

Innofactor Plc Stock Exchange Release February 24, 2015, at 8:30 Finnish time

Innofactor Plc financial statement 2014 (IFRS)

Summary

	mo. 10– 12/ 2014	mo. 10– 12/ 2013	Change	mo. 1–12/ 2014	mo. 1– 12/ 2013	Change
Net sales, EUR thousand	12,516	11,090	+12.9%	44,119	32,685	+35.0%
Growth of net sales	+12.9%	+76.1%		+35.0%	+73.7%	
Operating profit before depreciation and amortization (EBITDA), EUR thousand*	1,794	1,321	+35.8%	4,107	3,284	+25.1%
percentage of net sales*	14.3%	11.9%		9.3%	10.0%	
Operating profit/loss (EBIT), EUR thousand*	1,449	986	+47.0%	2,720	2,255	+20.6%
percentage of net sales*	11.6%	8.9%		6.2%	6.9%	
Earnings before taxes, EUR thousand**	1,214	1,025	+18.4%	2,259	1,863	+21.3%
percentage of net sales**	9.7%	9.2%		5.1%	5.7%	
Earnings, EUR thousand**	970	776	+25.0%	1,807	1,407	+28.4%
percentage of net sales**	7.8%	7.0%		4.1%	4.3%	
Net gearing	42.4%	55.9%		42.4%	55.9%	
Equity ratio	49.0%	43.1%		49.0%	43.1%	
Personnel on average during the review period	415	392	+5.9%	421	307	+37.1%
Earnings per share (EUR)	0.0302	0.0216	+39.7%	0.0563	0.0432	+30.4%

*) 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. The last quarter of 2013 included one-off costs related to acquisitions for about EUR 182 thousand, and also costs and cost reserves related to the integration for about EUR 277 thousand, a total of about EUR 459 thousand. The last quarter of 2013 included a one-off profit of EUR 158 thousand. The second quarter of 2013 included one-off costs related to the atBusiness Oy acquisition for about EUR 164 thousand, and also cost reserves related to the integration for about EUR 200 thousand, a total of about EUR 364 thousand.

***) 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 last quarter of 2013 included one-off costs related to acquisitions for about EUR 662 thousand (of which the financial expenses for the additional purchase price related to the acquisition were EUR 480 thousand), and also costs and cost reserves related to the integration for about EUR 277 thousand, a total of about EUR 939 thousand. The last

quarter of 2013 included one-off profit of EUR 158 thousand and also financial income of EUR 758 thousand for the additional purchase price related to the acquisition, a total of about EUR 916 thousand. The second quarter of 2013 included one-off costs related to the atBusiness Oy acquisition for about EUR 370 thousand (of which EUR 206 thousand were costs related to organizing the loans), and also cost reserves related to the integration for about EUR 200 thousand, a total of about EUR 570 thousand.

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

The annual figures in this financial statement have been audited.

Reporting

Innofactor operates on a single segment, offering software, systems and related services.

CEO Sami Ensio's review

In the last quarter of 2014, Innofactor continued profitable growth in accordance with its strategy. The growth of net sales was 12.9 percent (net sales EUR 12.5 million) and operating margin (EBITDA) was EUR 1.8 million (14.3 percent of the net sales).

For the entire year, the growth of net sales was 35.0 percent and operating margin (EBITDA) was 9.3 percent of the net sales.

Innofactor's measures aimed at improving the efficiency of operations, which took place on the second and third quarter, had a positive effect on the last quarter. These measures included, for example, making sales more effective, improving the billing rate, cutting costs, and cutting personnel costs by means of personnel negotiations and closing the St. Petersburg office. These measures made the business operations and organization more streamlined.

Innofactor's order book developed favorably during the last quarter of the year. Innofactor's volume of orders was increased, for example, by the delivery of a financial management service platform based on the Microsoft Dynamics AX product to Enfo Zender Oy, with the first stage of the process valued at about EUR 0.5 million, and the delivery of cloud services to The Hospital District of Helsinki and Uusimaa, valued at about EUR 0.6 million.

We think that Innofactor has good prerequisites to continue growing its business operations profitably in 2015.

Innofactor is still actively looking for new strategic partnerships in the Nordic Countries. The group will seek growth, which can be organic or based on mergers or acquisitions.

Market outlook and business environment

Main forces affecting the markets are the transfer of software into the cloud, increased significance of social media, mobile devices and Internet of Things, data analytics and machine learning, and data security and protection. A clear change in the purchase habits of Innofactor's customers has been observed as these business changes are taking place. The customers expect the IT provider to focus more on business benefits instead of technology benefits. The customers want the providers to have solutions that are ready for use without a need to make changes and they want to be able to buy more continuous services instead of large one-off projects.

Innofactor estimates that the growth of IT service market in 2015 will be 0–1% in Finland and 1–3% in other Nordic Countries. The estimate is based on research institutes' forecasts and Innofactor's outlook on markets.

As concerns Microsoft-based solutions, competition in the Nordic Countries is divided between different kinds of parties. The first group is formed by large companies that operate in all of the Nordic Countries. Typically, these companies offer a wide range of IT solutions for companies and organizations, using several competing technologies of which Microsoft technology is one option. The second group is formed by companies that focus on a narrower solution area in the Nordic level. These companies also offer IT solutions for companies and organizations using several competing technologies of which Microsoft technology is typically just one option. The third group is formed by companies operating in just one country. These small or medium-sized companies often focus on one solution area, client and/or field.

Innofactor has made a strategic choice by focusing on solutions implemented with and utilizing the Microsoft platforms and by selecting as its solution areas the ones in which Microsoft's growth and offering, and thus its partners' and ecosystem's growth, has exceeded the general average growth of IT service and software markets many times over. Innofactor is primarily focused on Nordic large and medium-sized companies and government organizations, which have high standards in their IT solution acquisitions. Innofactor develops solutions, products and services suitable for this group by itself and in cooperation with its partners. Innofactor's strategy supports well the change in the markets. Innofactor believes it can gain market share from its competitors and utilize possible IT market growth in the future.

Microsoft's partner network in the Nordic Countries, and also elsewhere in Europe, is quite fragmented and mainly consists of a large number of small and medium-sized local providers. For Innofactor, this provides interesting potential for consolidation and globalization. Innofactor's good reputation, unique proofs of rapid and profitable growth and successful acquisitions together with business culture with entrepreneurial spirit make it a very attractive partner when making reorganizations in the field in the Nordic Countries.

Net sales

Innofactor's net sales on October 1–December 31, 2014, were EUR 12,516 thousand (2013: 11,090), which shows an increase of 12.9%, and on January 1–December 31, 2014, the net sales were EUR 44,119 thousand (2013: 32,685), which shows an increase of 35.0%.

Financial performance

Innofactor's operating margin (EBITDA) on October 1–December 31, 2014, was EUR 1,794 thousand* (2013: 1,321*), which shows an increase of 35.8%. EBITDA accounted for 14.3% of the net sales* (2013: 11.9%*). Innofactor operating profit on October 1–December 31, 2014, was EUR 1,449 thousand* (2013: 986*), which shows an increase of 47.0%. Operating profit accounted for 11.6% of the net sales* (2013: 8.9%*).

Innofactor's operating margin (EBITDA) on January 1–December 31, 2014, was EUR 4,107 thousand** (2013: 3,284**), which shows an increase of 25.1%. EBITDA accounted for 9.3% of the net sales** (2013: 10.0%**). Innofactor operating profit on January 1–December 31, 2014, was EUR 2,720 thousand** (2013: 2,255**), which shows an increase of 20.6%. Operating profit accounted for 6.2% of the net sales** (2013: 6.9%**).

*) The last quarter of 2013 included one-off costs related to acquisitions for about EUR 182 thousand, and also costs and cost reserves related to the integration for about EUR 277 thousand, a total of about EUR 459 thousand. The last quarter of 2013 included a one-off profit of EUR 158 thousand.

***) The year 2014 included a one-off cost reserve related to the closing of the St. Petersburg office for about EUR 59 thousand. The year 2014 included a one-off cancellation of a cost reserve related to the integration, amounting to about EUR 135 thousand. The year 2013 included one-off costs related to acquisitions for about EUR 346 thousand, and also costs and cost reserves related to the integration for about EUR 477 thousand, a total of about EUR 823 thousand. The year 2013 included a one-off profit of EUR 158 thousand.

Financing and investments

Innofactor's balance sheet total at the end of the review period was EUR 47,635 thousand (2013: 46,671). The group's liquid assets totaled EUR 997 thousand (2013: 991), consisting totally of cash funds.

The operating cash flow in the review period of January 1–December 31, 2014, was EUR 2,301 thousand (2013: 1,369). The investment cash flow was EUR -690 thousand (2013: -2,815).

The equity ratio at the end of the review period was 49.0% (2013: 43.1%) and net gearing was 42.4% (2013: 55.9%).

At the end of the review period, the company had EUR 2,933 thousand in current interest bearing liabilities (2013: 1,920) and EUR 7,705 thousand in non-current interest bearing liabilities (2013: 10,035).

The return on investment on January 1–December 31, 2014, was 10.0% (2013: 12.9%).

The return on equity on January 1–December 31, 2014, was 8.5% (2013: 8.4%).

The non-current assets in Innofactor's balance sheet at the end of the review period were EUR 30,856 thousand in total and consisted of the following items:

- Tangible assets EUR 690 thousand
- Goodwill EUR 19,584 thousand
- Other intangible assets EUR 3,407 thousand
- Deferred tax assets EUR 7,175 thousand

Innofactor's gross investments in tangible assets in the review period of January 1–December 31, 2014, were EUR 597 thousand (2013: 323), consisting of normal additional and replacement investments required by growth.

According to the impairment tests carried out, there are no impairments. The write-offs on intangible assets were EUR 612 thousand (2013: 712).

Research and product development

Innofactor's research and development costs recognized in profit or loss for October 1–December 31, 2014, were EUR 457 thousand (2013: 498), which accounts for 3.7% of the net sales (2013: 4.5%).

Innofactor's research and development costs recognized in profit or loss for January 1–December 31, 2014, were EUR 1,981 thousand (2013: 2,067), which accounts for 4.5% of the net sales (2013: 6.3%).

Personnel

The number of personnel at Innofactor during October 1–December 31, 2014, was on the average 415 (2013: 392), which shows an increase of 5.9%, and on January 1–December 31, 2014, on the average 421 (2013: 307), which shows an increase of 37.1%.

At the end of the review period, the number of personnel was 411 (2013: 416), which shows a decrease of 1.2%.

At the end of the review period, the average age among personnel was 39.1 years (2013: 38,5). Of the personnel, 43% (2013: 42%) had a Master's Degree, 31% (2013: 27%) had a Bachelor's Degree or were studying for a Master's Degree, and 26% (2013: 31%) had some other degree. Women accounted for 23% of the personnel and men for 77% (2013: 24% and 76%).

Business operations

Innofactor's business operations were focused on Finland and Denmark. On January 1–December 31, 2014, about 82% of the net sales came from Finland and about 18% from Denmark.

Of the net sales on January 1–December 31, 2014, about 48% came from commercial clients and about 52% from government and third sector clients.

Innofactor's net sales in the review period of January 1–December 31, 2014, came from the following sources:

- about 68% from system integrator services (including system delivery projects, consulting, and smaller changes and further development);
- about 9% from licenses, of which the share of licensing income to third parties was about 3%;
- about 23% from recurring service contracts (incl. maintenance agreements, SaaS, cloud and hosting services).

Innofactor's 10 largest clients accounted for about 21% of the net sales during the review period January 1–December 31, 2014.

Other events in the review period

On January 9, 2014, Innofactor announced in a stock exchange release that the new Innofactor Plc shares had been registered in the Trade Register. After the registrations, the total number of Innofactor Plc shares is 32,153,737.

On January 24, 2014, Innofactor announced in a stock exchange release that Innofactor Plc's CFO Mikko Karvinen had resigned from the company at his own request on January 23, 2014. Karvinen continued in his role until April 30, 2014.

On March 7, 2014, Innofactor announced in a stock exchange release that Innofactor's Board of Directors had appointed Tiina Pulli as the new Chief Financial Officer (CFO) at Innofactor Plc as of May 1, 2014. Pulli joined the company already earlier to familiarize herself with Innofactor's operations. Tiina Pulli is a member of Innofactor's Executive Board and reports to Sami Ensio, the CEO of the group.

On March 20, 2014, the Annual General Meeting of Innofactor Plc resolved to adopt the accounts and the group's financial statement for the financial period that ended on December 31, 2013, and granted the members of the Board of Directors and the Chief Executive Officer discharge from liability for the financial period that ended on December 31, 2013.

The General Meeting decided, in accordance with the proposal of the Board of Directors, that no dividend will be paid for the financial period January 1–December 31, 2013.

The General Meeting decided that the Chairman of the Board of Directors shall be paid a fee totaling EUR 36,000 per year and the other members of the Board of Directors shall be paid a fee totaling EUR 24,000 per year. No separate fees for meetings shall be paid. Half of the fee (50%) shall be paid monthly in cash and the other half (50%) as shares of Innofactor Plc. The shares shall be handed over to the members of the Board of Directors and, if necessary, shall be acquired from public trading directly on behalf of the members within two weeks of publishing the interim report of Innofactor Plc for January 1–March 31, 2014. Innofactor Plc requires the members of the Board of Directors to keep the shares, which they have received as part of the fees, for the duration of their membership in the Board of Directors.

The General Meeting decided that the number of Board members is six. Of the current members of the Board of Directors, Sami Ensio, Jukka Mäkinen, Pyyry Lautsuo and Ilari Nurmi were re-elected. Tiia Tuovinen and J.T. Bergqvist were elected as new members. At their organizing meeting held immediately after the General Meeting, the Board of Directors elected Pyyry Lautsuo as the Chairman of the Board.

Ernst & Young Oy, an auditing firm authorized by the Central Chamber of Commerce, was elected as the auditor for the company. Ernst & Young Oy has stated that it will appoint Juha Hilmola, Authorized Public Accountant, as the auditor with principal responsibility. It was decided that the auditing fee shall be paid according to a reasonable invoice.

On April 25, 2014, Innofactor announced in a stock exchange release that Innofactor had been selected to provide a comprehensive TOIMIN system solution to AEL, a Finnish technical training provider. The integrated system combines solutions for eServices, CRM, ERP, Document Management, intranet, digital work environment as well as enterprise architecture. The full solution is planned to be deployed during 2014.

The value of the contract is EUR 574,539, excluding any options. The contract also includes the options of expanding the system with HRM and web publishing systems.

The transaction strengthens Innofactor's position as a key provider of Microsoft-based eServices solutions to the education sector in Finland.

AEL is Finland's leading provider of technical training services. AEL has served Finnish businesses for more than 90 years. AEL is maintained by the Foundation for Occupational Advancement with

representatives from the major labor market organizations and key industry players in Finland, along with members of public administration working in business development and education.

On May 12, 2014, Innofactor announced in a stock exchange release that Innofactor had won a public procurement tender to deliver a comprehensive funds management solution to Finland's Slot Machine Association (RAY). The total solution includes a case management system, payment request handling system, Windows Azure based eServices, document and information management system as well as integrations to a number of other systems. The system solution is based entirely on Microsoft platforms. The phased delivery of the solution is estimated to take place during 2014–2016.

The value of Innofactor's offer that won the tender is EUR 3,214,166.

The transaction further strengthens Innofactor's position as a key provider of Microsoft-based eServices solutions in the Finnish public and third sectors.

The main purpose of Finland's Slot Machine Association (RAY) is to raise funds through gaming operations to promote Finnish health and welfare. RAY offers entertaining and exciting games in a responsible manner. RAY's entire proceeds are used for supporting Finnish health and social welfare organizations as well as for the benefit of the country's war veterans. The aim is to continue to secure funding for innumerable important projects and ventures. Around 800 organizations receive funding each year.

On June 19, 2014, Innofactor announced in a stock exchange release that Innofactor has appointed Katja Tammelin General Counsel as of August 18, 2014. Innofactor has not previously had a General Counsel.

On July 9, 2014, Innofactor announced in a stock exchange release that Innofactor's Board of Directors had appointed Janne Martola as Innofactor Plc's new Chief Financial Officer (CFO) and Deputy to the CEO as of July 9, 2014. Since 2011, Martola has worked as Vice President responsible for Innofactor's International Business and Acquisitions. In his new role, Martola, M.Sc. (Tech.), will continue as member of Innofactor's Executive Board reporting to CEO Sami Ensio.

On September 2, 2014, Innofactor announced in a stock exchange release that it will start personnel negotiations in Finland and will close its St. Petersburg office. The personnel negotiations concerned a reduction of less than 10 positions and temporary layoffs based on financial and productional grounds. The negotiations affected the administrative functions and those business areas where customer purchasing behavior has changed. The temporary layoffs were estimated to affect 30 persons at the maximum.

Additionally, Innofactor closed its St. Petersburg development unit which had been part of the Finnish subsidiary and had employed less than 10 persons. The prerequisites for its operations had

become significantly weaker and the company saw no opportunities to continue the operations. In the future, the work conducted in St. Petersburg will be managed from Finland, which will not cause any breaks in servicing customers.

On September 17, 2014, Innofactor announced in a stock exchange release that the Innofactor's personnel negotiations had been concluded. Innofactor's order book developed favorably during the negotiations and, thus, the cost saving actions could be limited to a smaller number of persons than earlier announced. Innofactor cut 3 positions and temporarily laid off 11 persons full-time and 5 persons part-time. These actions resulted in cost savings of approximately EUR 0.3 million in 2014.

Additionally, other personnel arrangements that have been agreed on in Innofactor will generate cost savings of approximately EUR 0.1 million. The above mentioned arrangements were not estimated to have a negative impact on net sales.

The members of the Finnish Executive Board of the group each agreed on voluntarily relinquishing the worth of one month's salary. The cost savings of this action for 2014 were about EUR 0.1 million.

On November 10, 2014, Innofactor announced in a stock exchange release that the Chairman of the Board of Directors of Innofactor Plc, Pyry Lautsuo, had announced his resignation from the Board due to family reasons. After the resignation of Lautsuo, the Board of Directors has five member.

The Board of Directors of Innofactor Plc elected Sami Ensio, the CEO and the largest owner of the company, as the Chairman of the Board until the next General Meeting. The resignation of the Chairman of the Board caused a special circumstance, which led to an exemption from the recommendation 36 of the Finnish Corporate Governance Code for Listed Companies.

On November 10, 2014, Innofactor announced in a stock exchange release that it had re-evaluated the outlook for 2014. Innofactor's net sales in 2014 are expected to be about EUR 43–45 million (2013: EUR 32.7 million). The operating margin (EBITDA) in 2014 is expected to be about EUR 3.5–4.5 million (2013: EUR 3.3 million). Earlier Innofactor's net sales were expected to be about EUR 43-48 million and operating profit before depreciation and amortization (EBITDA) about EUR 4-6 million.

On November 10, 2014, Innofactor announced in a stock exchange release that Innofactor Business Solutions Oy, which is part of the Innofactor Group, has entered into an agreement with Enfo Zender Oy about delivering a Microsoft Dynamics AX-based financial management services platform to Enfo Zender. The value of the agreed on first phase of the project is about EUR 0.5 million. The agreement includes an option for further development of the platform. The system is planned to be delivered during the years 2014 and 2015.

On December 8, 2014, Innofactor announced in a stock exchange release that in a tendering process governed by a framework agreement, the Hospital District of Helsinki and Uusimaa (HUS) has selected Innofactor as the provider for transferring application and infrastructure solutions into cloud services and as the provider of continuous services related to the cloud services. The whole includes transferring the existing On-Premises applications and infrastructure solutions of HUS into a Microsoft Azure operating services environment. In addition to this, the delivery includes development and maintenance of architecture, control and management of the cloud services, and small scale development. Project deliveries and services related to the cloud transfer are planned to be delivered in stages during 2014–2017. In its invitation to tender, HUS estimated that the value of the delivery would be about EUR 600,000 during the contract period, which is also the maximum value of the procurement decision. However, the final value of the deal during the contract period cannot be stated for certain at this point.

On December 16, 2014, Innofactor announced in a stock exchange release that Innofactor is starting personnel negotiations in Finland concerning the reduction or conversion to part time of less than 10 positions based on financial and productional grounds. The negotiations affect a part of the administrative functions, as well as those business areas, which were already in scope of earlier negotiations in September that resulted mainly in temporary layoffs. Innofactor now believes that the market situation in these business areas has changed permanently. The negotiations are expected to last a maximum of two weeks.

On December 16, 2014, Innofactor announced in a stock exchange release that Innofactor has concluded the negotiations. Innofactor will cut 5 positions and convert 4 full time positions to part time. The actions impact employees who are already temporarily laid off. These actions will bring cost savings of approximately EUR 0.4 million in 2015 and are not estimated to have a negative impact on net sales.

Share and shareowners

At the end of the review period, Innofactor Plc's share capital was EUR 2,100,000.00 and the total number of shares was 32,153,737. The company does not have any treasury shares. Innofactor Plc has one series of shares. Each share is entitled to one vote.

On October 1–December 31, 2014, the highest price of the company share was EUR 0.97 (2013: EUR 1.54), the lowest price was EUR 0.75 (2013: EUR 0.95), and the average* price was EUR 0.85 (2013: EUR 1.18).

On January 1–December 31, 2014, the highest price of the company share was EUR 1.59 (2013: EUR 1.83), the lowest price was EUR 0.75 (2013: EUR 0.46), and the average* price was EUR 1.22 (2013**: EUR 1.05).

The closing price for the review period on December 30, 2014, was EUR 0.77 (2013: EUR 1.26).

* The average share price was calculated by taking the total value of share trading in the stock exchange on the said period and dividing this by the number of shares traded in the stock exchange on the said period.

** In calculating the average share price, trading outside the normal stock exchange trading and at deviating prices (Exchange Granted) that the company has been made aware of has not been taken into consideration.

In public trading on October 1–December 31, 2014, a total of 1,108,377 shares were traded (2013: 2,750,346 shares), which corresponds to 3.4% (2013: 7.7%) of the average number of shares on the said period. On October 1–December 31, 2014, there were 32,153,737 shares on the average (2013: 35,501,196*). The share trade decreased by 59.7% compared to the corresponding period in 2013.

In public trading on January 1–December 31, 2014, a total of 6,449,837 shares were traded (2013: 11,609,606* shares), which corresponds to 20.1% (2013: 35.6%) of the average number of shares on the said period. On January 1–December 31, 2014, there were 32,126,456 shares on the average (2013: 32,589,585**). The share trade decreased by 44.4% compared to the corresponding period in 2013.

* In calculating the share trading, trading outside the normal stock exchange trading and at deviating prices (Exchange Granted) that the company has been made aware of has not been taken into consideration.

** The average number of shares does not include treasury shares.

The market value of the share capital at the closing price of the review period, EUR 0.77, on December 30, 2014, was EUR 24,758 thousand (2013: 38,945), which shows a decrease of 36.4%.

On December 31, 2014, the company had 11,287 shareowners (2013: 11,961) including the administrative registers (9 registers). The share of nominee registered ownership was 8.5% (2013: 3.3%) of the total number of shares. Of the owners, 3.2% (2013: 3.7%) were companies operating in Finland, 0.5% (2013: 0.0%) financing and insurance companies, 86.5% (2013: 91.6%) Finnish households, and 1.3% (2013: 1.4%) foreign owners.

The Board of Directors has the following authorizations:

- Until June 30, 2015, to decide on a share issue and granting of special rights entitling to shares for a maximum of 15,000,000 new shares with the total number of shares not exceeding 45,000,000 (decided in the General Meeting of September 17, 2013); based on which 1,015,372 new shares were issued on September 17, 2013, and 1,244,685 new shares were issued on December 31, 2013, leaving the number of shares remaining in the authorization at 12,739,943.
- Until June 30, 2015, to decide on a transfer of a maximum of 1,000,000 treasury shares (decided by the General Meeting of September 17, 2013); the authorization has not been used.

Innofactor Plc issued no flagging announcements during the review period.

Share owning by the Board of Directors:

- Pyyry Loutsuo, 93,900 shares, 0.29% (until November 9, 2014)
- J.T. Bergqvist, 309,204 shares, 0.96%
- Sami Ensio, 7,431,291 shares, 23.1%
 - Sami Ensio, 5,257,531 shares, 16.35%
 - minor under guardianship, 724,588 shares, 2.25%
 - minor under guardianship, 724,586 shares, 2.25%
 - minor under guardianship, 724,586 shares, 2.25%
- Jukka Mäkinen, 59,474 shares, 0.18%
- Ilari Nurmi, 39,311 shares, 0.12%
- Tiia Tuovinen, 9,204 shares, 0.03%

Share owning by the CEO:

- Sami Ensio, 7,431,291 shares, 23.1%
 - Sami Ensio, 5,257,531 shares, 16.35%
 - minor under guardianship, 724,588 shares, 2.25%
 - minor under guardianship, 724,586 shares, 2.25%
 - minor under guardianship, 724,586 shares, 2.25%

Share owning by other members of the Executive Board:

- Christian Andersen, 203,157 shares, 0.63%
 - CHRA Holding ApS, 203,157 shares, 0.63%
- Heikki Jekunen, 6,000 shares, 0.02%
- Elina Jokinen, 0 shares, 0.0%
- Mikko Lampi, 996,758 shares, 3.1%
- Janne Martola, 100,000 shares, 0.31%
- Ingrid Peura, 0 shares, 0.0% (until October 1, 2014)
- Juha Rokkanen, 103,873 shares, 0.32%

Treasury shares

The General Meeting of September 17, 2013, authorized the Board of Directors to decide on acquiring of a maximum of 8,000,000 treasury shares in one or several parts with the company's unrestricted equity. The authorization entitles the Board to deviate from the shareholders' proportional shareholdings (directed acquisition). According to the authorization, shares may be acquired from the sellers of atBusiness Oy according to the terms of the contract signed on June 6, 2013, concerning the acquisition of the atBusiness shares, and at the price agreed on in the contract, and/or on Nasdaq OMX Helsinki Ltd with the public trading on the market. The number of treasury shares at a time may be, at the maximum, one tenth of the total number of shares in

the company. The shares may be used to develop the capital structure, to widen the ownership base, in making a payment for an acquisition, or when the company buys property related to its business operations or as part of the incentive compensation plan, or to be otherwise invalidated or conveyed. In connection with the share repurchase, ordinary derivative, stock lending and other agreements may be made in the market in accordance with the laws and regulations. The authorization includes the right of the Board of Directors to decide on all other matters related to the acquisition of shares. The authorization will be valid until March 17, 2015. On the basis of the authorization, Innofactor Plc acquired treasury shares during the financial period of 2013 as follows: on December 23, 2013, and December 27, 2013, a total of 4,681,499 shares. After this, the authorization is valid for 3,318,501 shares.

Innofactor Plc canceled these treasury shares during the financial period of 2013 and had no treasury shares on December 31, 2014.

Management of the company

Innofactor Plc complies with the recommendations of the Corporate Governance Code 2010 for Finnish listed companies, published by the Securities Market Association.

At the General Meeting on March 20, 2014, the number of the members of the Board of Directors was confirmed to be six. The General Meeting decided to accept the proposal of re-electing current Board members Sami Ensio, Jukka Mäkinen, Pyry Lautsuo and Ilari Nurmi and to elect Tiia Tuovinen and J.T. Bergqvist as new Board members. At their organizing meeting held immediately after the General Meeting, the Board of Directors elected Pyry Lautsuo as the Chairman of the Board. Pyry Lautsuo resigned from the Board of Directors on November 9, 2014, after which Sami Ensio was elected as the Chairman.

The General Meeting approved the proposal to re-appoint Ernst & Young Oy, an auditing firm authorized by the Central Chamber of Commerce, as the auditor for the company, with Juha Hilmola, APA, as the main responsible auditor.

Innofactor has drawn up a separate Corporate Governance Statement for the financial period of 2014.

Innofactor Plc's entire Corporate Governance and statements are available on the company's web site at: http://www.innofactor.fi/sijoittajat/hallinto_ja_iohtaminen

Major risks and uncertainties

Innofactor's operations, finances and shares involve risks that may be significant for the company and its share value. These risks are assessed by the Board of Directors four times a year as part of the strategy and business planning process. The risks are published in their entirety in the financial

statement and in the annual report of the Board of Directors. The interim reports only present the changes in short-term risks.

Risks related to operations

The risks related to the operation of the Innofactor group are primarily business risks related to its subsidiaries that carry on its business operations.

Profitability of projects: A large part of Innofactor's net sales comes from project business. Profitable implementation of Innofactor's delivery projects requires that project calculation and planning before submitting a tender are done successfully as regards the amount of work and the delivery schedule, and also that the deliveries can be made in a cost-effective manner. It is possible that Innofactor fails at correctly estimating the profitability of a project and, thus, the delivery could cause losses to the company. Correspondingly, it is possible that projects may have to be sold cheaper because of competition, which leads to lower profit margins. Innofactor pays special attention to the profitability of project business.

Knowledgeable personnel and its availability: The development of Innofactor's operations and deliveries depend greatly on the group having knowledgeable personnel and being able to replace persons, who are leaving, with proper resources. In Innofactor's field of business, there is a lack of and competition for certain personnel resources. If Innofactor fails at motivating its personnel, keeping the personnel's skills on a high level and keeping the personnel in its service, that could cause problems for the group's business operations. The success of the group depends heavily on the employed key personnel and their success in their work. Innofactor invests in continuous development of its personnel and in keeping the personnel satisfaction high.

Increase in personnel costs: The main part of Innofactor's costs consists of salaries and other personnel costs (in 2014, about 69% of the net sales). Currently, all of Innofactor's own employees work in the Nordic Countries, whereas some competitors rely heavily on workforce in countries with cheap labor. If the personnel costs continue rising in Finland and Denmark at the same rate as before, it will create a risk for Innofactor, if the prices paid for IT services will not rise correspondingly. Innofactor is monitoring the situation constantly and aims at increasing the share of work done by subcontractors and abroad.

Competition: Innofactor's main competitors are companies offering traditional information technology services and software in the Nordic Countries. Some competitors have larger financial resources, wider product selection, cheaper workforce and larger existing customer base than Innofactor does, and they can use these when competing with Innofactor for the same deliveries. The price competition on the field is expected to remain tough. If the competition becomes tougher, it may have an adverse effect on Innofactor's business, operating result and financial position. Innofactor continuously strives to improve its competitiveness.

Research and product development: In Innofactor's operation, research and product development play a central role. In 2014, about 4.5% of the net sales was used for it. Each research and product development project carries the risk that the end results are not as successful financially as planned and that the investment in the project does not pay itself back. In organizing its operations, Innofactor aims at minimizing the risks inherent in research and product development.

Globalization: In accordance with its strategy, Innofactor is seeking for more growth also in the global markets, especially in the Nordic Countries. Global operations typically always involve higher risks than operation at home. Innofactor strives to make sure that the investments in becoming a global player will not be so great that it would jeopardize the group's ability to make profit and to grow.

Changes in technology: Fast technological development is characteristic for Innofactor's field of business. There can be quick changes in the customers' requirements and choices concerning software technology. An important change under way is the transfer of software to cloud technologies. If Innofactor cannot answer the technology challenges, it may have an adverse effect on Innofactor's business, operating result and financial position. Innofactor strives to actively invest in new technologies.

Reaching the growth goals: Realizing the desired organic growth requires a growth rate that is clearly faster than the growth in the general IT market. This creates a risk that it cannot be realized in the future, although it has been done before. It is possible that the IT market in Innofactor's market area will not grow or may even shrink in 2015. Ensuring growth has a central part in planning Innofactor's operations and setting its goals. Innofactor strives to lessen this operational risk by focusing on the growing Microsoft solution areas, which grow faster than the IT market in general, and by focusing on sales to keep the order book on a sufficient level as regards the business operations.

Uncertainties related to acquisitions: The growth estimates are partly based on acquisitions. With acquisitions, there are uncertainties about finding suitable companies to acquire and in making the acquisitions at the desired price level and schedule. If acquisitions cannot be made as planned, the growth goal may be jeopardized. In acquisitions, Innofactor focuses on high-level know-how and good processes.

Risks related to acquisitions: Each acquisition, after it has been made, carries some risks, which include the success of the integration, formation of the business value and possible related needs for depreciations. Innofactor's strategy is primarily based on integrating the acquired companies in a fast schedule as part of the whole in the country in question. Innofactor invests in the integration process.

Success of the organizational changes: Rapid growth may occasionally require making changes in the organization. Starting a new organization typically includes challenges before the desired improvement in operation can be achieved. Typically, the operation can be at least restored to the

previous level of efficiency within a few months from starting the new organization. If the improvement in operation for some parts does not take place within the planned schedule, there is a risk that it will not happen at all or that the delay may lead to extra costs. The reasons for this include, for example, incorrect planning in placing units and personnel. Innofactor strives to pay attention to controlling organization changes and to prepare for them also financially.

Financial risks

General financial uncertainty and changes in the customers' financial situations affect customers' investment decisions and purchasing policies. It is possible that the general financial uncertainty will be reflected in Innofactor's customers' software purchases by delaying the decision-making or time of purchases.

Financing risks: In its normal business operations, the Innofactor group is susceptible to normal financing risks. In June 2013, Innofactor took a loan package totaling EUR 12.5 million in order to purchase the share capital of atBusiness Oy and to rearrange an old loan of about EUR 1.0 million, related to the acquisition in Denmark in 2012. This increased Innofactor's financing risks compared to previous years. At the end of 2014, a total of EUR 9.9 million of this loan remains unpaid. In total at the end of 2014, Innofactor had EUR 10.6 million in interest bearing debts and also EUR 3.2 million in the hybrid bond. Innofactor's financing risks have decreased since 2013 as the amount of interest bearing debt is lower. Innofactor has committed itself to the following covenants: equity ratio calculated every 6 months is at least 40% on December 31, 2014, and on every 6-month check point after that. Additionally, interest bearing liabilities calculated every 6 months divided by the 12-month operating margin (EBITDA) is a maximum of 3.0 in two review periods (December 31, 2014, and June 30, 2015), and a maximum of 2.5 in the financial statement of December 31, 2015, and on each 6-month review period after that. The goal of managing the financing risks is to minimize the negative effects of the changes in the financial markets to the result of the group. Risk management has been centralized to the CFO, who is responsible for the group's financing and regularly reports to the company's Executive Board, CEO, and Board of Directors. It is possible that, in the future, the group will not get the financing it needs and this will have a negative effect on the group's business and its development, especially on making acquisitions.

Risks related to the cash position: The Innofactor group handles management of liquid assets with the help of centralized payments and cash management. The group strives for continuous monitoring and assessment of the needed business financing in order to ensure that the group has enough liquid assets in its use. Additionally, the group's subsidiaries have in their use checking accounts with an overdraft limit of about EUR 2.9 million in total in order to cover any seasonal variations in liquid assets. Excess cash balance is placed on savings accounts or funds with capital guarantee.

Risks related to receivables from projects: A large part of Innofactor's net sales comes from project business. A significant part of projects consists of long-term projects in which scheduled payments

and their terms are typically agreed on with the customer beforehand. When Innofactor performs work in customer projects, which is scheduled to be invoiced afterwards, project receivables are accrued. Especially in public administration projects, scheduled payments often take place nearer to the end of the project, which means increased project receivables and related risks. In customer negotiations, Innofactor pays special attention to scheduling the payments and the size of payments, and in customer projects, to project management and steering in accordance with the scheduled payments. Project receivables are monitored regularly.

Credit risk: Credit decisions related to sales receivables are monitored centrally in the group's management. Large part of Innofactor's cash flow comes through established customer relationships as payments from the public sector and financially sound companies, which have not presented essential credit risks in the past, and the group has not suffered any significant credit losses. Should credit risks realize, it would weaken the group's financial standing and liquidity. Sales receivables are monitored regularly.

Risks related to deferred tax assets: Innofactor's balance sheet includes a significant amount of deferred tax assets that are based on previous financial periods. If group's internal factors or outside factors independent of the group's operation change significantly, it is possible that the group can not utilize in full the receivables currently activated in the balance sheet. The assessment of these receivables and the related internal and external factors are being monitored actively by financial periods and, if necessary, these receivables will be re-assessed.

Risks related to shares

The number of Innofactor Plc shares traded on January 1–December 31, 2014, decreased by 44.4% compared to the same period in the previous year. In 2014, share trading was 20.1% of the share capital. In the Helsinki stock exchange, companies' average trade in 2014 was 69.1% of the share capital. Lower than average share trading may result in a liquidity risk for the share and its price formation. Innofactor strives to improve the liquidity of the share and decrease the related liquidity risk by its strategy of increasing the value for the shareowners and by its active investor communications.

Acquisitions and changes in the group structure

No acquisitions were carried out during the review period.

During the review period, the Danish company Bridgeconsulting Holding ApS, acquired in 2012 in connection with the Bridgeconsulting acquisition, was dissolved. The company had no business operations.

Corporate responsibility

Innofactor's operations are guided by the company's strategy, values, corporate governance, quality system, personnel policy, general principles of corporate responsibility, environmental policy, and legislation.

The group is committed to operating profitably and increasing its net sales while taking into account the societal effects.

Innofactor takes care of the well-being of its personnel by maintaining a stable, safe and communicative atmosphere and by building a reliable development path into the future. Innofactor invests in developing its personnel through training, learning while working and work rotation.

In its operations, Innofactor adheres to the principles of sustainable development and the environmental guidelines of the Federation of Finnish Technology Industries. Through the solutions it has developed, the group has helped its customers to reach their environmental goals and contributed to the sustainable development of the society. Innofactor delivers electronic solutions and web services that decrease the environmental effects of its customers' operations.

Innofactor strives to establish long-term cooperation with its clients and partners and thereby create networks in which complementary expertise produces innovative solutions.

Strategy

Innofactor strengthens its customers' competitiveness by providing outstanding IT solutions, products and services. Innofactor focuses on Microsoft-based solutions and Microsoft's ecosystem. Innofactor's clients comprise of private and public sector organizations. Innofactor currently operates in Finland, Denmark and Sweden. Innofactor's strategy is to actively expand its operations in the Nordic Countries, which may happen either organically or through acquisitions.

Innofactor's Mission: We strengthen our customers' competitiveness with outstanding IT solutions, products and services.

Innofactor's Vision: We are the number one Microsoft-based solution provider in the Nordic Countries.

Innofactor's strategy is to build competitive advantage as the leading provider focused on Microsoft-based solutions and Microsoft's ecosystem. The most important strategic choices related to this objective are the following:

- private and public sector customers

- comprehensive IT solution offering
- state-of-the-art products and services
- high-level customer service
- long-term customer partnerships
- fast and profitable growth

Innofactor's long-term financial goal is to grow profitably:

- by achieving over 10% operating margin (EBITDA) every year in 2014–2017
- by achieving an average annual growth of 25–35% in 2014–2017 through organic growth as well as acquisitions
- by keeping the cash flow positive and by securing solid financial standing in all situations

Implementation of the strategy during the review period

The growth of 35.0% in Innofactor's net sales in the review period corresponded with the 25–35% annual growth goal stated in the strategy. Innofactor's operating margin (EBITDA) in relation to net sales was 9.3%, which was slightly less than the strategy goal. According to the strategy, the annual EBITDA must be over 10%. Innofactor's operating cash flow in the review period was EUR 2.3 million positive and improved significantly on the second half of the year, where as the first half of the year was slightly negative. Innofactor's financial stability is good. Net gearing at the end of the year was 42.4%.

Innofactor did not make any acquisitions during the review period.

Events after the review period

On January 1, 2015, Innofactor announced in a stock exchange release that after discussing with other major owners, Innofactor's Chairman of the Board, Sami Ensio, has given the Board of Directors of the company a proposal for the Annual General Meeting of 2015, according to which the Board of Directors will propose to the Annual General Meeting the following: The Board of Directors shall consist of six (6) members and the following persons shall be elected for the next period, which will end as the General Meeting of 2016 ends.

JT Bergqvist, Sami Ensio, Jukka Mäkinen and Ilari Nurmi are proposed to be re-elected. Pekka Puolakka and Ari Rahkonen are proposed to be elected as new members. Based on his discussions

with major owners and the persons proposed to be elected to the Board of Directors, Sami Ensio states that the members of the Board of Directors support the motion of electing Ari Rahkonen as the new Chairman.

The Board of Directors will propose that the Chairman of the Board of Directors shall be paid a fee totaling EUR 48,000 per year (previously EUR 36,000) and the other members of the Board of Directors shall be paid a fee totaling EUR 24,000 per year (same as before). No separate fees for meetings shall be paid. Half of the fee (50%) shall be paid monthly in cash and the other half (50%) as shares of Innofactor Plc. The shares shall be handed over to the members of the Board of Directors and, if necessary, shall be acquired from public trading directly on behalf of the members within two weeks of publishing the interim report of Innofactor Plc for January 1–March 31, 2015. In case shares will not be acquired due to a reason arising from the company or the Board member, the entire fee will be paid in cash. Innofactor Plc requires the members of the Board of Directors to keep the shares, which they have received as part of the fees, for the duration of their membership in the Board of Directors.

The Board of Directors has decided to assign Ari Rahkonen, who is a nominee for the Chairman of the Board, as Innofactor Plc's advisor until the next General Meeting. Rahkonen was the CEO of Microsoft Oy until December 31, 2014.

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

Future outlook

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

Board of Directors' proposal on the dividend

Innofactor is a growing company and intends to use its operating profit on actions promoting growth, for example, on realizing mergers. Innofactor has defined a dividend distribution policy according to which the aim of the Board of Directors is to provide an opportunity for the shareholders to distribute, from the part of the operating margin (EBITDA) that exceeds 10%, the maximum dividend allowed by the state of the business. For 2014, the EBITDA was 9.3% of net sales. In making the proposal on the dividend, the Board of Directors takes into account the company's financial situation, profitability and near-term outlook.

At the end of the financial period of 2014, the distributable assets of the group's parent company were EUR 36,555,724.64.

The Board of Directors proposes that no dividend be distributed for the financial period of 2014.

Espoo, February 24, 2015

INNOFACTOR PLC

Board of Directors

Additional information:

CEO Sami Ensio, Innofactor Plc

Tel. +358 50 584 2029

sami.ensio@innofactor.com

Briefings concerning the financial statement of 2014

On February 24, 2015, at 9:00 Finnish time, Innofactor will hold a briefing concerning the Interim Report in Finnish for the media, investors and analysts at the company's premises at Keilaranta 9, Espoo. The report will be presented by CEO Sami Ensio and CFO Janne Martola. The presentations of the briefing will be available on Innofactor's web site after the briefing.

We ask you to register for the briefing beforehand either by sending email to ir@innofactor.com or by phoning to +358 50 575 6120 (Tuija Österberg).

Innofactor will also hold a conference call in English for analysts, media and investors on February 24, 2015, at 16:00 Finnish time. Registrations to ir@innofactor.com before 12:00 Finnish time on February 24, 2015.

Financial releases in 2015

The annual report for 2014 will be published on the company's web site on Monday, March 2, 2015.

The Annual General Meeting will be held on Tuesday, March 24, 2015, at 9:00 Finnish time.

The schedule for financial releases in 2015 is as follows:

April 7–20, 2015: Silent period

April 21, 2015: Interim report January–March

July 7–20, 2015: Silent period

July 21, 2015: Interim report January–June

October 6–19, 2015: Silent period

October 20, 2015: Interim report January–September

Distribution:
NASDAQ OMX Helsinki
Main media
www.innofactor.com

Financial statement summary and appendixes January 1–December 31, 2014 (IFRS)

Drafting principles

This financial statement has been drafted in accordance with the IAS 34 Interim financial reporting standard. The financial statement adheres to the same drafting principles and calculation methods as the last annual financial statement. The principles for calculating the key figures and the calculation formulas have not been changed and they have been presented in an appendix to the financial statement.

Drafting a financial statement in accordance with the IFRS standards requires the management of Innofactor to use estimates and presuppositions, which affect the amounts of assets and debts at the time of drafting the balance sheet and the amounts of earnings and costs for the review period. The application of the accounting policies also requires judgment. As estimates and presuppositions are based on the views held at the time of drafting the statement, they contain risks and uncertainty factors. The actual figures may deviate from the estimates and presuppositions. The figures of the profit and loss statement and the balance sheet are figures for the group. The figures of the statement have been rounded, so the sum of individual figures may differ from the sum presented.

The financial statement figures in this financial statement have been audited.

Consolidated Profit and Loss Statement, IFRS

EUR thousand	Oct 1–Dec 31, 2014	Oct 1–Dec 31, 2013	Jan 1–Dec 31, 2014	Jan 1–Dec 31, 2013
Net sales	12,516	11,090	44,119	32,685
Other operating income	83	226	337	321
Materials (–)	-963	-885	-4,141	-2,542
Employee benefits/expenses (–)	-7,895	-7,606	-30,349	-22,576
Depreciation (–)	-345	-335	-1,387	-1,029
Other operating expenses (–)	-1,947	-1,504	-5,859	-4,604
Operating profit/loss	1,449	986	2,720	2,255
Financial income	0	762	541	769
Financial expenses (–)	-235	-723	-1,002	-1,161
Profit/loss before taxes	1,214	1,025	2,259	1,863
Income taxes	-244	-249	-452	-456
Profit/loss for the financial period	970	776	1,807	1,407
Items that may be later recognized in profit or loss:				
Exchange differences	+1	-3	-1	-3
Total comprehensive income	971	773	1,806	1,404

Earnings per share calculated from the profit attributable to equity holders of the parent:

Basic earnings per share (EUR)	0.0302	0.0216	0.0563	0.0432
Diluted earnings per share (EUR)	*	*		

* The dilution effect has not been calculated, because the remaining Innofactor SW Oy warrant programs have no financial value after the business operations of the company have been sold.

Consolidated Balance Sheet, IFRS
ASSETS

EUR thousand	Dec 31, 2014	Dec 31, 2013
Non-current assets		
Tangible assets	690	868
Goodwill	19,584	19,335
Other intangible assets	3,407	3,916
Deferred tax assets	7,175	7,604
Non-current assets	30,856	31,723
Current assets		
Trade and other receivables	15,782	13,957
Cash and cash equivalents	997	991
Current assets	16,779	14,948
TOTAL ASSETS	47,635	46,671

**SHAREHOLDERS' EQUITY AND
LIABILITIES**

EUR thousand	Dec 31, 2014	Dec 31, 2013
Shareholders' equity		
Share capital	2,100	2,100
Share premium reserve	72	72
Other reserves (+/-)	59	59
Fund for invested unrestricted equity	14,995	13,427
Fund for other shareholders' equity	3,200	3,200
Retained earnings	2,287	767
Total shareholders' equity	22,713	19,626
Non-current liabilities		
Loans from financial institutions	7,705	10,035
Deferred tax liabilities	845	887
Long term liabilities total	8,550	10,922
Current liabilities		
Loans from financial institutions	2,933	1,920
Trade and other payables	13,439	14,203
Current liabilities total	16,372	16,123
Total liabilities	24,922	27,045
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	47,635	46,671

Statement of change in shareholders' equity, IFRS

EUR thousand	Share capital	Share premium reserve	Reserve fund	Fund for invested unrestricted equity	Treasury shares	Retained earnings	Hybrid bond	Total shareholders' equity
Shareholders' equity Jan 1, 2014	2,100	72	59	13,427	0	768	3,200	19,626
Comprehensive income								
Profit for the financial period						1,807		1,807
Other comprehensive income:								
Exchange differences						-1		-1
Total comprehensive income	0	0	0	0	0	1,806		1,806
Share issue				1,568				1,568
Transactions with shareholders in total	0	0	0	1,568	0	0	0	1,568
Interest on the hybrid bond						-288		-288
Shareholders' equity Dec 31, 2014	2,100	72	59	14,995	0	2,287	3,200	22,713

Statement of change in shareholders' equity, IFRS

EUR thousand	Share capital	Share premium reserve	Reserve fund	Fund for invested unrestricted equity	Treasury shares	Retained earnings	Hybrid bond	Total shareholders' equity
Shareholders' equity Jan 1, 2013	2,100	72	59	8,834	-129	2,824	0	13,760
Comprehensive income								
Profit for the financial period						1,407		1,407
Other comprehensive income:								
Exchange differences						-3		-3
Total comprehensive income	0	0	0	0	0	1,404		1,404
Share issue				4,593				4,593
Purchase of treasury shares					-3,331			-3,331
Cancellation of treasury shares					3,460	-3,460		0
Transactions with shareholders in total				4,593	129	-3,460		1,262
Issuing a hybrid bond							3,200	3,200
Shareholders' equity Dec 31, 2013	2,100	72	59	13,427	0	768	3,200	19,626

Consolidated Cash Flow Statement, IFRS

EUR thousand	Jan 1– Dec 31, 2014	Jan 1– Dec 31, 2013
Cash flow from operating activities		
Operating profit	2,720	2,255
Adjustments:		
Depreciation	1,387	1,029
Non-cash transactions	142	-278
Changes in working capital:		
Change in trade or other receivables (+/-)	-1,697	-1,495
Change in trade and other payables (+/-)	252	529
Interests paid (-)	-503	-681
Interests received	0	10
Total cash flow from operating activities	2,301	1,369
Investment cash flow		
Acquisition of subsidiaries	0	-2,450
Investments in intangible and tangible assets (-)	-690	-365
Total cash flow from investments	-690	-2,815
Cash flow from financing		
Loans withdrawn	267	4,554
Issuing a hybrid bond	0	3,200
Loans paid	-1,584	-2,642
Purchase of treasury shares (-)	0	-3,331
Interest payments on the hybrid bond	-288	0
Total cash flow from financing	-1,605	1,781
Change in cash and cash equivalents (+/-)	6	335
Cash and cash equivalents, opening balance	991	656
Cash and cash equivalents, closing balance	997	991

Consolidated Profit and Loss Statement by Quarter, IFRS

EUR thousand	Jan 1– Mar 31 2014	Apr 1– Jun 30 2014	Jul 1– Sep 30 2014	Oct 1– Dec 31 2014	Jan 1– Mar 31 2013	Apr 1– Jun 30 2013	Jul 1– Sep 30 2013	Oct 1– Dec 31 2013
Net sales	10,718	11,226	9,659	12,516	5,541	7,737	8,317	11,090
Other operating income	140	51	63	83	12	55	28	226
Materials (–)	-1,023	-1,262	-893	-963	-359	-670	-628	-885
Employee benefits/expenses (–)	-7,862	-7,872	-6,720	-7,895	-3,853	-5,102	-6,015	-7,606
Depreciation (–)	-340	-350	-352	-345	-160	-223	-311	-335
Other operating expenses (–)	-1,260	-1,435	-1,217	-1,947	-757	-1,355	-988	-1,504
Operating profit/loss	373	358	540	1,449	424	442	403	986
Financial income	325	217	-1	0	2	3	2	762
Financial expenses (–)	-128	-119	-520	-235	-14	-289	-135	-723
Profit/loss before taxes	570	456	19	1,214	412	156	270	1,025
Income taxes	-114	-91	-3	-244	-102	-39	-66	-249
Profit/loss for the financial period	456	365	16	970	310	117	204	776

Commitments and contingent liabilities

EUR thousand	Dec 31, 2014	Dec 31, 2013
Collateral given for own commitments		
Collateral for rent	90	490
Mortgages on company assets*	16,250	16,250
Bank guarantees	303	283
Other own guarantees		
Lease liabilities		
Current lease liabilities	262	393
Lease liabilities maturing in 1-5 years	234	313
Total	496	706
Rental liabilities		
Current rental liabilities	1,268	1,608
Rental liabilities maturing in 1-5 years	3,588	4,702
Total	4,856	6,310
Other own guarantees total	5,352	7,016

* Of the mortgages on company assets, EUR 1,250 thousand was in the company's possession on December 31, 2014.

The accrued interest on the hybrid bond was EUR 9 thousand on December 31, 2014.

	mo. 10–12/ 2014	mo. 10–12/ 2013	Change	mo. 1–12 /2014	mo. 1–12 /2013	Change
Net sales, EUR thousand	12,516	11,090	+12.9%	44,119	32,685	+35.0%
Growth of net sales	12.9%	+76.1%		35.0%	+73.7%	
Operating profit before depreciation and amortization (EBITDA), EUR thousand*	1,794	1,321	+35.8%	4,107	3,284	+25.1%
percentage of net sales*	14.3%	11.9%		9.3%	10.0%	
Operating profit/loss (EBIT), EUR thousand*	1,449	986	+47.0%	2,720	2,255	+20.6%
percentage of net sales*	11.6%	8.9%		6.2%	6.9%	
Earnings before taxes, EUR thousand**	1,214	1,025	+18.4%	2,259	1,863	+21.3%
percentage of net sales**	9.7%	9.2%		5.1%	5.7%	
Earnings, EUR thousand**	970	776	+25.0%	1,807	1,407	+28.4%
percentage of net sales**	7.8%	7.0%		4.1%	4.3%	
Shareholders' equity, EUR thousand	22,713	19,626	+15.7%	22,713	19,626	+15.7%
Return on equity***	17.3%	18.6%		8.5%	8.4%	
Interest bearing liabilities, EUR thousand	10,638	11,955	-11.0%	10,638	11,955	-11.0%
Cash and cash equivalents, EUR thousand	997	991	+0.6%	997	991	+0.6%
Deferred tax assets, EUR thousand	7,175	7,604	-5.6%	7,175	7,604	-5.6%
Return on investment***	17.0%	30.1%		10.0%	12.9%	
Net gearing	42.4%	55.9%		42.4%	55.9%	
Equity ratio	49.0%	43.1%		49.0%	43.1%	
Balance sheet total, EUR thousand	47,635	46,671	+2.1%	47,635	46,671	+2.1%
Research and development, EUR thousand	457	498	-8.2%	1,981	2,067	-4.2%
percentage of net sales	3.7%	4.5%		4.5%	6.3%	
Personnel on average during the review period	415	392	+5.9%	421	307	+37.1%
Personnel at the end of the review period	411	416	-1.2%	411	416	-1.2%
Number of shares at the end of the review period	32,153,737	30,909,052	+4.0%	32,153,737	30,909,052	+4.0%
Earnings per share (EUR)	0.0302	0.0216	+39.7%	0.0563	0.0432	+30.4%
Shareholders' equity per share (EUR)	0.706	0.635	+11.3%	0.706	0.635	+11.3%

*) 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. The last quarter of 2013 included one-off costs related to acquisitions for about EUR 182 thousand, and also costs and cost reserves related to the integration for about EUR 277 thousand, a total of about EUR 459 thousand. The last quarter of 2013 included a one-off profit of EUR 158 thousand. The second quarter of 2013 included one-off costs related to the atBusiness Oy acquisition for about EUR 164 thousand, and also cost reserves related to the integration for about EUR 200 thousand, a total of about EUR 364 thousand.

**) 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 last quarter of 2013 included one-off costs related to acquisitions for about EUR 662 thousand (of which the financial expenses for the additional purchase price related to the acquisition were EUR 480 thousand), and also costs and cost reserves related to the integration for about EUR 277 thousand, a total of about EUR 939 thousand. The last quarter of 2013 included one-off profit of EUR 158 thousand and also financial income of EUR 758 thousand for the additional purchase price related to the acquisition, a total of about EUR 916 thousand. The second quarter of 2013 included one-off costs related to the atBusiness Oy acquisition for about EUR 370 thousand (of which EUR 206 thousand were costs related to organizing the loans), and also cost reserves related to the integration for about EUR 200 thousand, a total of about EUR 570 thousand.

***) 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 preliminary acquisition cost calculation for Enabling ApS (current Innofactor Business Solutions ApS)

On December 13, 2013, Innofactor Plc signed an agreement on acquiring the entire share capital of Enabling Holding ApS and its subsidiaries Enabling ApS and Enabling Sweden AB (collectively Enabling Group) from the company's management. According to the agreement published by the company on December 13, 2013, the purchase price will be defined based on Enabling Group's realized EBITDA in 2014. The minimum purchase price is about EUR 1.6 million and the maximum about EUR 4.0 million. The purchase price will be paid mainly in Innofactor Plc shares and a minority portion in cash. The name of Enabling ApS has been changed to Innofactor Business Solutions ApS and the name of Enabling Sweden AB to Innofactor AB.

The closing of the deal took place on December 31, 2013, and the figures for the acquired companies have been consolidated in the Innofactor Group's balance sheet on that same date. As the value of the Innofactor shares used for paying the first part of the purchase price, the closing price of the share on December 30, 2013, EUR 1.26, was used.

The rest of the purchase price is intended to be paid with Innofactor shares during the first half of 2015. As the development of the acquired business has been better than estimated, Innofactor's original estimate of the rest of the purchase price has increased by about EUR 400 thousand and is estimated to be about EUR 1.9 million. All Innofactor shares used as payment in this transaction are subject to transfer restrictions, which will be gradually released during 2014–2017.

The acquisition cost according to IFRS is the estimated purchase price of the shares, which in the preliminary acquisition cost calculation is EUR 3,134 thousand and has been presented in more detail in the following calculation.

Values registered for consolidation (EUR thousand)	
Tangible assets	28
Intangible assets	220
Trade and other receivables	638
Cash and cash equivalents	127
Total assets	1,014
Financial liabilities at market value	422
Other payables	490 (includes a deferred tax liability of 44)
Total liabilities	912
Net assets	102 (total assets - total debts)
Acquisition cost	3,134 (cash 40, new shares 1,569, conditional compensation 1,526)
Adjustment of the additional purchase price	-400
Goodwill	3,032 (acquisition cost - net assets)
Purchase price paid in cash	40
Cash funds of the acquired subsidiary	127
Cash flow effect	+87

The value of the customer contracts and the related customer relationships included in the intangible assets (EUR 220 thousand) has been defined on the basis of the estimated life time of customer relationships and the discounted net cash flows resulting from current customer relationships.

The acquisition created goodwill of EUR 3,032 thousand. The goodwill is based on the expected synergy benefits arising from the acquisition of Innofactor Business Solutions ApS and on making

use of the common sales and marketing network in the group and expanding customer relationships.

The amendment of the additional purchase price made during the review period and related to the acquisition, EUR 400 thousand, has been taken into account in the calculation based on the estimated final purchase price that has updated during the review period. The acquisition cost calculation is preliminary.

The final acquisition cost calculation for atBusiness Oy (current Innofactor Business Solutions)

On June 6, 2013, Innofactor acquired the entire share capital (the part giving 100% full control) and all capital loans of atBusiness Oy. The agreed purchase price in total was about EUR 6.3–7.6 million and the Enterprise Value (EV) about EUR 14.4–15.7 million.

Of the purchase price, about EUR 6,257 thousand was paid at the time of closing the deal. The capital loan was paid in total and it was EUR 5,057 thousand (EUR 2,702 thousand in cash and EUR 2,355 thousand in Innofactor shares). The shares were paid for the part of the fixed price, which was EUR 1,200 thousand (EUR 200 thousand in cash and EUR 1,000 thousand in Innofactor shares). The shares were new Innofactor Plc shares and they were issued in accordance with the authorizations granted to the Board of Directors. In both transactions, the subscription price of the shares was the volume weighted average price of the Innofactor share on the period of January 2, 2013–June 5, 2013, which was EUR 0.6739 per share. In order to pay the purchase price, a total of 4,978,279 new shares were issued.

The final purchase price of atBusiness Oy shares was determined by the realized operating margin (EBITDA) of the Innofactor group for the 12 months following the acquisition (June 1, 2013–May 31, 2014). The agreed minimum purchase price of the shares was the EUR 1,200 thousand already paid and the maximum was EUR 2,500 thousand. Of the rest of the purchase price, EUR 0–1,300 thousand, 45% was intended to be paid in cash and 55% in Innofactor shares. Prerequisites entitling to an additional purchase price did not realize, so the remaining part of the purchase price, based on the realized operating margin (EBITDA) of June 1, 2013–May 31, 2014, is EUR 0.

The figures of Innofactor Business Solutions Oy have been consolidated into the Innofactor Group as of June 1, 2013.

The acquisition cost according to IFRS is EUR 2,500 thousand (the purchase price of the shares) and has been presented in more detail in the following calculation.

Values registered for consolidation (EUR thousand)	
Tangible assets	16
Intangible assets	2,458 (of which technology 310 and customer relationships 2,144)
Deferred tax asset	348
Trade and other receivables	3,054
Cash and cash equivalents	365
Total assets	6,241
Financial liabilities at market value	13,707 (includes a capital loan of 5,057 at cost price)
Other payables	3,538 (includes a deferred tax liability of 601)
Total liabilities	17,245
Net assets	-11,004 (total assets - total debts)
Acquisition cost	2,500 (cash 2,902; instruments equivalent to own capital 3,355; conditional compensation 1,300; capital loan -5,057)
Adjustment of the additional purchase price	1,300
Goodwill	13,504 (acquisition cost - net assets)
Purchase price paid in cash	2,902
Cash funds of the acquired subsidiary	365
Cash flow effect	-2,537

In the acquisition, the value of atBusiness Oy customer relationships and software has been set to EUR 2,454 thousand. These intangible assets are included in the other intangible assets in the group balance sheet.

According to IFRS 3, the purchasing party recognizes, if necessary, some assets and liabilities that the target of the acquisition has not previously recognized as assets and liabilities in its financial

statement. For example, the purchasing party recognizes acquired intangible assets that can be identified individually, such as brand, patent or customer relationship, which the target has not recognized as assets in its financial statement, because it has created them internally and has recognized the related costs as expenses.

In the acquired company, the customer relationships and technology as well as deferred tax assets have been identified as such assets. A separate value definition has defined the market value of the customer relationships and software at the time of acquisition to be EUR 2,454 thousand. Defining the value is based on a MEEM calculation (Multi Period Excess Earnings Method). The value of the customer relationships and software will be depreciated according to the plan during 9 years. The deferred tax assets are EUR 348 thousand.

According to IFRS 3.32, the purchasing party must register goodwill at the time of acquisition and it is defined as the difference of the following:

- a) consideration transferred and
- b) the net amount of the acquired individually identifiable assets and the taken liabilities at the time of acquisition, valued in accordance with the IFRS 3 standard.

The goodwill of the acquisition, after taking into account the deferred taxes, is EUR 13,504 thousand. The goodwill is based on synergy benefits expected from the acquisition of Innofactor Business Solutions Oy, utilizing the common sales and marketing network, expanding customer relationships in the group, and the transferred personnel.

atBusiness Oy's confirmed losses have been taken into account in the acquisition cost calculation. The amendment of the additional purchase price related to the acquisition, EUR 1,300 thousand, has been taken into account in the calculation.

Largest shareholders

According to the share register maintained by Euroclear Finland Oy, the share ownership of the 20 largest Innofactor Plc shareowners at the end of the review period on December 31, 2014, was as follows:

Name	Number of shares	% of share capital
1. Ensio Sami	7,431,291	23.11%
<i>Ensio Sami</i>	5,257,531	16.35%
<i>Minor under guardianship</i>	724,588	2.25%
<i>Minor under guardianship</i>	724,586	2.25%
<i>Minor under guardianship</i>	724,586	2.25%
2. Tilman Tuomo Tapani	2,797,169	8.70%
<i>Tilman Tuomo Tapani</i>	2,747,492	8.54%
<i>Mpire Capital Oy</i>	49,677	0.15%
3. Salminen Jyrki Kalle Tapio	2,611,149	8.12%
4. Laiho Rami Tapani	1,419,215	4.41%
5. Linturi Kaija and Risto	1,271,411	3.95%
<i>R. Linturi Oyj</i>	504,107	1.57%
<i>Linturi Kaija Anneli</i>	430,000	1.34%
<i>Linturi Risto Erkki Olavi</i>	337,304	1.05%
6. Lampi Mikko Olavi	996,758	3.10%
7. Ärje Matias Juhannoika	946,278	2.94%
8. Mäki Antti-Jussi	930,201	2.89%
9. Muukkonen Teemu	501,468	1.56%
10. Kukkonen Heikki-Harri	349,021	1.09%
11. Järvenpää Janne-Olli	322,804	1.00%
12. Bergqvist J.T.	309,204	0.96%
13. Jokinen Klaus Antero	300,001	0.93%
14. Laiho Jari Olavi	270,000	0.84%
15. Ementor Norge As	269,299	0.84%
16. Karppinen Antti Sakari	194,131	0.60%
17. Insurance company Henki-Fennia	150,000	0.47%
18. Muurinen Hannu Olavi	125,750	0.39%
19. Tiirikainen Vesa Martti	125,750	0.39%
20. Nurmi Mika Tapio	121,053	0.38%

Formulas for calculating the key figures

Percentage of return on equity:

Profit or loss before taxes - Taxes

Shareholders' equity

Percentage of return on investment:

Profit or loss before taxes + Interest and other financial expenses

Shareholders' equity + Interest bearing financing liabilities

Net gearing:

Interest bearing liabilities - cash funds

Shareholders' equity

Equity ratio, %:

Shareholders' equity

Balance sheet total - Received advances

Result/share:

Profit before taxes attributable to equity holders of the parent - Taxes

Average number of shares on the financial period adjusted after the share issue

Shareholders' equity / share:

Shareholders' equity attributable to equity holders of the parent

Undiluted number of shares on the date of the financial statement