

Innofactor Plc Interim Report July 21, 2015, at 8:30 Finnish time

Innofactor Plc's Interim Report for January 1–June 30, 2015 (IFRS)

Summary

	mo. 4–6/ 2015	mo. 4–6/ 2014	Change	mo. 1–6/ 2015	mo. 1–6 /2014	Change	mo. 1–12/ 2014
Net sales, EUR thousand	11,507	11,226	+2.5%	22,778	21,944	+3.8%	44,119
Growth of net sales	+2.5%	+45.1%		+3.8%	+65.3%		+35.0%
Operating profit before depreciation and amortization (EBITDA), EUR thousand*	642	708	-9.3%	1,446	1,421	+1.8%	4,107
percentage of net sales*	5.6%	6.3%		6.3%	6.5%		9.3%
Operating profit/loss (EBIT), EUR thousand**	294	358	-17.9%	748	731	+2.3%	2,720
percentage of net sales**	2.6%	3.2%		3.3%	3.3%		6.2%
Earnings before taxes, EUR thousand**	-49	456	-110.7%	293	1,026	-71.4%	2,259
percentage of net sales**	-0.4%	4.1%		1.3%	4.7%		5.1%
Earnings, EUR thousand*	-39	365	-110.7%	235	821	-71.4%	1,807
percentage of net sales*	-0.3%	3.3%		1.0%	3.7%		4.1%
Net gearing	34.5%	52.2%		34.5%	52.2%		42.4%
Equity ratio	52.8%	47.6%		52.8%	47.6%		49.0%
Personnel on average during the review period	426	420	+1.4%	421	417	+1.0%	421
Earnings per share (EUR)	-0.0012	0.0114	-110.6%	0.0073	0.0256	-71.5%	0.0563

*) 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 second quarter of 2014 included a one-off cancellation of a cost reserve related to the integration, amounting to about EUR 135 thousand, and financial income of EUR 216 thousand from the additional purchase price related to the acquisition, a total of about EUR 351 thousand. The first quarter of 2014 included financial income of EUR 325 thousand for the additional purchase price related to the acquisition.

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 figures in this interim report have not been audited.

Reporting

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

CEO Sami Ensio's review

In the second quarter of 2015, Innofactor continued profitable growth. The growth of net sales was 2.5 percent (net sales EUR 11.5 million) and it was entirely organic. The operating margin (EBITDA) was EUR 0.6 million (5.6 percent of the net sales), which shows a decrease of 9.3 percent since last year.

In the first half of 2015, Innofactor's growth was 3.8 percent (net sales EUR 22.8 million). The operating margin (EBITDA) was EUR 1.4 million, which shows an increase of 1.8 percent since last year. The cash flow from business activities on the first half of the year was strong, increasing to EUR 3.5 million from the previous year's EUR 0.0 million.

During 2015, Innofactor has renewed its management to ensure that the growth goals will be met. New members assigned to the Innofactor's Board of Directors are Anthony Gyursanszky (Chief Operating Officer) and Janne Heikkinen (CTO and Executive Vice President, Products and Services). They will both assume their duties on the third quarter. Other changes in the management have also been made. The organization structure and job descriptions have been changed, so that the Executive Board's size remains the same, but the number of other management personnel has decreased.

Due to the organizational arrangements and writedowns related to certain customer receivables prior to current fiscal year, the beginning of the year shows significantly higher costs than normally. For this reason, the operating margin has not reached the target level. The operating margin is estimated to improve during the second half of the year.

Innofactor was selected as Microsoft's Partner of The Year in Finland and as a finalist in two international categories. During its history, Innofactor has received significantly more Microsoft awards than any other Finnish company. Innofactor strives to capitalize these awards in its marketing and business operations. In July, Innofactor was selected to participate in Microsoft's Cloud Solution Provider program, which enables Innofactor to sell significantly more Microsoft licenses. Our goal is to clearly increase our net sales through this arrangement.

Innofactor's order book continued to develop favorably during the second quarter of the year. 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 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 operating profit on April 1–June 30, 2015, was EUR 11,507 thousand (2014: 11,226), which shows an increase of 2.5 percent, and on January 1–June 30, 2015, the net sales were EUR 22,778 thousand (2014: 21,944), which shows an increase of 3.8 percent.

Financial performance

Innofactor's operating margin (EBITDA) on April 1–June 30, 2015, was EUR 642 thousand* (2014: 708*), which shows a decrease of 9.3 percent. EBITDA accounted for 5.6 percent of the net sales* (2014: 6.3%*). Innofactor's operating profit on April 1–June 30, 2015, was EUR 294 thousand* (2014: 358*), which shows a decrease of 17.9 percent. Operating profit accounted for 2.6 percent of the net sales* (2014: 3.2%*).

Innofactor's operating margin (EBITDA) on January 1–June 30, 2015, was EUR 1,446 thousand** (2014: 1,421**), which shows an increase of 1.8%. EBITDA accounted for 6.3% of the net sales** (2014: 6.5%**). Innofactor's operating profit on January 1–June 30, 2015, was EUR 748 thousand** (2014: 731**), which shows an increase of 2.3%. Operating profit accounted for 3.3% of the net sales** (2014: 3.3%**).

*) 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.

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Financing and investments

Innofactor's balance sheet total at the end of the review period was EUR 45,892 thousand (2014: 48,087). The group's liquid assets totaled EUR 1,138 thousand (2014: 492), consisting totally of cash funds.

The operating cash flow in the review period of January 1–June 30, 2015, was EUR 3,528 thousand (2014: -39). The investment cash flow was EUR -294 thousand (2014: -490).

The equity ratio at the end of the review period was 52.8 percent (2014: 47.6%) and net gearing was 34.5 percent (2014: 52.2%).

At the end of the review period, the company had EUR 3,078 thousand in current interest bearing liabilities (2014: 3,273) and EUR 6,153 thousand in non-current interest bearing liabilities (2014: 8,714).

The return on investment on January 1–June 30, 2015, was 4.5 percent (2014: 7.8%).

The return on equity on January 1–June 30, 2015, was 2.0 percent (2014: 7.9%).

The non-current assets in Innofactor's balance sheet at the end of the review period were EUR 30,390 thousand in total and consisted of the following items:

- Tangible assets EUR 574 thousand
- Goodwill EUR 19,584 thousand
- Other intangible assets EUR 3,183 thousand
- Deferred tax assets EUR 7,049 thousand

Innofactor's gross investments in tangible assets in the review period of January 1–June 30, 2015, were EUR 259 thousand (2014: 430), 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 418 thousand (2014: 305).

Research and product development

Innofactor's research and development costs recognized in profit or loss for April 1–June 30, 2015, were EUR 668 thousand (2014: 527), which accounts for 5.8 percent of the net sales (2014: 4.7%).

Innofactor's research and development costs recognized in profit or loss for January 1–June 30, 2015, were EUR 1,071 thousand (2014: 1,095), which accounts for 4.7 percent of the net sales (2014: 5.0%).

Personnel

The number of personnel at Innofactor during April 1–June 30, 2015, was on the average 426 (2014: 420), which shows an increase of 1.4 percent, and on January 1–June 30, 2015, on the average 421 (2014: 417), which shows an increase of 1.0 percent.

At the end of the review period, the number of personnel was 430 (2014: 426), which shows an increase of 1.0 percent.

At the end of the review period, the average age among personnel was 39.7 years (2014: 38.5). Women accounted for 26 percent of the personnel and men for 74 percent (2014: 23% and 77%).

Business operations

Innofactor's business operations were focused on Finland and Denmark. On January 1–June 30, 2015, about 81 percent of the net sales came from Finland and about 19 percent from Denmark.

Of the net sales on January 1–June 30, 2015, about 47% came from commercial clients and about 53% from government and third sector clients.

Innofactor's net sales in the review period of January 1–June 30, 2015, came from the following sources:

- about 74% from system integrator services (including system delivery projects, consulting, and smaller changes and further development);
- about 3% from licenses, of which the share of licensing income to third parties was about 2%;
- about 23% from recurring service contracts (incl. maintenance agreements, SaaS, cloud and hosting services).

Innofactor's 10 largest clients accounted for about 22 percent of the net sales during the review period January 1–June 30, 2015.

Other events in the review period

On February 24, 2015, Innofactor announced in a stock exchange release that the Legal Register Centre has selected Innofactor in a public procurement competition as the provider of the customer information system project for the Criminal Sanctions Agency. The project includes the first stage of the system delivery, maintenance related to the stage, and the necessary software licenses. The system delivery is planned to be implemented during 2015 and 2016. The comparison price (excluding VAT) of the procurement for the contract period is EUR 4,771,024.

On March 11, 2015, Innofactor announced in a stock exchange release that the Population Register Centre has selected Innofactor in a public tendering process as the provider of a Service Design team for implementing service views. The implementation will be done during years 2015–2017. The customer has announced that the value of the final contract would be EUR 630,000–720,000. However, the final value of the deal during the contract period cannot be stated for certain at this point.

On March 24, 2015, 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, 2014; 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, 2014; decided, in accordance with the proposal of the Board of Directors, that no dividend will be paid; decided on the fees to be paid to the Board members; selected the Board of Directors and the auditor; and authorized the Board of

Directors to decide on purchase of treasure shares and granting of special rights entitling to shares.

On April 29, 2015, Innofactor announced in a stock exchange release that the Finnish Large Taxpayers' Office had provided Innofactor a positive decision according to which the Tax Authority will not carry out the adjustment presented in the tax inspection report. Due to the decision the risk related to tax receivables has been reduced materially.

On May 28, 2015, Innofactor published a stock exchange release about the payment of the remaining purchase price of Enabling Holding 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 was defined based on Enabling Group's realized EBITDA in 2014. The final purchase price was approximately EUR 3.8 million, of which approximately EUR 2.2 million was paid in June 2015. Out of this sum, approximately EUR 1.7 was paid in cash and approximately EUR 0.5 million in company shares. Based on the authorization granted by the General Meeting, Innofactor's Board of Directors decided on a directed share issue of new shares in connection with the adjustment payment of the deal. In the directed issue, Innofactor issued 500,000 new shares. The new 500,000 shares of Innofactor Plc were registered in the Trade Register on June 1, 2015. After the registrations, the total number of Innofactor Plc shares is 32,653,737. The trading of the new shares in the Helsinki Stock Exchange (NASDAQ OMX) started in June 2015. The shares are subject to transfer restrictions, which will be gradually released by 2017.

On June 30, 2015, Innofactor announced in a stock exchange release that The Board of Directors of Innofactor Plc has decided on a new share-based incentive plan for all Innofactor Group's personnel ("Personnel Issue") in order to commit the personnel to the company and its goals.

In the Personnel Issue, a maximum total of 800,000 new shares ("Personnel Shares") of the company will be issued to the Innofactor group personnel, deviating from the shareholders' pre-emptive subscription rights. At the time of the decision on June 29, 2015, Innofactor Plc has a total of 32,653,737 shares outstanding. If all the offered Personnel Shares were subscribed for in the Personnel Issue, the number of shares outstanding would increase to a maximum of 33,453,737 shares, out of which a maximum of 800,000 Personnel Shares would account for a maximum of 2.39 percent of the total post-issue number of shares and votes. The purpose of the directed Personnel Issue is to increase the personnel's commitment to the Company, and therefore a weighty financial reason as per the Finnish Companies Act exists for waiving the pre-emptive rights of shareholders. The subscription price for the Personnel Shares will be based on the weighted average price for the Innofactor Plc shares in public trading during the month following the publishing of the next interim report of Innofactor Plc, July 21–August 20, 2015, the subscription price for the Personnel Shares being approximately 10% lower than the weighted average share

price in the said period. The subscription price in total will be recognized as an increase in the company's fund for invested unrestricted equity.

Innofactor will grant a loan for its personnel to cover the subscription price. The loan term will be 10 years. The loan will be granted as part of the distributable funds of the company. The interest rate of the loan will be the 12 month Euribor rate at the time of the subscription period and will be adjusted annually. The loan repayments and interests will be deducted from the employees' monthly net salaries. The subscription of the Personnel Shares and the loans will take place during September 7–September 11, 2015.

The trading with the issued Personnel Shares on the Helsinki Stock Exchange (NASDAQ OMX) is estimated to start on October 1, 2015. However, the Personnel Shares are subject to sale and transfer restriction for 12 months starting from the date of the registration of the new shares subscribed in the Personnel issue in the Trade Register.

The Company will publish the final results of the Personnel Issue as a stock exchange release on around September 30, 2015.

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 32,653,737. The company does not have any treasury shares. Innofactor Plc has one series of shares. Each share is entitled to one vote.

On April 1–June 30, 2015, the highest price of the company share was EUR 1.16 (2014: EUR 1.37), the lowest price was EUR 0.92 (2014: EUR 1.13), and the average price was EUR 1.04 (2014: EUR 1.25).

On January 1–June 30, 2015, the highest price of the company share was EUR 1.20 (2014: EUR 1.59), the lowest price was EUR 0.76 (2014: EUR 1.13), and the average* price was EUR 1.03 (2014: EUR 1.35).

The closing price for the review period on June 30, 2015, was EUR 0.94 (2014: EUR 1.20).

* 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 public trading on April 1–June 30, 2015, a total of 1,373,650 shares were traded (2014: 1,187,653 shares), which corresponds to 4.3 percent (2014: 3.7%) of the average number of shares on the said period. On April 1–June 30, 2015, there were 32,318,572 shares on the average (2014: 32,153,737*). The share trading increased by 15.7 percent compared to the corresponding period in 2014.

In public trading on January 1–June 30, 2015, a total of 4,461,303 shares were traded (2014: 4,430,165 shares), which corresponds to 13.8 percent (2014: 13.8%) of the average number of shares on the said period. On January 1–June 30, 2015, there were 32,236,610 shares on the average (2014: 32,098,723*). The share trading increased by 0.7 percent compared to the corresponding period in 2014.

* 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 0.94, on June 30, 2015, was EUR 30,695 thousand (2014: 38,584), which shows a decrease of 20.4 percent.

On June 30, 2015, the company had 11,084 shareowners (2014: 11,768), including administrative registers.

The Board of Directors has the following authorizations:

- Until June 30, 2016, 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 by the General Meeting of March 24, 2015); the authorization has not been used.
- Until June 30, 2016, to decide on a transfer of a maximum of 1,000,000 treasury shares (decided by the General Meeting of March 24, 2015); the authorization has not been used.

Innofactor Plc issued no flagging announcements during the review period.

Share owning by the Board of Directors:

- Ari Rahkonen, 0 shares, 0.00% (as of March 24, 2015)
- J.T. Bergqvist, 350,000 shares, 1.07%
- Sami Ensio, 7,448,017 shares, 22.81%
 - Sami Ensio, 5,274,257 shares, 16.15%
 - minor under guardianship, 724,588 shares, 2.22%
 - minor under guardianship, 724,586 shares, 2.22%
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- Jukka Mäkinen, 70,793 shares, 0.22%
- Ilari Nurmi, 50,630 shares, 0.16%
- Pekka Puolakka, 181,705 shares, 0.56% (as of March 24, 2015)
 - Hillside Ou, 105,670 shares, 0.32%
 - Pekka Puolakka, 76,035 shares, 0.23%

Share owning by the CEO:

- Sami Ensio, 7,448,017 shares, 22.81%
 - Sami Ensio, 5,274,257 shares, 16.15%

- minor under guardianship, 724,588 shares, 2.22%
- minor under guardianship, 724,586 shares, 2.22%
- minor under guardianship, 724,586 shares, 2.22%

Share owning by other members of the Executive Board:

- Christian Andersen, 203,157 shares, 0.62%
 - CHRA Holding ApS, 203,157 shares, 0.62%
- Heikki Jekunen, 6,000 shares, 0.02% (until June 22,2015)
- Elina Jokinen, 0 shares, 0.0%
- Janne Martola, 100,000 shares, 0.31%
- Juha Rokkanen, 103,873 shares, 0.32%

Treasury shares

The General Meeting of March 24, 2015, 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). Treasury shares may be acquired at the purchase price formed for them in public trading at the day of purchase or at another market price. The number of treasury shares at a time may be, at the maximum, one tenth of the total number of shares in the company. Shares may be purchased to be used in company acquisitions or implementing other arrangements relating to the company's business operations, improving the company's capital or financing structure, as a part of the company's incentive system, or otherwise to be handed over or voided. 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 June 30, 2016. This authorization replaces the Board's earlier authorizations concerning share repurchase.

The Board of Directors of Innofactor Plc has decided on a new share-based incentive plan for all Innofactor Group's personnel ("Personnel Issue") in order to commit the personnel to the company and its goals. In the Personnel Issue, a maximum total of 800,000 new shares ("Personnel Shares") of the company will be issued to the Innofactor group personnel, deviating from the shareholders' pre-emptive subscription rights. The subscription of the Personnel Shares and the loans will take place during September 7–September 11, 2015 and the trading with the issued Personnel Shares on the Helsinki Stock Exchange (NASDAQ OMX) is estimated to start on October 1, 2015. The Personnel Shares are subject to sale and transfer restriction for 12 months starting from the date of the registration of the new shares subscribed in the Personnel issue in the Trade Register.

On June 30, 2015, Innofactor had no treasury shares.

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.

The General Meeting of March 24, 2015, decided that the number of Board members is six. Of the current members of the Board of Directors, J.T. Bergqvist, Sami Ensio, Jukka Mäkinen and Ilari Nurmi were re-elected. Ari Rahkonen and Pekka Puolakka were elected as new members. In their organizing meeting held immediately after the General Meeting, the Board of Directors elected Ari Rahkonen as the Chairman of the Board.

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_johtaminen

Short term risks and uncertainty factors

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

There have been no other significant changes in Innofactor's short-term operational risks and uncertainty factors during the review period nor can any other significant changes be seen.

Financial risks

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. Due to the favorable decision of the Finnish Large Taxpayers' Office, the risk related to tax receivables has been significantly reduced. If the company's profitability would decrease significantly in the long run, it could be possible that the Group would not be able to utilize in full the receivables currently activated in the balance sheet.

There have been no significant changes in Innofactor's short-term financial risks and uncertainty factors during the review period nor can any other significant changes be seen.

Risks related to shares

There have been no significant changes in Innofactor's risks and uncertainty factors related to the shares during the review period nor can any be seen.

Acquisitions and changes in the group structure

No acquisitions or changes in the group structure were carried out during the review period.

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 digital 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 the Microsoft 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 the Microsoft 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-quality customer service
- long-term customer partnerships
- fast and profitable growth

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

- by achieving over 10 percent operating margin (EBITDA) every year in 2014–2017
- by achieving an average annual growth of 25–35 percent 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 3.8 percent in Innofactor's net sales in the review period was significantly lower than the 25–35 percent annual growth goal stated in the strategy. However, the said growth was entirely organic and the average is still well over the goal.

Innofactor's operating margin (EBITDA) in relation to net sales was 6.3 percent, which did not fulfill the strategy goal. According to the strategy, the annual EBITDA must be over 10 percent. Typically, the profitability has improved towards the end of the year.

Innofactor's operating cash flow in the review period was EUR 3.5 million positive and improved significantly from the corresponding figure for 2014 (2014: EUR 0.0 million). Innofactor's financial stability is good. Net gearing at the end of the review period was 34.5 percent (2014: 52.2 percent).

Innofactor did not make any acquisitions during the review period.

Events after the review period

There have been no 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.

Espoo, July 21, 2015

INNOFACTOR PLC

Board of Directors

Additional information:

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Briefings concerning the Interim Report January 1–June 30, 2015

On July 21, 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 by sending email to ir@innofactor.com.

If required, Innofactor will also hold a conference call in English for analysts, media and investors on July 21, 2015, at 16:00 Finnish time. Registrations to ir@innofactor.com before 12:00 Finnish time on Monday, July 20, 2015.

Financial releases in 2015

The schedule for financial releases in 2015 is as follows:

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–June 30, 2015 (IFRS)

Drafting principles

This Interim Report has been drafted in accordance with the IAS 34 Interim financial reporting standard. The interim report 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 the financial report 2014.

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 figures in the interim report have not been audited.

Consolidated Profit and Loss Statement, IFRS

EUR thousand	Apr 1–Jun 30, 2015	Apr 1–Jun 30, 2014	Jan 1–Jun 30, 2015	Jan 1–Jun 30, 2014	Jan 1–Dec 31, 2014
Net sales	11,507	11,226	22,778	21,944	44,119
Other operating income	30	51	43	191	337
Materials (–)	-1,030	-1,262	-1,702	-2,285	-4,141
Employee benefits/expenses (–)	-8,184	-7,872	-16,196	-15,734	-30,349
Depreciation (–)	-348	-350	-698	-690	-1,387
Other operating expenses (–)	-1,681	-1,435	-3,477	-2,695	-5,859
Operating profit/loss	294	358	748	731	2,720
Financial income	0	217	0	542	541
Financial expenses (–)	-343	-119	-455	-247	-1,002
Profit/loss before taxes	-49	456	293	1,026	2,259
Income taxes	10	-91	-58	-205	-452
Profit/loss for the financial period	-39	365	235	821	1,807
Items that may be later recognized in profit or loss:					
Exchange differences	0	-2	-1	-4	-1
Total comprehensive income	-39	363	234	817	1,806

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

Basic earnings per share (EUR)	-0.0012	0.0114	0.0073	0.0256	0.0563
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	Jun 30, 2015	Jun 30, 2014	Dec 31, 2014
Non-current assets			
Tangible assets	574	860	690
Goodwill	19,584	19,557	19,584
Other intangible assets	3,183	3,749	3,407
Deferred tax assets	7,049	7,374	7,175
Non-current assets	30,390	31,540	30,856
Current assets			
Trade and other receivables	14,364	16,055	15,782
Cash and cash equivalents	1,138	492	997
Current assets	15,502	16,547	16,779
TOTAL ASSETS	45,892	48,087	47,635

**SHAREHOLDERS' EQUITY AND
LIABILITIES**

EUR thousand	Jun 30, 2015	Jun 30, 2014	Dec 31, 2014
Shareholders' equity			
Share capital	2,100	2,100	2,100
Share premium reserve	72	72	72
Other reserves (+/-)	59	59	59
Fund for invested unrestricted equity	15,526	14,995	14,995
Fund for other shareholders' equity	3,200	3,200	3,200
Retained earnings	2,521	1,586	2,287
Total shareholders' equity	23,478	22,012	22,713
Non-current liabilities			
Loans from financial institutions	6,153	8,714	7,705
Deferred tax liabilities	875	900	845
Long term liabilities total	7,028	9,614	8,550
Current liabilities			
Loans from financial institutions	3,078	3,273	2,933
Trade and other payables	12,308	13,188	13,439
Current liabilities total	15,386	16,461	16,372
Total liabilities	22,414	26,075	24,922
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	45,892	48,087	47,635

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, 2015	2,100	72	59	14,995	0	2,287	3,200	22,713
Comprehensive income								
Result for the financial period						235		235
Other comprehensive income:								
Exchange differences						-1		-1
Total comprehensive income	0	0	0	0	0	234		234
Share issue				531				531
Transactions with shareholders in total	0	0	0	531	0	0	0	531
Shareholders' equity Jun 30, 2015	2,100	72	59	15,526	0	2,521	3,200	23,478

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	767	3,200	19,626
Comprehensive income								
Result for the financial period						821		821
Other comprehensive income:								
Exchange differences						-4		-4
Total comprehensive income	0	0	0	0	0	817		817
Share issue				1,568				1,568
Transactions with shareholders in total	0	0	0	1,568	0	0	0	1,568
Shareholders' equity Jun 30, 2014	2,100	72	59	14,995	0	1,586	3,200	22,012

Consolidated Cash Flow Statement, IFRS

EUR thousand	Jan 1–Jun 30, 2015	Jan 1–Jun 30, 2014	Jan 1–Dec 31, 2014
Cash flow from operating activities			
Operating profit	748	731	2,720
Adjustments:			
Depreciation	698	690	1,387
Non-cash transactions	0	542	142
Changes in working capital:			
Change in trade or other receivables (+/–)	1,417	-2,099	-1,697
Change in trade and other payables (+/–)	849	343	252
Interests paid (–)	-184	-247	-503
Interests received	0	1	0
Total cash flow from operating activities	3,528	-39	2,301
Investment cash flow			
Acquisition of subsidiaries	-1,685	0	0
Investments in intangible and tangible assets (–)	-294	-490	-690
Total cash flow from investments	-1,979	-490	-690
Cash flow from financing			
Loans withdrawn	7	1,351	267
Loans paid	-1,415	-1,321	-1,584
Interest payments on the hybrid bond	0	0	-288
Total cash flow from financing	-1,408	30	-1,605
Change in cash and cash equivalents (+/–)	141	-499	6
Cash and cash equivalents, opening balance	997	991	991
Cash and cash equivalents, closing balance	1,138	492	997

Consolidated Profit and Loss Statement by Quarter, IFRS

EUR thousand	Jan 1– Mar 31, 2015	Apr 1– Jun 30, 2015	Jul 1– Sep 30, 2015	Oct 1– Dec 31, 2015	Jan 1– Mar 31, 2014	Apr 1– Jun 30, 2014	Jul 1– Sep 30, 2014	Oct 1– Dec 31, 2014
Net sales	11,271	11,507			10,718	11,226	9,659	12,516
Other operating income	13	30			140	51	63	83
Materials (–)	-672	-1,030			-1,023	-1,262	-893	-963
Employee benefits/expenses (–)	-8,012	-8,184			-7,862	-7,872	-6,720	-7,895
Depreciation (–)	-350	-348			-340	-350	-352	-345
Other operating expenses (–)	-1,796	-1,681			-1,260	-1,435	-1,217	-1,947
Operating profit/loss	454	294			373	358	540	1,449
Financial income	0	0			325	217	-1	0
Financial expenses (–)	-112	-343			-128	-119	-520	-235
Profit/loss before taxes	342	-49			570	456	19	1,214
Income taxes	-68	10			-114	-91	-3	-244
Profit/loss for the financial period	274	-39			456	365	16	970

Commitments and contingent liabilities

EUR thousand	Jun 30, 2015	Jun 30, 2014	Dec 31, 2014
Collateral given for own commitments			
Collateral for rent	81	530	90
Mortgages on company assets*	16,250	16,250	16,250
Bank guarantees	303	283	303
Other own guarantees			
Lease liabilities			
Current lease liabilities	197	382	262
Lease liabilities maturing in 1-5 years	197	145	234
Total	394	527	496
Rental liabilities			
Current rental liabilities	1,268	1,354	1,268
Rental liabilities maturing in 1-5 years	3,076	4,197	3,588
Total	4,344	5,551	4,856
Other own guarantees total	4,738	6,078	5,352

* Of the mortgages on company assets, EUR 1,250 thousand was in the company's possession on June 30, 2015.

The accrued interest on the hybrid bond was EUR 145 thousand on June 30, 2015.

	mo. 4–6 /2015	mo. 4–6/ 2014	Change	mo. 1–6 /2015	mo. 1–6 /2014	Change	mo. 1–12 /2014
Net sales, EUR thousand	11,507	11,226	+2.5%	22,778	21,944	+3.8%	44,119
Growth of net sales	+2.5%	+45.1%		+3.8%	65.3%		35.0%
Operating profit before depreciation and amortization (EBITDA), EUR thousand*	642	708	-9.3%	1,446	1,421	+1.8%	4,107
percentage of net sales*	5.6%	6.3%		6.3%	6.5%		9.3%
Operating profit/loss (EBIT), EUR thousand*	294	358	-17.9%	748	731	+2.3%	2,720
percentage of net sales*	2.6%	3.2%		3.3%	3.3%		6.2%
Earnings before taxes, EUR thousand**	-49	456	-110.7%	293	1,026	-71.4%	2,259
percentage of net sales**	-0.4%	4.1%		1.3%	4.7%		5.1%
Earnings, EUR thousand**	-39	365	-110.7%	235	821	-71.4%	1,807
percentage of net sales**	-0.3%	3.3%		1.0%	3.7%		4.1%
Shareholders' equity, EUR thousand	23,478	22,012	+6.7%	23,478	22,012	+6.7%	22,713
Return on equity***	-0.7%	6.7%		2.0%	7.9%		8.5%
Interest bearing liabilities, EUR thousand	9,231	11,987	-23.0%	9,231	11,987	-23.0%	10,638
Cash and cash equivalents, EUR thousand	1,138	492	+131.3%	1,138	492	+131.3%	997
Deferred tax assets, EUR thousand	7,049	7,374	-4.4%	7,049	7,374	-4.4%	7,175
Return on investment***	3.6%	6.9%		4.5%	7.8%		10.0%
Net gearing	34.5%	52.2%		34.5%	52.2%		42.4%
Equity ratio	52.8%	47.6%		52.8%	47.6%		49.0%
Balance sheet total, EUR thousand	45,892	48,087	-4.6%	45,892	48,087	-4.6%	47,635
Research and development, EUR thousand	668	527	+26.7%	1,071	1,095	-2.3%	1,981
percentage of net sales	5.8%	4.7%		4.7%	5.0%		4.5%
Personnel on average during the review period	426	420	+1.4%	421	417	+1.0%	421
Personnel at the end of the review period	430	426	+0.9%	430	426	+0.9%	411
Number of shares at the end of the review period	32,653,737	32,153,737	+1.6%	32,653,737	32,153,737	+1.6%	32,153,737
Earnings per share (EUR)	-0.0012	0.0114	-110.6%	0.0073	0.0256	-71.5%	0.0563
Shareholders' equity per share (EUR)	0.719	0.685	+5.0%	0.719	0.685	+5.0%	0.706

*) 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 second quarter of 2014 included a one-off cancellation of a cost reserve related to the integration, amounting to about EUR 135 thousand, and financial income of EUR 216 thousand from the additional purchase price related to the acquisition, a total of about EUR 351 thousand. The first quarter of 2014 included financial income of EUR 325 thousand for the additional purchase price related to the acquisition.

***) 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 final 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 was defined based on Enabling Group's realized EBITDA in 2014. The final purchase price was approximately EUR 3.8 million, of which approximately EUR 2.2 million was paid in June 2015. Out of this sum, approximately EUR 1.7 was paid in cash and approximately EUR 0.5 million in company shares. 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. As the value of the Innofactor shares used for paying the rest of the purchase price, the share price of EUR 1.06 was used. All Innofactor shares used as payment in this transaction are subject to transfer restrictions, which will be gradually released by 2017.

The acquisition cost according to IFRS is EUR 3,134 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	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	-691
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 related to the acquisition, EUR 691 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 June 30, 2015, was as follows:

Name	Number of shares	% of share capital
1. Ensio Sami	7,448,017	22.81%
<i>Ensio Sami</i>	5,274,257	16.15%
<i>Minor under guardianship</i>	724,588	2.22%
<i>Minor under guardianship</i>	724,586	2.22%
<i>Minor under guardianship</i>	724,586	2.22%
2. Tilman Tuomo Tapani	2,797,169	8.57%
<i>Tilman Tuomo Tapani</i>	2,747,492	8.41%
<i>Mpire Capital Oy</i>	49,677	0.15%
3. Salminen Jyrki Kalle Tapio	2,611,149	8.00%
4. Laiho Rami Tapani	1,419,215	4.35%
5. Linturi Kaija and Risto	1,271,411	3.89%
<i>R. Linturi Oyj</i>	504,107	1.54%
<i>Linturi Kaija Anneli</i>	430,000	1.32%
<i>Linturi Risto Erkki Olavi</i>	337,304	1.03%
6. Ärje Matias Juhanoika	946,278	2.90%
7. Mäki Antti-Jussi	930,201	2.85%
8. Lampi Mikko Olavi	922,098	2.82%
9. Muukkonen Teemu	501,468	1.54%
10. Bergqvist J.T.	350,000	1.07%
11. Kukkonen Heikki-Harri	336,021	1.03%
12. Järvenpää Janne-Olli	322,804	0.99%
13. Jokinen Klaus Antero	280,001	0.86%
14. Laiho Jari Olavi	270,000	0.83%
15. Ementor Norge As	269,299	0.82%
16. Karppinen Antti Sakari	187,138	0.57%
17. Insurance company Henki-Fennia	150,000	0.46%
18. Mäkinen Antti Vilho Juhani	132,000	0.40%
19. Muurinen Hannu Olavi	125,750	0.39%
20. Tiirikainen Vesa Martti	125,750	0.39%