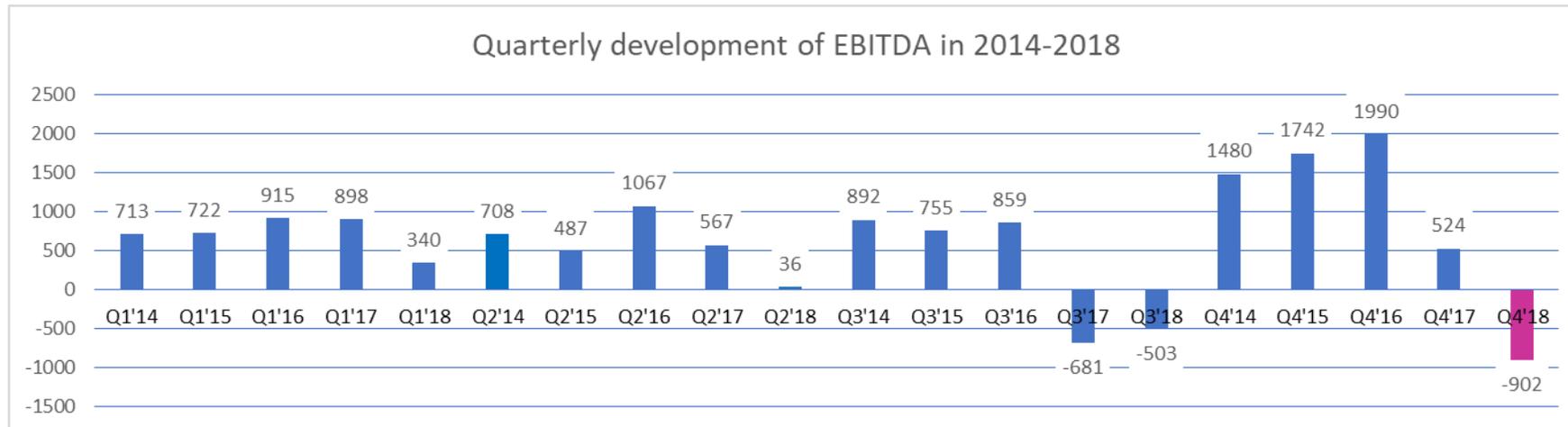
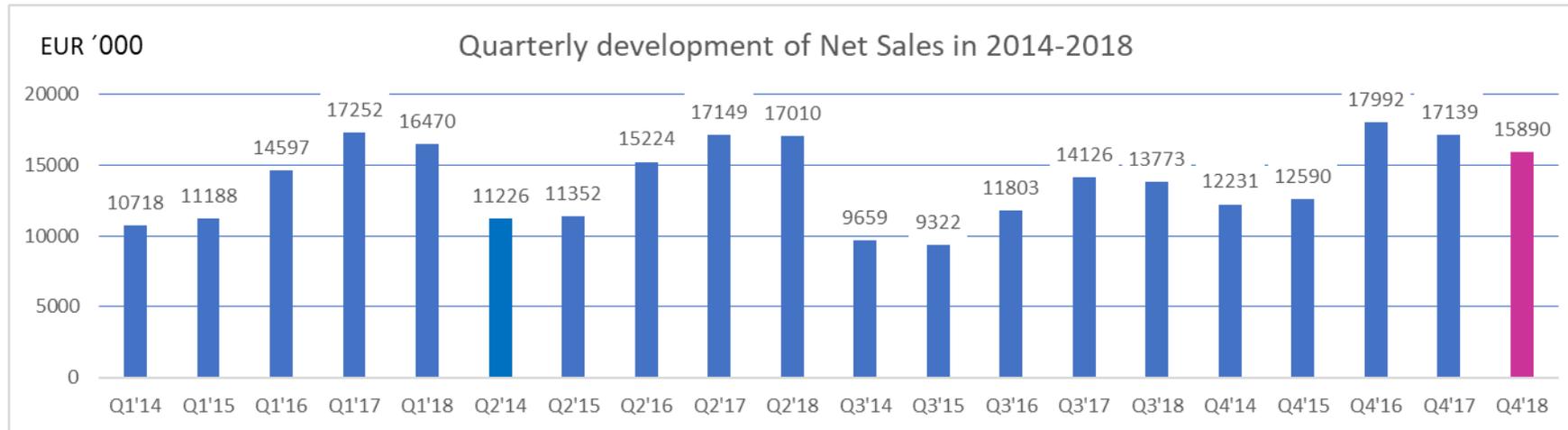


Q1-Q4/2018 Actuals

Selected Key Figures

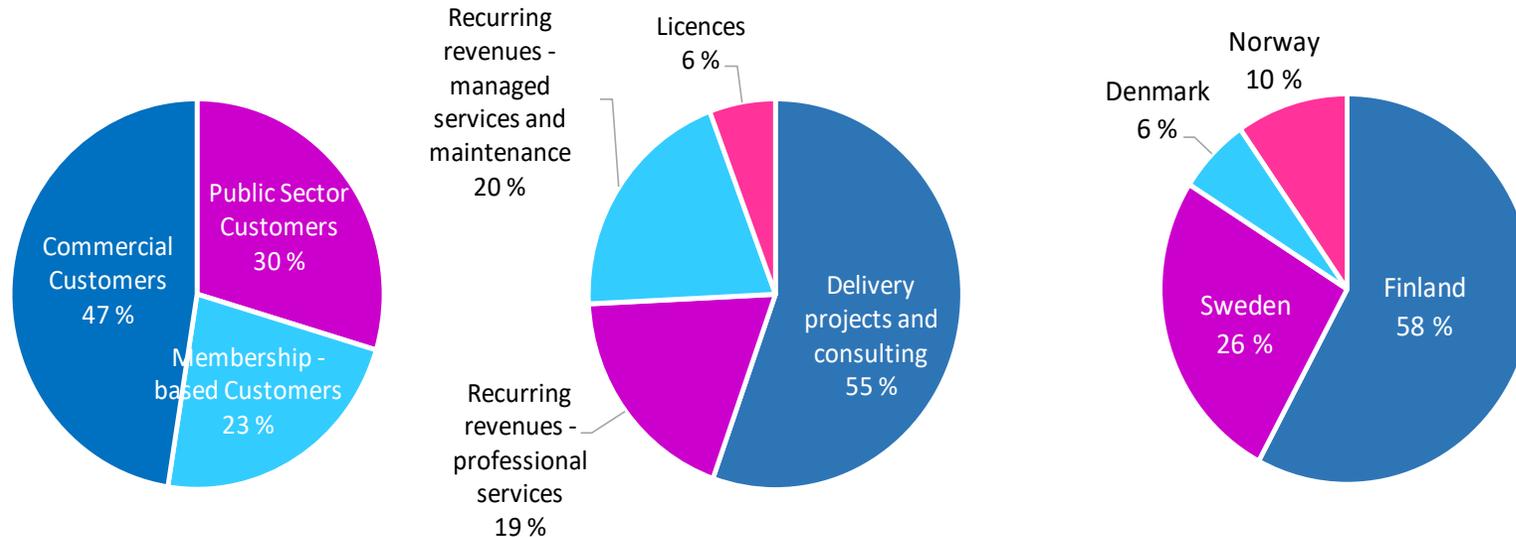
	Q1-Q4 /2018	Q1-Q4 /2017	Change (%)	CEO's comment
Net Sales (kEUR)	63 144	65 666	-3.8%	<i>"2018 was extremely challenging for our business operations. Customers' purchase habits in Finland differed significantly from previous years, as regards the Dynasty product family updates, as customers decided to wait for the turn of the year and a new version of the product family. Also, the net sales in Denmark in the fourth quarter were significantly lower than estimated. "</i>
EBITDA (kEUR)	-1 029	1 308	-178.7%	<i>"In order to achieve strategic targets Innofactor informed about co-operation negotiations 8th October 2018, which are estimated to have positive annual level impact on EBITDA ca. 2.4 million euros."</i>
Equity Ratio (%)	41.2%	43.4%		<i>"Cash flow in the period was negative but better than EBITDA. Equity ratio remained in good level."</i>

Quarterly Development of Innofactor Group Financials



Broad Customer Base, Long-term Contracts and Business Footprint in Nordic Countries Bring Stability

Distribution of net sales January 1 to December 31, 2018



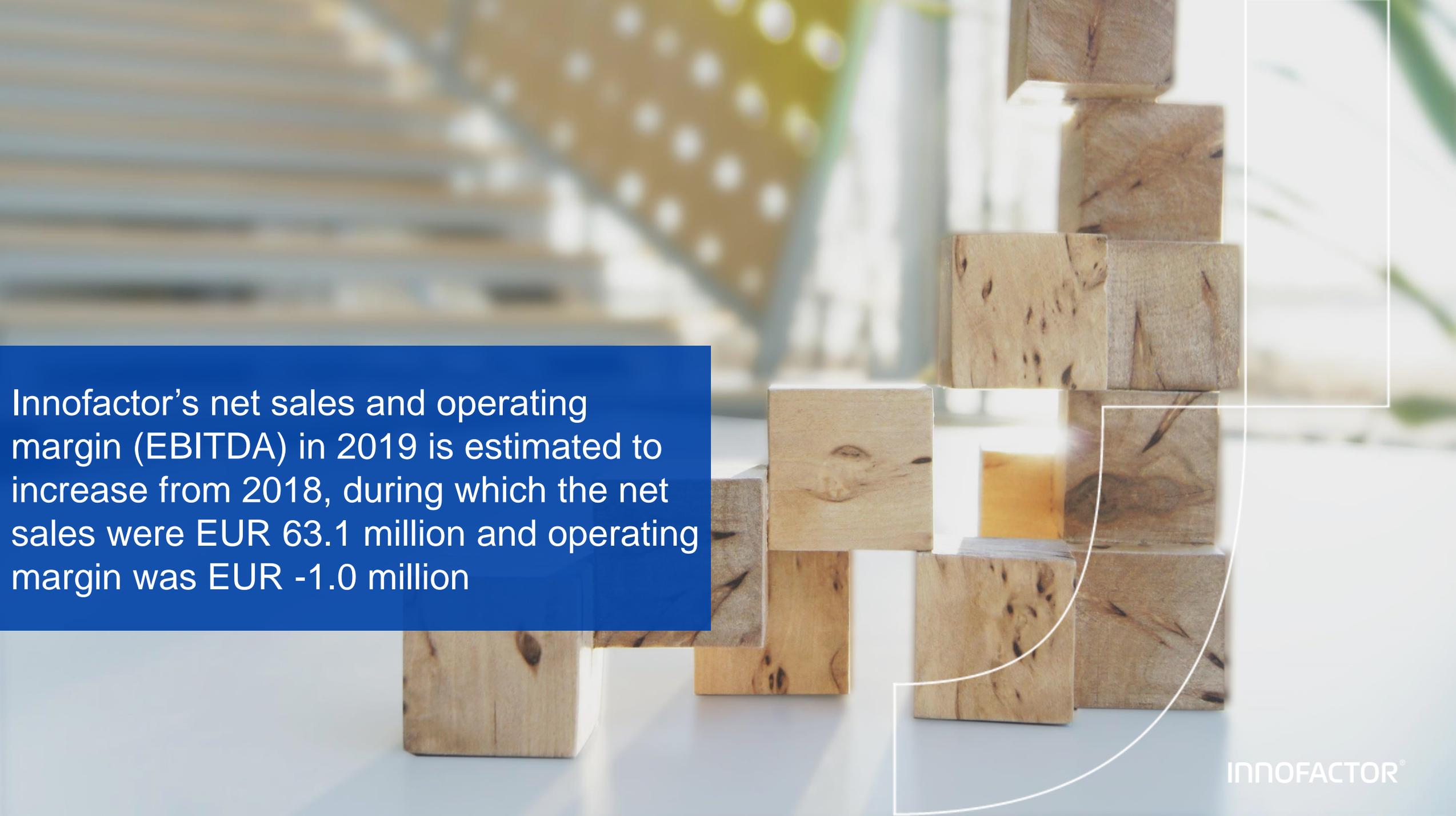
- Strong customers in both public and private sectors bring stability in economic fluctuations
- 10 largest customers account for approximately 24% of net sales
- Recurring revenues from service agreements and license sales bring competitive advantage and business stability
- Sales of labor moving increasingly to frame agreements and continuous maintenance work
- Sweden, Denmark and Norway represented a significant portion of Innofactor's revenues.
- Innofactor's objective is to create a strong position in all Nordic countries

Innofactor Key Financials, IFRS

	Oct 1–Dec 31, 2018	Oct 1–Dec 31, 2017	Change	Jan 1–Dec 31, 2018	Jan 1–Dec 31, 2017	Change
Net sales, EUR thousand	15,890	17,139	-7.3%	63,144	65,666	-3.8%
Growth of net sales	-7.3%	-4.7%		-3.8%	10.1%	
Operating profit before depreciation and amortization (EBITDA), EUR thousand	-902	524	-272.1%	-1,029	1,308	-178.7%
percentage of net sales	-5.7%	3.1%		-1.6%	2.0%	
Operating profit/loss (EBIT), EUR thousand*	-1,693	-232	-629.8%	-3,872	-1,461	-165.0%
percentage of net sales*	-10.7%	-1.4%		-6.1%	-2.2%	
Earnings before taxes, EUR thousand*	-1,329	-8	-16515.7%	-3,811	-1,579	-141.4%
percentage of net sales*	-8.4%	0.0%		-6.0%	-2.4%	
Earnings, EUR thousand*	-1,232	-6	-20437.3%	-3,462	-2,007	-72.5%
percentage of net sales*	-7.8%	0.0%		-5.5%	-3.1%	
Net gearing	71.2%	53.8%		71.2%	53.8%	
Equity ratio	41.2%	43.4%		41.2%	43.4%	
Active personnel on average during the review period**	567	613	-7.5%	591	610	-3.1%
Earnings per share (EUR)	-0.0332	-0.0002	-18653.7%	-0.0880	-0.0357	-146.4%

*) In accordance with IFRS 3, the operating result for October 1–December 31, 2018, includes EUR 507 thousand (2017: 507) in depreciations related to acquisitions, consisting of allocations of the purchase price to intangible assets. In accordance with IFRS 3, the operating result for January 1–December 30, 2018, includes EUR 2,030 thousand (2017: 2,030) in depreciations related to acquisitions, consisting of allocations of the purchase price to intangible assets.

***) 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's net sales and operating margin (EBITDA) in 2019 is estimated to increase from 2018, during which the net sales were EUR 63.1 million and operating margin was EUR -1.0 million



Other Issues

The Most Significant Stock Exchange Releases Q4

- On October 8, 2018, Innofactor announced in a stock exchange release that it had updated its strategy. The updated strategy is presented in more detail in the section "Strategy and its realization in the review period."
- On October 8, 2018, Innofactor announced in a stock exchange release that it is starting cooperation negotiations based on its updated strategy and related to the development of its organization.
- On October 8, 2018, Innofactor announced in a stock exchange release that it estimates that its result prospects for 2018 will be weaker than previously stated, due to reorganization.
- On October 10, 2018, Innofactor announced in a stock exchange release that the cooperation negotiations had been completed.
- On December 4, 2018, Innofactor announced in a stock exchange release that 13 municipalities of the North Karelia region have decided to implement the next generation Dynasty 10 case management system, and the value of the procurement is about EUR 0.5 million over four years, starting from the beginning of 2019.
- On December 21, 2018, Innofactor announced in a stock exchange release that Hansel has selected Innofactor in a public procurement competition as the provider for the renewal of the procurement announcement service Hilma, and the value of the procurement is approximately EUR 4.0 million, of which the value of the first phase during year 2019 is approximately EUR 1 million.

The Most Significant Stock Exchange Releases after Q4

- On January 25, 2018, Innofactor lowered its estimate on the net sales and operating margin (EBITDA) for 2018.
- On February 14, 2017, Innofactor announced in a stock exchange release that a Swedish organization selected Innofactor to implement their membership management project, the value of the procurement being approximately EUR 1.3 million, is estimated to be registered for 2019.
- On February 15, 2019, Innofactor announced in a stock exchange release that Finnish Transport and Communications Agency Traficom has selected Innofactor as the provider of further development and maintenance of the digital services channel (VISA) and its architecture. The value of the procurement being approximately EUR 5.0 million, is estimated to start in spring 2019 and to continue 5–7 years.

There are no other significant events in Innofactor after the review period.

Key points from CEO's review

- Innofactor's vision is to be the leading implementer of digitalization in each of the Nordic Countries. We believe in our chosen Nordic strategy and in reaching our long term goals. This requires perseverance and determination from the company's management and employees as well as investors. In 2019, Innofactor will focus on improving the profitability of its business operations. Our goal is to improve our profitability right at the beginning of the year. This is now our most important task with our top personnel.
- 2019 has started positively. We have made several significant deals. We have sold a total of 38 updates for our Dynasty 10 case management software. We estimate that the delay in these updates affected the 2018 result negatively, and they will now have a positive effect on 2019.
- Innofactor's order book development at the beginning of the year has been very positive, and is currently the largest in its history, approximately EUR 32 million. As of the first quarter of 2019, we will also report our order book to our investors.

Largest shareholders December 31, 2018

Name	Number of shares	% of share capital
1. Ensio Sami	7,716,173	21.32%
<i>Ensio Sami</i>	5,542,413	15.32%
<i>Minor under guardianship</i>	724,588	2.00%
<i>Minor under guardianship</i>	724,586	2.00%
<i>Minor under guardianship</i>	724,586	2.00%
2. Ilmarinen Mutual Pension Insurance Company	1,800,000	4.97%
3. Tilman Tuomo Tapani	1,465,437	4.05%
4. Svalroma Invest AB	1,435,196	3.97%
5. Linturi Kaija and Risto	1,256,411	3.47%
<i>R. Linturi Oyj</i>	489,107	1.35%
<i>Linturi Kaija Anneli</i>	430,000	1.19%
<i>Linturi Risto Erkki Olavi</i>	337,304	0.93%
6. Laiho Rami Tapani	1,255,159	3.47%
7. Ärje Matias Juhanpoika	882,065	2.44%
8. Mäki Antti-Jussi	877,192	2.42%
9. Muukkonen Teemu Heikki	522,230	1.44%
10. Ingman Finance Oy Ab	500,000	1.38%
11. Järvenpää Janne-Olli	315,211	0.87%
12. Kukkonen Heikki-Harri	276,931	0.77%
13. Rausanne Oy	272,545	0.75%
14. Anttila Mikko Matias	254,150	0.70%
15. Hellen Stefan Andreas	250,000	0.69%
16. Laiho Jari Olavi	235,000	0.65%
17. Audit-Lex Oy	170,000	0.47%
18. Mäkinen Antti Vilho Juhani	160,000	0.44%
19. Heikki Tervonen Oy	153,000	0.42%
20. Jajopa Oy	130,290	0.36%

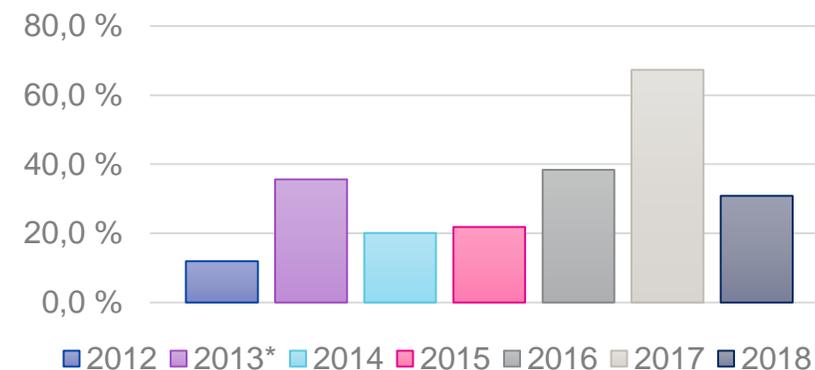
Innofactor Share Price Development and Turnover (Closing December 31st, 2018 at €0.36)



Share Price Development

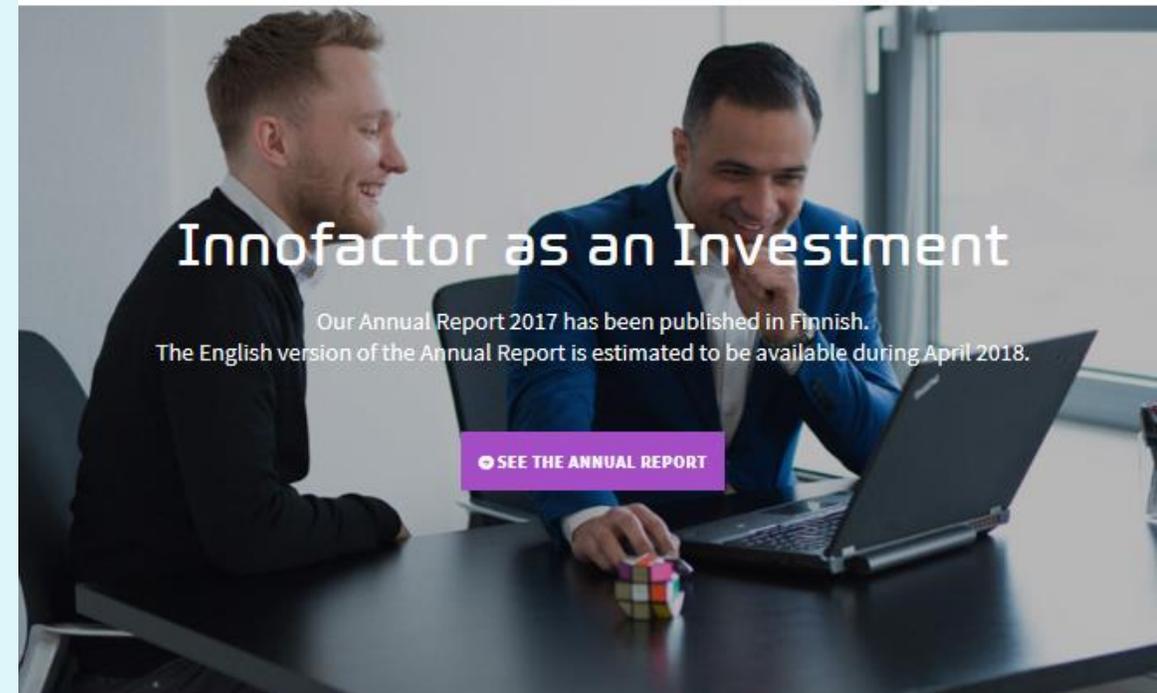
Beginning of 2019	+13,12%		
1 year change	-50,66%	Year highest	1,13EUR
3 year change	-56,20%	Year lowest	0,35EUR
5 year change	-71,76%		

Turnover in % compared total amount of shares



* The high turnover in 2013 is due to the atBusiness acquisition and an option relating to this where Innofactor purchased approx. 4.7 million of its own shares. This constitutes approx. 29 percent of the share turnover in 2013.

In public trading on October 1–December 31, 2018, a total of 4 367 862 shares were traded (2017: 7 483 316 shares), which corresponds to 12,1 percent (2017: 20,7%) of the average number of shares on the said period. The share trading decreased by 41,6 percent compared to the corresponding period in 2017.



Innofactor as an Investment

Our Annual Report 2017 has been published in Finnish.
The English version of the Annual Report is estimated to be available during April 2018.

SEE THE ANNUAL REPORT

A Leading Nordic Provider of Digitalization and Cloud Solutions

€ 0.85

04.02.2018 10:15 pm EST

Change	%	High	Low
€ +0.00	+0.12%	€ 0.85	€ 0.85

Innofactor is a leading Nordic provider of digitalization and cloud solutions. We have Microsoft Ecosystem's leading expertise, the most comprehensive offering in the Nordics, and over 600 eager and motivated top professionals in Finland, Sweden, Denmark and Norway. We serve over 1,500 commercial, public, and third sector organizations. In 2013 to 2017, the annual growth of our net sales has been approximately over 20%. The Innofactor Plc share is listed in the technology section of the main list of NASDAQ Helsinki Ltd.

Latest Stock Exchange Releases

07.03.2018

Innofactor publishes new financial figures for 2017 adjusted for th...

24.04.2018

Publishing of Innofactor's Interim Report January - March 2018

04.04.2018

Innofactor Plc: Managers' Transactions - Per Bendix Olsen

For more information

<https://www.innofactor.com/invest-in-us/innofactor-as-an-investment/>

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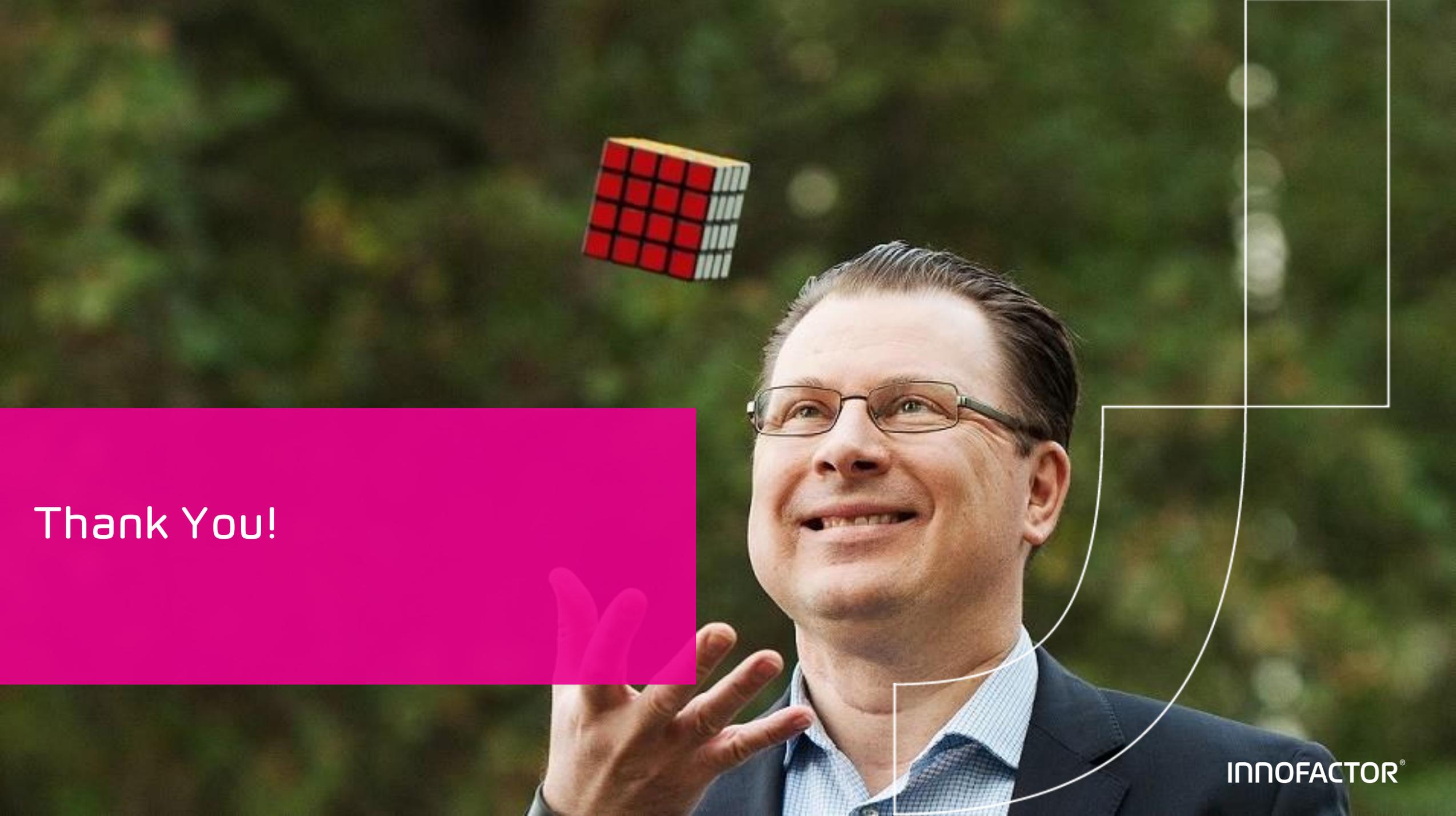
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Thank You!