

Innofactor Plc Interim Report July 31, 2012, at 8:30 Finnish time

## **Innofactor Plc's interim report for January 1–June 30, 2012 (IFRS)**

### **Summary**

Innofactor group's key figures for April 1–June 30, 2012:

- Net sales EUR 3,982 thousand (2011: 4,360), decrease of 8.7%
- Operating profit before depreciation and amortization (EBITDA), EUR -108 thousand (2011: 275), decrease of 139.3%
- EBITDA percentage -2.7% (2011: 6.3%)
- Operating loss (EBIT) EUR -251 thousand (2011: 142), decrease of 276.8%
- EBIT percentage -6.3% (2011: 3.3%)

Innofactor group's key figures for January 1–June 30, 2012:

- Net sales EUR 7,954\* thousand (2011: 8,303), decrease of 4.2%\*
- Operating profit before depreciation and amortization (EBITDA), EUR -316\*\* thousand (2011: 425), decrease of 174.4%
- EBITDA percentage -4.0%\*\* (2011: 5.1%)
- Operating loss (EBIT) EUR -598\*\* thousand (2011: 161), decrease of 471.4%\*\*
- EBIT percentage -7.5%\*\* (2011: 1.9%)

The future outlook for Innofactor remains the same. There are notable uncertainties related to the outlook for 2012 due to the instability of the global financial situation, so no detailed estimate of the outlook can be provided. In 2012, the organic growth of Innofactor is estimated to continue (2011: net sales were EUR 17,205 thousand). The profitability of the business operations is expected to remain positive.

The figures in this interim report have not been audited. The figures do not include the Danish company Bridgeconsulting A/S, acquired on June 25, 2012, which will be taken into account as of July 2012 according to acquisition closing date July 5, 2012. More detailed information of the acquisition can be found in report section "Acquisitions and changes in the group structure".

\* Due to the organizational change on January 2, 2012, projects were rearranged, which had a one-off effect of lowering the net sales in January by about EUR 300 thousand.

\*\* Due to the organizational change on January 2, 2012, projects were rearranged, which had a one-off effect of lowering the net sales in January by about EUR 300 thousand. Additionally, the personnel and office space arrangements related to the organizational change led to a one-off cost of about EUR 100 thousand. In total, these reduced the net sales by about EUR 400 thousand.

**Key figures of the group, IFRS**

	mo. 4-6 /2012	mo. 4-6 /2011	Change	mo. 1-6 /2012	mo. 1-6 /2011	Change	mo. 1-12 /2011
Net sales, EUR thousand*	3,982	4,360	-8.7%	7,954	8,303	-4.2%	17,205
Operating profit before depreciation and amortization (EBITDA), EUR thousand**	-108	275	-139.3%	-316	425	-174.4%	1,443
percentage of net sales**	-2.7%	6.3%		-4.0%	5.1%		8.4%
Operating profit/loss (EBIT), EUR thousand**	-251	142	-276.8%	-598	161	-471.4%	904
percentage of net sales**	-6.3%	3.3%		-7.5%	1.9%		5.3%
Earnings before taxes, EUR thousand**	-251	139	-280.6%	-598	155	-485.8%	886
percentage of net sales**	-6.3%	3.2%		-7.5%	1.9%		5.1%
Earnings, EUR thousand**	-248	108	-329.6%	-592	121	-589.2%	687
percentage of net sales**	-6.2%	2.5%		-7.4%	1.5%		4.0%
Shareholders' equity, EUR thousand	12,846	12,399	+3.6%	12,846	12,399	+3.6%	12,905
Return on equity***	-7.6%	3.5%		-9.2%	1.9%		5.5%
Return on investment***	-7.6%	4.6%		-9.2%	2.6%		7.2%
Net gearing	-7.9%	-6.1%		-7.9%	-6.1%		-5.4%
Equity ratio	76.8%	75.6%		76.8%	75.6%		74.5%
Balance sheet total, EUR thousand	18,430	17,967	+2.6%	18,430	17,967	+2.6%	18,324
Research and development, EUR thousand	655	654		1,347	1,246		2,086
percentage of net sales	16.4%	15.0%		16.9%	15.0%		12.1%
Personnel on average during the review period	178	175	+1.7%	181	173	+4.6%	177
Personnel at the end of the review period	181	185	-2.2%	181	185	-2.2%	189
Number of shares at the end of the review period****	30,165, 900	29,261, 849	+3.1%	30,165, 900	29,261, 800	+3.1%	29,261,800
Earnings per share (EUR)****	-0.0082	0.0037	-321.6%	-0.0199	0.0041	-585.4%	0.0235
Shareholders' equity per share (EUR)****	0.426	0.424	+0.5%	0.426	0.424	+0.5%	0.441

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\*\* Due to the organizational change on January 2, 2012, projects were rearranged, which had a one-off effect of lowering the net sales in January by about EUR 300 thousand. Additionally, the personnel and office space arrangements related to the organizational change led to a one-off cost of about EUR 100 thousand. In total, these reduced the net sales by about EUR 400 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.

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\*\*\*\* In accordance with the decision of the Innofactor Plc's Annual General Meeting on April 28, 2011, twenty old shares were consolidated into one new share (registered in the Trade Register on May 7, 2011), which reduced the total number of shares to 1/20 of the previous number. The key figures presented in the table have been adjusted to correspond with the current number of shares.

## Reporting

Innofactor operates on a single segment and mainly in Finland\*, offering software, systems and related services. No distribution of net sales or earnings by segment or geographical area is therefore presented.

\* On June 25, 2012, Innofactor Plc signed a contract on acquiring the Danish company Bridgeconsulting A/S. This is described in more detail in the section "Acquisitions and changes in the group structure." The company operates mainly in Denmark and will be consolidated into Innofactor information as of July, 2012.

## CEO Sami Ensio's review

During April 1–June 30, 2012, Innofactor's net sales decreased by 8.7 percent compared to the corresponding period last year.

During the review period, Innofactor signed a contract on June 25, 2012, to acquire the entire share capital of Bridgeconsulting A/S and its parent company Bridgeconsulting Holding ApS. The acquisition is significant for Innofactor's globalization strategy. High level of competence and clientele of Bridgeconsulting is a perfect complement to Innofactor's business operations. Together we will be capable of serving our international customers faster and more extensively as well as working to expand our clientele. The expansion of our solution range in the Nordic countries will improve our competitiveness and support our strategy of international growth. Acquisition of Bridgeconsulting is the first step in international expansion of Innofactor's system integration business and provides an excellent platform to grow a substantial Microsoft-focused business in Denmark.

The effect on net sales related to the starting of the organizational change at the beginning of 2012 continued to have an effect on Q2. In order to improve profitability, Innofactor had cooperation negotiations in May 2012 in the SharePoint Solutions unit. As a result, two persons were let go and two persons were dismissed temporarily. Additionally, some smaller changes in the organization and personnel changes in the management have been made and they are expected to improve the operation of the organization.

The organization reform is essential for securing Innofactor's competitiveness in the long run, for example, in relation to globalization and the acquisition of Bridgeconsulting A/S, and it is expected to improve Innofactor's competitiveness on the second half of the year.

There have not been any significant changes in the general market situation compared to the previous quarter.

The development of net sales was affected by research and development costs that were larger than on an average quarter. Research and development costs recognized in the profit and loss

statement for April 1–June 30, 2012, were EUR 655 thousand (2011: EUR 654 thousand), which is 16.4% of the net sales (2011: 15.0%).

Operating profit before depreciation and amortization (EBITDA) during April 1–June 30, 2012, was EUR 108 thousand (-2.7%) and operating loss (EBIT) was EUR -251 thousand (-6.3%).

During the review period and after it, Innofactor secured several major deals, for example, the Resource Booking System for the City of Espoo and the SharePoint application maintenance service for VTT, which resulted in positive development in the order book.

In the longer term, Innofactor is seeking a competitive advantage and flexibility, for example, by increasing the productization level of its solutions, the share of subcontracting and the use of lower-cost labor.

Innofactor continues to seek potential strategic partnerships in Finland and neighboring countries. The group will seek growth, which can be organic or based on mergers or acquisitions.

### **Market outlook and business environment**

There have not been changes in the market outlook and business environment.

Due to the uncertainties in economic situation, it is impossible to make a reliable estimate of the development of the IT market. During the previous recession, the IT market reacted to the change less radically than many other sectors. It can therefore be assumed that in a possible new recession, the impacts will not be very dramatic, but it is difficult to present any figures.

The IT market is experiencing a clear turning point. One of the major trends is the consumerization of information technology: an increasingly larger share of the IT purchases made by companies is based on the requirements of the consumer market. Company and corporate clients tend to purchase software that can be used on phones, tablets and computers. Another trend is the ability of public clouds to offer software in a scalable and global form to a wide range of end users and for all devices, including mobile phones. Innofactor believes that Microsoft is a strong player in this situation: it holds the leading position in the business software market and invests heavily in mobile devices.

For companies like Innofactor, which is strongly committed to Microsoft, this development creates growing global markets in the long term both as a traditional system integrator as well as a provider of cloud and mobile solutions. Innofactor sees that strong commitment to Microsoft brings significant competitive advantages. As the companies focusing purely on Microsoft products are typically small, Innofactor believes that they are likely to be consolidating into larger units, and this will offer Innofactor expansion opportunities.

### Net sales

Innofactor's net sales on April 1–June 30, 2012, were EUR 3,982 thousand (2011: 4,360), which shows a decrease of 8.7 percent, and on January 1–June 30, 2012, the net sales were EUR 7,954\* thousand (2011: 8,303), which shows a decrease of 4.2 percent.

\* Due to the organizational change on January 2, 2012, projects were rearranged, which had a one-off effect of lowering the net sales in January by about EUR 300 thousand.

### Result development

Innofactor's operating profit before depreciation and amortization (EBITDA) on April 1–June 30, 2012, was EUR -108 thousand (2011: 275), which shows a decrease of 139.3 percent. EBITDA accounted for -2.7 percent of the net sales (2011: 6.3%).

Innofactor business profit on April 1–June 30, 2012, was EUR -251 thousand (2011: 142), which shows a decrease of 276.8 percent. Business profit accounted for -6.3 percent of the net sales (2011: 3.3%).

Innofactor's operating profit before depreciation and amortization (EBITDA) on April 1–June 30, 2012, was EUR -316\* thousand (2011: 425), which shows a decrease of 174.4 percent. EBITDA accounted for -4.0\* percent of the net sales (2011: 5.1%).

Innofactor business profit on January 1–June 30, 2012, was EUR -598\* thousand (2011: 161), which shows a decrease of 471.4 percent. Operating profit accounted for -7.5\* percent of the net sales (2011: 1.9%).

During April 1–June 30, 2012, research and development costs recognized in the profit and loss statement were EUR 655 thousand (2011: 654); during January 1–June 30, 2012, they were EUR 1,347 thousand (2011: 1,246).

\* Due to the organizational change on January 2, 2012, projects were rearranged, which had a one-off effect of lowering the net sales in January by about EUR 300 thousand. Additionally, the personnel and office space arrangements related to the organizational change led to a one-off cost of about EUR 100 thousand. In total, these reduced the net sales by about EUR 400 thousand.

### Financing and investments

Innofactor's balance sheet total at the end of the review period was EUR 18,430 thousand (2011: 17,967). The group's liquid assets totaled EUR 1,013 thousand (2011: 758), consisting totally of cash funds.

The operating cash flow in the review period of January 1–June 30, 2012, was EUR 303 thousand (2011: -780). The investment cash flow was EUR -114 thousand (2011: -176).

The equity ratio at the end of the review period was 76.8 percent (2011: 75.6%) and net gearing was -7.9 percent (2011: -6.1%).

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At the end of the review period, the company had EUR 0 in current interest bearing liabilities (2011: EUR 0).

The return on investment on January 1–June 30, 2012, was -9.2 percent (2011: 2.6%).

The return on equity on January 1–June 30, 2012, was -9.2 percent (2011: 1.9%).

The non-current assets in Innofactor's balance sheet at the end of the review period were EUR 10,927 thousand in total and consisted of the following items:

- Tangible assets EUR 446 thousand
- Goodwill value EUR 1,207 thousand
- Other intangible assets EUR 1,379 thousand
- Deferred tax assets EUR 7,895 thousand

Innofactor's gross investments in tangible assets in the review period of January 1–June 30, 2012, were EUR 114 thousand (2011: 176), 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 163 thousand (2011: 164).

### **Research and product development**

Innofactor's research and development costs recognized in the profit and loss statement for April 1–June 30, 2012, were EUR 655 thousand (2011: 654), which accounts for 16.4 percent of the net sales (2011: 15.0%).

Innofactor's research and development costs recognized in the profit and loss statement for January 1–June 30, 2012, were EUR 1,347 thousand (2011: 1246), which accounts for 16.9 percent of the net sales (2011: 15.0%).

### **Personnel**

The average number of personnel at Innofactor during April 1–June 30, 2012, was 178 (2011: 175), an increase of 1.7%; during January 1–June 30, 2012, the average number was 181 (2011: 173), which shows an increase of 4.6 percent.

At the end of the review period, the number of personnel was 181 (2011: 185), which shows a decrease of 2.2 percent.

At the end of the review period, the average age among personnel was 36.9 years (2011: 36.1). Of the personnel, 38.5 percent (2011: 38.2%) had a higher academic degree, 36.2 percent (2011: 36.6%) had a lower academic degree or were studying for a higher academic degree, and 25.3

percent (2011: 25.1%) had some other degree. Women accounted for 24 percent of the personnel and men for 76 percent (2011: 22% and 78%).

**Business operations**

Innofactor’s business operations took place mainly in Finland and about 97 percent of the net sales for January 1–June 30, 2012, were generated in Finland. The rest, about 3% of the net sales, was derived from emissions trading solutions for EU member states, and from services provided to certain Swedish parishes and to some Finnish companies for their foreign operations.

Innofactor's net sales on the review period of January 1–June 30, 2012, came from the following sources:

- about 57% from systems integrator services (including system delivery projects and smaller changes and further development);
- about 5% from licenses, of which the share of licensing income to third parties was about 2%;
- about 38% from ongoing service agreements (incl. maintenance agreements, SaaS, cloud and hosting services).

Innofactor’s 10 largest clients accounted for about 21 percent of the net sales during the review period January 1–June 30, 2012.

**Other events in the review period**

Innofactor reformed its organization as of January 2, 2012. Innofactor group's operations were previously organized into four business units: business clients, public administration and third sector clients, software and systems, and services. In the new organization, the system integrator function (SI) and the software business (Independent Software Vendor, ISV) are separated into different units. The system integration function is organized into country-specific units; at the moment, there is only a unit in Finland. The software business is organized into a global Cloud and Mobile Solutions Unit. In the new organization, the system integrator unit in Finland is divided into four business units: Web Communications and eCommerce, Productivity and Operational Solutions, Document and Case Management, and Third Sector Solutions. The organizational change did not include any lay-offs or other similar personnel arrangements.

On January 2, 2012, Mikko Lampi, M.Sc. (Tech), was appointed Deputy Managing Director and Chief Technology Officer. He has been employed by the company since March 1, 2001, the latest position being Vice President of Software and Systems Unit.

On January 2, 2012, based on the authorization granted to it by the General Meeting, the Board of Directors of Innofactor Plc announced its decision concerning a new share-based incentive plan for the Group’s personnel (“Personnel Issue”) in order to commit the personnel to the company and its goals. The incentive plan includes a maximum of 2,000,000 new shares (“Personnel Shares”), which are included in the amount authorized by the General Meeting and which are offered for



subscription to the entire current personnel of the Innofactor Group, deviating from the shareholders' pre-emptive subscription rights. At the time of the decision, on January 2, 2012, Innofactor Plc had a total of 29,261,800 shares. If all the offered Personnel Shares were subscribed for in the Personnel Issue, the number of shares would increase to a maximum of 31,261,800 shares, of which a maximum of 2,000,000 Personnel Shares would account for a maximum of 6.4 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 is EUR 0.542 per share. The weighted average price of the Innofactor Plc shares was approximately EUR 0.601 per share between December 1, 2011, and December 30, 2011. The subscription price of the Personnel Shares is therefore approximately 10% lower than the weighted average share price in December 2011. The subscription price in total will be recognized as an increase in the company's fund for invested unrestricted equity. To cover the subscription price of the Personnel Shares, Innofactor grants loans to its personnel. The loan term is 10 years. The loan is granted as part of the distributable funds of the company. The interest rate of the loan is the 12-month Euribor at the time of the subscription period and is adjusted annually. The loan repayments and interest are deducted from the employees' monthly net salaries. The Personnel Shares must be subscribed for and the loans taken out between March 12, 2012, and March 16, 2012, after the company's Financial Statements for the year 2011 have been published. When subscribing for Personnel Shares, the subscriber has to undertake to not to resign from the company during a six month period. The trading of the issued Personnel Shares on the Helsinki Stock Exchange (NASDAQ OMX) is estimated to start on March 23, 2012. The Personnel Shares are subject to a sale and transfer restriction for 12 months starting from the date on which the increase in the share capital related to the Personnel Issue is entered in the Trade Register. The company will publish the final results of the Personnel Issue in a stock exchange release around March 20, 2012.

On March 2, 2012, Mikko Karvinen (35), M.Sc. in Economics, was appointed as a new Chief Financial Officer (CFO) at Innofactor Plc. He will be a member of Innofactor Executive Board and report to Sami Ensio, President and CEO of Innofactor Plc. Innofactor's long-time CFO, Anneli Saarikoski, will act as CFO until July 31, 2012, and then move on to other tasks at Innofactor Plc at her own request. Mikko Karvinen will join Innofactor from Tectia Plc, where he has been acting as CFO since 2009. Mikko Karvinen will start at Innofactor on August 1, 2012.

On March 19, 2012, Innofactor Plc's subsidiary Innofactor Software Ltd was selected in a public procurement procedure to deliver an electronic communication system for the processing of applications for the City of Vantaa and its enterprises and subsidiaries. The delivery includes the licenses and delivery of the system and the services related to its implementation, support, maintenance and development. The value of the contract during the next four years is approximately EUR 740,000. This transaction strengthens Innofactor's position as a provider of eService solutions in Finland. The solution is based on Dynasty® 360° information management software, SharePoint 2010 and Innofactor® CDS® eForm component.

On March 19, 2012, the Board of Directors of Innofactor Plc accepted in full the subscriptions made in connection with the Personnel Issue. A total of 904,100 shares were subscribed by the



personnel. As a result of the Personnel Issue, the number of Innofactor's shares increased by 904,100 shares to total of 30,165,900 shares. The new shares correspond to 3.0 percent of Innofactor Plc's post-issue share capital and votes. Personnel were granted loans totaling EUR 371,118.78. The subscription price in total was recognized as an increase in the company's fund for invested unrestricted equity. The new shares were registered in the Trade Register without delay. The trading of the new shares in the Helsinki Stock Exchange (NASDAQ OMX) started on March 30, 2012. The Personnel Shares are subject to a sale and transfer restriction for 12 months starting from the registration to the Trade Register.

On March 27, 2012, 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, 2011, 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, 2011.

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, 2011.

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, 2012. 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 the members of the Board of Directors shall be five and that no deputy members shall be elected. The following persons were elected as members of the Board of Directors: Sami Ensio, Juha Koponen, Pyry Lautsuo, Pekka Puolakka, and Jukka Mäkinen. At their organizing meeting held immediately after the General Meeting, the Board of Directors elected Pyry Lautsuo as 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 informed 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.

The General Meeting decided to authorize the Board of Directors to decide on issuing new shares and/or conveying the company's own shares held by the company and/or granting special rights entitling to shares pursuant to Chapter 10, Section 1 of the Finnish Companies Act in accordance with the proposal of the Board of Directors. In addition to the Current Authorization, the General Meeting decided to authorize the Board of Directors to decide on granting of a maximum of 8,000,000 shares and transferring of a maximum of 1,000,000 company shares in the company's possession, in one or several parts. The shares could be issued either against a payment or for free on the basis of conditions set by the Board of Directors and, for the part of an issue against

payment, at the price defined by the Board of Directors. The New Authorization also gives the Board of Directors the right to grant special rights—as defined in the Chapter 10, Section 1 of the Finnish Companies Act—which entitle, against payment, to new shares or company shares in the company's possession. A right may also be given to a creditor in such manner that the right includes a condition that the creditor's receivable is used to set off the subscription price (convertible loan). The subscription price of the new shares and the amount paid for the company's own shares will be added to the fund for invested unrestricted equity. The New Authorization includes a right to deviate from the pre-emptive subscription rights of the existing shareholders, provided that the company has an important financial reason to do so, as regards the issue against payment, and that there is an especially important reason for the company and the good of the shareholders to do so, as regards the free issue. Within the limits set above, the New Authorization could be used, for example, 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. New issue or transfer of own shares could also be used as a contribution in kind or when using the set-off right. The New Authorization cannot be used in implementing incentive systems aimed at the company's personnel or the Chief Executive Officer. The New Authorization also includes the right to decide on a free share issue to the company itself in such a manner that, after the issue, the number of shares in the company's possession is at the maximum one tenth (1/10) of the total number of shares in the company. This number includes the shares in the possession of the company or its subsidiaries as defined in the Chapter 15, Section 11, subsection 1 of the Finnish Companies Act. The New Authorization shall be valid until June 30, 2013. The Board of Directors was authorized to decide on all other matters related to the New Authorization.

On April 30, 2012, in order to improve profitability, the Board of Directors decided to start cooperation negotiations in the SharePoint Solutions unit, which could lead to a maximum of nine people being let go or to a 90-day temporary dismissal for all personnel.

On May 22, 2012, Innofactor ended the cooperation negotiations concerning the SharePoint Solutions unit. During the talks, there was positive development in the business operations of the unit. The Board of Directors decided on laying off 2 people and temporarily dismissing 2 people for 90 days.

On May 23, 2012, Innofactor Plc and FIM Bank Ltd signed a market making agreement that meets the requirements of NASDAQ OMX Helsinki Ltd's Liquidity Providing (LP) operations. According to the agreement FIM Bank Ltd will quote bids and offers for Innofactor Plc's share so that the spread of the bid and offer prices is a maximum of 4% calculated on the bid price. The bids and offers quoted must be for an amount of shares corresponding to the minimum of EUR 4,000. FIM Bank Ltd shall quote bids and offers for Innofactor Plc's share in the trading system of NASDAQ OMX Helsinki on each trading day for at least 85 percent of the Continuous Trading period and in the auction procedures applicable to the share. Market making in accordance with the LP agreement commenced on May 24, 2012. The agreement will be in force initially for a fixed term of 6 months and thereafter under further notice. The agreement's period of notice is one month.

On June 21, 2012, Innofactor Plc's subsidiary Innofactor Software Ltd was selected in a public procurement procedure to deliver a Resource Booking System for the City of Espoo. The delivery

includes the delivery and implementation of the system and the services related to its implementation, support, hosting and maintenance during the contract period. The value of the contract is approximately EUR 475,000. The goal of the purchase is to implement a Resource Booking System that fulfills the current and future needs of City by enabling allocation of facilities, courses, people, equipment and other resources through the Internet. The system will include 500 users and administrators. The City of Espoo wanted to have a single vendor, who is capable of committing to cooperation and has the required resources to develop and maintain the system comprehensively and to adhere to the given requirements, while maintaining high quality. This transaction strengthens significantly Innofactor's position as a provider of Resource Booking Systems and eServices for municipalities in Finland, and opens significant new business opportunities. The City of Espoo is a strategic and long term partner for Innofactor. Previously delivered solutions include Espoo's Tennis Field Reservation System and Swimming Pool Access Control as well as Information Management Solution. The Resource Booking System is based on Innofactor<sup>®</sup> Prime™ ERP Software.

On June 25, 2012, Innofactor Plc signed a contract on acquiring the entire share capital of the Danish company Bridgeconsulting A/S and its parent company Bridgeconsulting Holding ApS. This is described in more detail in the section "Acquisitions and changes in the group structure."

**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 30,165,900. Innofactor Plc has one series of shares. Each share is entitled to one vote.

On April 1–June 30, 2012, the highest price of the company share was EUR 0.60 (2011: EUR 1.80\*), the lowest price was EUR 0.41 (2011: EUR 0.86\*), and the average\*\* price was EUR 0.50 (2011: EUR 1.30\*).

On January 1–June 30, 2012, the highest price of the company share was EUR 0.65 (2011: EUR 3.20\*), the lowest price was EUR 0.41 (2011: EUR 0.86\*), and the average\*\* price was EUR 0.56 (2011: EUR 1.87\*). The closing price for the review period on June 30, 2012, was EUR 0.46 (2011: EUR 1.05\*).

\* In accordance with the decision of the Innofactor Plc's Annual General Meeting on April 28, 2011, twenty old shares were consolidated into one new share (registered in the Trade Register on May 7, 2011), which reduced the total number of shares to 1/20 of the previous number. The share prices before share consolidation have been adjusted by multiplying them by 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, 2012, a total of 470,162 shares were traded (2011: 449,589 shares\*), which corresponds to 1.6 percent (2011: 1.5%) of the average number of shares on the said period. On April 1–June 30, 2012, there were 30,165,900 shares on the average (2011:

29,261,807\*). The share trade increased by 4.6 percent compared to the corresponding period in 2011.

In public trading on January 1–June 30, 2012, a total of 894,808 shares were traded (2011: 1,140,311 shares\*), which corresponds to 3.0 percent (2011: 3.9%) of the average number of shares on the said period. On January 1–June 30, 2012, there were 29,723,785 shares on the average (2011: 29,261,828\*). The share trade decreased by 21.5 percent compared to the corresponding period in 2011.

\* In accordance with the decision of the Innofactor Plc's Annual General Meeting on April 28, 2011, twenty old shares were consolidated into one new share (registered in the Trade Register on May 7, 2011), which reduced the total number of shares to 1/20 of the previous number. The numbers of shares presented in the table have been adjusted to the current number of shares historically as well by dividing the number of shares by 20.

The market value of the share capital at the closing price of the review period, EUR 0.46, on June 30, 2012, was EUR 13,876 thousand (2011: 30,724), which shows a decrease of 54.8 percent.

On June 30, 2012, the company had 12,085 shareowners (2011: 12,468), including administrative registers.

The Board of Directors of Innofactor Plc has the authorization, given by the General Meeting on December 27, 2010, to purchase 50,000,000 shares of the company. On April 4, 2011, Innofactor Plc acquired 987 company shares in public trading for the total price of EUR 78.96. These purchased shares were canceled and the cancellation was registered in the Trade Register on April 15, 2011. The cancellation resulted in a divisible number for the consolidation of shares decided by the Annual General Meeting on April 28, 2011. Innofactor Plc or the companies belonging to the same group held no other Innofactor Plc shares during the review period. By the decision of the General Meeting on April 28, 2011, which combined 20 shares into 1, the number of shares related to the authorization issued to the Board of Directors on December 27, 2010, for the repurchase of company's own shares was changed to a maximum of 2,500,000 shares. This authorization of 18 months expired on June 26, 2012.

The General Meeting of Innofactor Plc on June 18, 2009, authorized the Board of Directors to decide, by December 31, 2012, on a share issue and granting of special rights entitling to shares. A maximum of 60,000,000 new shares may be issued on the basis of the authorization. By the decision of the General Meeting on April 28, 2011, which combined 20 shares into 1, the number of shares related to the authorization issued to the Board of Directors on June 18, 2009, for a share issue and the granting of special rights entitling to shares was changed to a maximum of 3,000,000 shares. The authorization was used for the Personnel Issue, based on which a total of 904,100 shares were registered in the Trade Register on March 30, 2012. After this, the authorization includes 2,095,900 shares.

The General Meeting of Innofactor Plc on March 27, 2012, authorized the Board of Directors to decide, by June 30, 2013, on a share issue and granting of special rights entitling to shares. A maximum of 8,000,000 new shares may be issued on the basis of the authorization. This authorization has not been used.

The General Meeting of Innofactor Plc on March 27, 2012, authorized the Board of Directors to decide, by June 30, 2013, on a transfer of a maximum of 1,000,000 company shares in the company's possession, in one or several parts. This authorization has not been used.

During the financial period, Innofactor Plc submitted two flagging notices:

- On March 30, 2012, Sami Ensio's and his children's (minors under guardianship) ownership of the Innofactor Plc votes and shares fell under one fourth (25%) when the new shares subscribed in the Personnel Issue were registered in the Trade Register. Sami Ensio and his children owned 7,370,000 shares, that is, 24.24% of the shares and votes.
- On March 30, 2012, Rami Laiho's ownership of the Innofactor Plc votes and shares fell under one twentieth (5%) when the new shares subscribed in the Personnel Issue were registered in the Trade Register. Rami Laiho owned 1,489,888 shares, that is, 4.94% of shares and votes.

Board of Directors:

- Pyry Lautsuo, 46,964 shares, 0.16%
- Sami Ensio, 7,392,136 shares, 24.50%
  - Sami Ensio, 5,218,376 shares, 17.30%
  - minor under guardianship, 724,588 shares, 2.40%
  - minor under guardianship, 724,586 shares, 2.40%
  - minor under guardianship, 724,586 shares, 2.40%
- Juha Koponen, 31,309 shares, 0.10%
- Jukka Mäkinen, 28,183 shares, 0.09%
- Pekka Puolakka, 126,979 shares, 0.42%
  - Hillside Ou, 95,670 shares, 0.32%
  - Pekka Puolakka, 31,309 shares, 0.10%

CEO:

- Sami Ensio, 7,392,136 shares, 24.50%
  - Sami Ensio, 5,218,376 shares, 17.30%
  - minor under guardianship, 724,588 shares, 2.40%
  - minor under guardianship, 724,586 shares, 2.40%
  - minor under guardianship, 724,586 shares, 2.40%

Management Team:

- Aino-Maija Gerdt, 180,000 shares, 0.60%
- Henriikki Hervonen, 133,880 shares, 0.46%
- Petteri Kekkonen, 36,900 shares, 0.12% (until July 24, 2012)
- Mikko Lampi, 1,045,543 shares, 3.47%
- Janne Martola, 100,000 shares, 0.33%
- Teemu Muukkonen, 507,468 shares, 1.68%
- Mikko Myllys, 176,981 shares, 0.59%

- Mika Nurmi, 139,553 shares, 0.46%
- Anneli Saarikoski, 22,616 shares, 0.07%

Auditors:

- Juha Hilmola, 0 shares, 0.0%

### **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 27, 2012, the number of the members of the Board of Directors was confirmed to be four. The General Meeting decided to approve the proposal to re-elect Sami Ensio, Juha Koponen, Pyry Lautsuo and Pekka Puolakka as members of the Board of Directors and to elect Jukka Mäkinen as a new member. The Board of Directors elected Pyry Lautsuo to continue as their 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 2011.

Innofactor Plc's entire Corporate Governance and statements are available on the company's web site at: [http://www.innofactor.com/investors/corporate\\_governance](http://www.innofactor.com/investors/corporate_governance)

### **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 in their entirety are published in the financial statement and the interim reports only introduce changes in the short term risks.

### **Risks related to operations**

Risks related to globalization have increased as Innofactor signed a contract on June 25, 2012, to acquire the entire share capital of Bridgeconsulting A/S and its parent company Bridgeconsulting Holding ApS. In accordance with its strategy, Innofactor will continue to seek for more growth also in the global markets. Global operations typically always involve higher risks than operation at home. Especially at the beginning, it is difficult to operate global business profitably. The global business will probably make a loss at the beginning. 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.



Each acquisition, including Bridgeconsulting, 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.

The growth estimates are partly based on acquisitions. With acquisitions, there are uncertainties about finding suitable companies to acquire and in making the acquisitions on 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. Uncertainty related to acquisitions has decreased after the acquisition of Bridgeconsulting A/S.

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

### **Financial risks**

In order to acquire the Danish company Bridgeconsulting A/S, Innofactor had to take a loan of EUR 1.25 million. Before this, Innofactor had no debts. This may have increased Innofactor's financing risks. When taking the loan, Innofactor Plc and the Innofactor group committed themselves to the following covenants: equity ratio shall be at least 40 percent and interest bearing debts / EBITDA shall be 3.0 at the maximum in the financial statement of December 31, 2012, and subsequent statements. In its normal business operations, the Innofactor group is susceptible to normal financing risks. 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 financial department, which is responsible for the group's financing and regularly reports to the company's Management Team 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 business and its development, especially on making acquisitions.

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

### **Risks related to shares**

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

### **Acquisitions and changes in the group structure**

On June 25, 2012, Innofactor signed a contract on acquiring the entire share capital of the Danish company Bridgeconsulting A/S from its management. 3% of the shares were acquired directly and the rest, 97%, were acquired by acquiring the entire share capital of Bridgeconsulting Holding ApS. Bridgeconsulting was the leading Danish IT services company focusing on producing Business Intelligence solutions based on Microsoft technology. The acquisition supports Innofactor's



growth strategy announced in 2011. Innofactor’s strategic goal is to grow both organically and through mergers and acquisitions and to become the largest provider of Microsoft-based solutions in the Nordic Countries.

Bridgeconsulting is focused on providing Business Intelligence, Data Warehousing and Corporate Performance Management solutions. The company is highly ranked Microsoft Business Intelligence Partner in Denmark, and has been awarded as the Microsoft’s business intelligence partner of the year in Denmark in 2009 and 2010. Bridgeconsulting’s customers include large Danish organizations both in the public and private sector, including companies like SAS, Unicef, TDC, DONG Energy, Ministry of Environment and Copenhagen Municipality. The net sales for the last fiscal year (October 2010–September 2011) were approximately EUR 3.28 million (growth of 18%) and the operating profit before depreciation and amortization (EBITDA) was approximately EUR 0.14 million. The net sales for the current fiscal year (October 2011–September 2012) are estimated to be approximately EUR 4 million and EBITDA approximately 10%. The company employs 25 people in Copenhagen, Denmark. The management and employees of Bridgeconsulting are transferred into Innofactor group as existing employees. According to acquisition closing date July 5, 2012 Bridgeconsulting and its financial information will be consolidated into Innofactor Group as of July 2012. Calculations concerning the combining of business operations were not ready at the time of publishing the interim report on July 31, 2012.

The acquisition price will depend on Bridgeconsulting’s realized EBITDA of the next 12 months (July 2012–June 2013). The acquisition price will be paid in Danish kroner and in Innofactor Plc shares and is estimated to be approximately EUR 2.0 million. It was agreed that the minimum purchase price shall be approximately EUR 1.6 million and the maximum purchase price shall be approximately EUR 3.0 million. Approximately EUR 1.26 million of the acquisition price was paid in cash at the beginning of July 2012 and the rest is planned to be paid with Innofactor Plc’s shares during the second half of 2013. The cash part of the transaction was financed with a bank loan of EUR 1.25 million. 75% of the shares are subject to transfer restrictions, which are gradually released during a period of 36 months starting from the date of the final purchase price payment in shares.

Bridgeconsulting A/S will change its name into Innofactor A/S.

Bridgeconsulting A/S's net sales, EBITDA and operating income in the financial periods of October 1, 2010–September 30, 2011, and October 1, 2009–September 30, 2010, were formed according to the Danish Accounting Standards as follows (thousand euros):

	October 1, 2010–September 30, 2011	October 1, 2009–September 30, 2010
Net sales	3,277	2,768
EBITDA	142	181
Operating profit (EBIT)	95	143

Bridgeconsulting A/S's balance sheets on September 30, 2011, and September 30, 2010, were as follows (thousand euros):

	September 30, 2011	September 30, 2010
Fixed assets	127	77
Receivables and current assets	982	758
Total	1,109	835
Shareholders' equity	191	207
Liabilities	917	628
Total	1,109	835

The currency rate used in the above figures: 1 euro = 7.44 Danish Kroner.

At the beginning of July 2012, Innofactor Plc founded in Denmark a subsidiary, Innofactor Holding Aps, which it owns fully. The entire ownership of Innofactor A/S (former Bridgeconsulting A/S) will be transferred to this subsidiary. Bridgeconsulting Holding Aps, fully owned by Innofactor, will be dissolved later.

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

### **Corporate environmental and social responsibility**

Innofactor's operations are guided by the company's strategy, values, quality system, environmental policy, and legislation. The group is committed to operating profitably and increasing its net sales while taking into account the environmental 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.

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. Electronic case and document management solutions and eService solutions are examples of Innofactor's solutions that reduce adverse effects on the environment. The emissions trading systems provided for several European countries also contribute to the efforts to curb the climate change.

Innofactor strives to establish long-term cooperation with its clients and partners and thereby create networks in which complementary expertise produces new kinds of solutions. In accordance with its mission, the Group aims at offering its employees and partners an innovative and supportive environment in which they can continue to develop themselves.

**Strategy**

Innofactor provides its clients with software, systems and related services. Innofactor focuses on the supply of solutions for the Microsoft environment. Innofactor’s clients are enterprises and organizations. At the moment, Innofactor operates mainly in Finland, but it also offers solutions for the global market. Innofactor aims at expanding its operations to the neighboring countries, for example, through mergers and acquisitions. Innofactor also offers value-added cloud solutions for global markets by utilizing several distribution channels.

Innofactor's mission is

- to help our clients offer their customers increasingly better services and improve their operations
  - o by providing globally significant value-added services for the Microsoft cloud and mobile environments, and
  - o by creating packaged solutions for our clients in Finland and its neighboring countries
- to provide our personnel and partners with an innovative and supportive environment in which they can continue to develop themselves.

Innofactor's vision is to become

- Microsoft’s #1 Independent Software Vendor (ISV) Partner in value-added cloud and mobile solutions globally, and
- Microsoft’s #1 System Integrator (SI) Partner in selected markets, first in the Nordic Countries.

Innofactor’s strategy is to differentiate itself from the competitors as the leading provider focused on Microsoft solutions, and the most important strategic choices related to this are

- maintaining the ability to produce the best innovative solutions in the market
- effectively pursuing a client-oriented operating model
- offering the clients a one-stop service for the best selection of Microsoft solutions
- operating in a cost-efficient manner, for example, by utilizing software created by Innofactor, Microsoft and third parties, and available resources in an optimal way.

In the implementation of its strategy, Innofactor will focus on ensuring that regardless of possible mergers and acquisitions, Innofactor’s offering and operations will remain clear and simple to manage.

Innofactor's goal is to grow profitably:

- Achieve an average annual growth of 30–40% in 2011–2015 through both organic growth and company acquisitions.
- Achieve an average annual operating profit of 10–15% before depreciation and amortization (EBITDA) in relation to the net sales in 2011–2015.
- Keep the cash flow positive and secure good financial standing in all situations.

### Events after the review period

On July 7, 2012, Innofactor Plc was selected in a public procurement procedure to deliver a SharePoint application maintenance service for VTT. The delivery includes a handover project, application maintenance service for VTT SharePoint platform in its entirety, customer support and projected software development for the SharePoint platform. The estimated value of the contract is EUR 1,580,000. This transaction strengthens Innofactor's position as a provider of SharePoint services in Finland. After the end of the review period, the business operations have continued as expected and there have been no other significant one-off events.

### Future outlook

The future outlook for Innofactor remains the same. There are notable uncertainties related to the outlook for 2012 due to the instability of the global financial situation, so no detailed estimate of the outlook can be provided. In 2012, the organic growth of Innofactor is estimated to continue (2011: net sales were EUR 17,205 thousand). The profitability of the business operations is expected to remain positive.

Espoo, July 31, 2012

INNOFACTOR PLC

Board of Directors

Additional information:

CEO Sami Ensio  
Innofactor Plc  
Tel. +358 50 584 2029  
sami.ensio@innofactor.com

**Briefings concerning the interim report January 1–June 30, 2012**

On July 31, 2012, at 9:00 Finnish time, Innofactor will hold a briefing concerning the interim report in Finnish for the media and analysts at the company's premises at Keilaranta 19, Espoo.

Innofactor will also hold a conference call in English for analysts, media and investors on July 31, 2012, at 16:00 Finnish time. Registrations to [ir@innofactor.com](mailto:ir@innofactor.com) at least one hour before the event.

**Financial releases in 2012**

The schedule for financial releases in 2012 is as follows:

October 16–October 30, 2012: Silent period

October 31, 2012, at 8:30 Finnish time: Interim report for January–September

Distribution:

NASDAQ OMX Helsinki  
Main media  
[www.innofactor.com](http://www.innofactor.com)

**Financial statement summary and appendixes January 1–June 30, 2012 (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 2011.

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. Additionally, deliberation is needed in applying the drafting principles for a financial statement. 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, 2012	Apr 1–Jun 30, 2011	Jan 1–Jun 30, 2012	Jan 1–Jun 30, 2011	Jan 1–Dec 31, 2011
Net sales	3,982	4,360	7,954	8,303	17,205
Other operating income	0	11	0	21	109
Materials (–)	-473	-389	-902	-620	-1,516
Employee benefits/expenses (–)	-2,813	-2,686	-5,955	-5,390	-10,936
Depreciations (–)	-143	-133	-282	-264	-539
Other operating expenses (–)	-803	-1,021	-1,413	-1,889	-3,418
<b>Operating profit/loss</b>	<b>-251</b>	<b>142</b>	<b>-598</b>	<b>161</b>	<b>904</b>
Financial income	3	1	5	2	5
Financial expenses (–)	-3	-4	-5	-8	-23
<b>Profit/loss before taxes</b>	<b>-251</b>	<b>139</b>	<b>-598</b>	<b>161</b>	<b>886</b>
Income taxes	3	-31	6	-34	-199
<b>Profit/loss for the period</b>	<b>-248</b>	<b>108</b>	<b>-592</b>	<b>121</b>	<b>687</b>
<b>Total comprehensive income</b>	<b>-248</b>	<b>108</b>	<b>-592</b>	<b>121</b>	<b>687</b>

Earnings per share calculated from the result of parent company shareholders:

Basic earnings per share (EUR)	-0.0082	0.0037	-0.0199	0.0041	<b>0.0235</b>
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, 2012	Jun 30 2011	Dec 31, 2011
<b>Non-current assets</b>			
Tangible assets	446	539	459
Goodwill	1,207	1,207	1,207
Other intangible assets	1,379	1,692	1,534
Deferred tax assets	7,895	8,091	7,895
<b>Non-current assets</b>	<b>10,927</b>	<b>11,530</b>	<b>11,095</b>
<b>Current assets</b>			
Trade and other receivables	6,490	5,679	6,533
Cash and cash equivalents	1,013	758	696
<b>Current assets</b>	<b>7,503</b>	<b>6,437</b>	<b>7,229</b>
<b>TOTAL ASSETS</b>	<b>18,430</b>	<b>17,967</b>	<b>18,324</b>

**SHAREHOLDERS' EQUITY AND LIABILITIES**

EUR thousand	Jun 30, 2012	Jun 30 2011	Dec 31, 2011
<b>Shareholders' equity</b>			
Share capital	2,100	2,100	2,100
Share premium reserve	72	72	72
Other reserves (+/-)	59	59	59
Fund for invested unrestricted equity	8,834	8,344	8,344
Retained earnings	1,781	1,824	2,330
<b>Total shareholders' equity</b>	<b>12,846</b>	<b>12,399</b>	<b>12,905</b>
<b>Long term liabilities</b>			
Deferred tax liabilities	415	452	420
<b>Long term liabilities total</b>	<b>415</b>	<b>455</b>	<b>420</b>
<b>Current liabilities</b>			
Trade and other payables	5,170	5,116	5,000
<b>Current liabilities total</b>	<b>5,170</b>	<b>5,116</b>	<b>5,000</b>
<b>Liabilities total</b>	<b>5,585</b>	<b>5,568</b>	<b>5,420</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>18,430</b>	<b>17,967</b>	<b>18,324</b>

**Statement of change in shareholders' equity, IFRS**

EUR thousand	Share capital	Share premium reserve	Other reserves	Fund for invested unrestricted equity	Own shares	Retained earnings	Total shareholders' equity
<b>Shareholders' equity Jan 1, 2012</b>	<b>2,100</b>	<b>72</b>	<b>59</b>	<b>8,344</b>	<b>-20</b>	<b>2,350</b>	<b>12,905</b>
Comprehensive income							
Profit for the financial period						-592	-592
Total comprehensive income	0	0	0	0	0	-592	-592
Transactions with owners							
Share issue				490		43	533
<b>Shareholders' equity Jun 30, 2012</b>	<b>2,100</b>	<b>72</b>	<b>59</b>	<b>8,834</b>	<b>-20</b>	<b>1,801</b>	<b>12,846</b>
<b>Shareholders' equity Jan 1, 2011</b>	<b>2,100</b>	<b>72</b>	<b>59</b>	<b>8,344</b>	<b>-20</b>	<b>1,723</b>	<b>12,278</b>
Comprehensive income							
Profit for the financial period						121	121
Total comprehensive income	0	0	0	0	0	121	121
<b>Shareholders' equity Jun 30, 2011</b>	<b>2,100</b>	<b>72</b>	<b>59</b>	<b>8,344</b>	<b>-20</b>	<b>1,844</b>	<b>12,399</b>

**Consolidated cash flow statement, IFRS**

EUR thousand	Jan 1–Jun 30, 2012	Jan 1–Jun 30, 2011	Jan 1– Dec 31, 2011
<b>Cash flow from operating activities</b>			
Operating profit	-598	161	904
Amendments:			
Depreciations	282	264	539
Non-cash transactions	43	0	0
Change in working capital:			
Change in trade or other receivables (+/-)	406	324	-338
Change in trade and other payables (+/-)	170	-1,448	-1,807
Interests paid (-)	-5	-8	-23
Interests received	5	2	5
Taxes paid (-)	0	-75	-78
<b>Cash flow from operating activities, total</b>	<b>303</b>	<b>-780</b>	<b>-798</b>
<b>Cash flow/investments</b>			
Investments in intangible and tangible assets (-)	-114	-176	-220
<b>Cash flow/investments total</b>	<b>-114</b>	<b>-176</b>	<b>-220</b>
<b>Cash flow/financing</b>			
Payments received from share issue	128	0	0
Purchase of own shares (-)	0	0	0
Paid dividends (-)	0	0	0
<b>Cash flow/financing total</b>	<b>128</b>	<b>0</b>	<b>0</b>
<b>Change in liquid funds (+/-)</b>	<b>317</b>	<b>-956</b>	<b>-1,018</b>
Liquid funds, opening balance	696	1,714	1,714
Liquid funds closing balance	1,013	758	696

**Consolidated profit and loss statement by quarter, IFRS**

EUR thousand	Jan 1–	Apr 1–	Jul 1–Sep	Oct 1–Dec	Jan 1–Mar	Apr 1–	Jul 1–Sep	Oct 1–Dec
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	Mar 31, 2012	Jun 30, 2012	30, 2012	31, 2012	31, 2011	Jun 30, 2011	30, 2011	31, 2011
<b>Net sales</b>	<b>3,972</b>	<b>3,982</b>			<b>3,943</b>	<b>4,360</b>	<b>3,766</b>	<b>5,136</b>
Other operating income	0	0			10	11	39	49
Materials (–)	-429	-473			-231	-389	-325	-571
Employee benefits/expenses (–)	-3,142	-2,813			-2,704	-2,686	-2,393	-3,153
Depreciations (–)	-138	-143			-131	-133	-132	-143
Other operating expenses (–)	-609	-803			-868	-1,021	-675	-854
<b>Operating profit/loss</b>	<b>-347</b>	<b>-251</b>			<b>19</b>	<b>142</b>	<b>280</b>	<b>463</b>
Financial income	2	3			1	1	0	3
Financial expenses (–)	-2	-3			-4	-4	-6	-9
<b>Profit/loss before taxes</b>	<b>-347</b>	<b>-251</b>			<b>16</b>	<b>139</b>	<b>274</b>	<b>457</b>
<b>Income taxes</b>	<b>3</b>	<b>3</b>			<b>-3</b>	<b>-31</b>	<b>-69</b>	<b>-96</b>
<b>Profit/loss for the period</b>	<b>-344</b>	<b>-248</b>			<b>13</b>	<b>108</b>	<b>205</b>	<b>361</b>

**Commitments and contingent liabilities**

EUR thousand	Jun 30, 2012	Jun 30 2011	Dec 31, 2011
<b>Collateral given for own commitments</b>			
Rental guarantees	155	151	152
Business mortgages	1,000	300	1,000
Bank guarantees	18	18	18
<b>Other own guarantees</b>			
Lease liabilities			
Current lease liabilities	81	108	104
Lease liabilities maturing in 1-5 years	78	123	96
<b>Total</b>	<b>159</b>	<b>231</b>	<b>200</b>
<b>Rental liabilities</b>			
Current rental liabilities	594	446	604
Rental liabilities maturing in 1-5 years	580	735	836
<b>Total</b>	<b>1,174</b>	<b>1,181</b>	<b>1,440</b>
<b>Other own guarantees total</b>	<b>1,333</b>	<b>1,412</b>	<b>1,640</b>

**Key figures of the group, IFRS**

	mo. 4-6 /2012	mo. 4-6 /2011	Change	mo. 1-6 /2012	mo. 1-6 /2011	Change	mo. 1-12 /2011
Net sales, EUR thousand*	3,982	4,360	-8.7%	7,954	8,303	-4.2%	17,205
Operating profit before depreciation and amortization (EBITDA), EUR thousand**	-108	275	-139.3%	-316	425	-174.4%	1,443
percentage of net sales**	-2.7%	6.3%		-4.0%	5.1%		8.4%
Operating profit/loss (EBIT), EUR thousand**	-251	142	-276.8%	-598	161	-471.4%	904
percentage of net sales**	-6.3%	3.3%		-7.5%	1.9%		5.3%
Earnings before taxes, EUR thousand**	-251	139	-280.6%	-598	155	-485.8%	886
percentage of net sales**	-6.3%	3.2%		-7.5%	1.9%		5.1%
Earnings, EUR thousand**	-248	108	-329.6%	-592	121	-589.2%	687
percentage of net sales**	-6.2%	2.5%		-7.4%	1.5%		4.0%
Shareholders' equity, EUR thousand	12,846	12,399	+3.6%	12,846	12,399	+3.6%	12,905
Return on equity***	-7.6%	3.5%		-9.2%	1.9%		5.5%
Return on investment***	-7.6%	4.6%		-9.2%	2.6%		7.2%
Net gearing	-7.9%	-6.1%		-7.9%	-6.1%		-5.4%
Equity ratio	76.8%	75.6%		76.8%	75.6%		74.5%
Balance sheet total, EUR thousand	18,430	17,967	+2.6%	18,430	17,967	+2.6%	18,324
Research and development, EUR thousand	655	654		1,347	1,246		2,086
percentage of net sales	16.4%	15.0%		16.9%	15.0%		12.1%
Personnel on average during the review period	178	175	+1.7%	181	173	+4.6%	177
Personnel at the end of the review period	181	185	-2.2%	181	185	-2.2%	189
Number of shares at the end of the review period****	30,165,900	29,261,800	+3.1%	30,165,900	29,261,800	+3.1%	29,261,800
Earnings per share (EUR)****	-0.0082	0.0037	-321.6%	-0.0199	0.0041	-585.4%	0.0235
Shareholders' equity per share (EUR)****	0.426	0.424	+0.5%	0.426	0.424	+0.5%	0.441

\* Due to the organizational change on January 2, 2012, projects were rearranged, which had a one-off effect of lowering the net sales in January by about EUR 300 thousand.

\*\* Due to the organizational change on January 2, 2012, projects were rearranged, which had a one-off effect of lowering the net sales in January by about EUR 300 thousand. Additionally, the personnel and office space arrangements related to the organizational change led to a one-off cost of about EUR 100 thousand. In total, these reduced the net sales by about EUR 400 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.

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\*\*\*\* In accordance with the decision of the Innofactor Plc's Annual General Meeting on April 28, 2011, twenty old shares were consolidated into one new share (registered in the Trade Register on May 7, 2011), which reduced the total number of shares to 1/20 of the previous number. The key figures presented in the table have been adjusted to correspond with the current number of shares.

**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, 2012, was as follows:

Name	Number of shares	% of share capital
1. Ensio Sami	7,392,136	24.50%
Ensio Sami	5,218,376	17.30%
minor under guardianship	724,588	2.40%
minor under guardianship	724,586	2.40%
minor under guardianship	724,586	2.40%
2. Tilman Tuomo Tapani	2,886,777	9.57%
Tilman Tuomo Tapani	2,747,492	9.11%
Mpire Capital Oy	139,285	0.46%
3. Salminen Jyrki Kalle Tapio	2,747,492	9.11%
4. Laiho Rami Tapani	1,489,888	4.94%
5. Linturi Risto	1,397,011	4.60%
R. Linturi Oyj	1,369,707	4.51%
Linturi Risto	27,304	0.09%
6. Mäki Antti-Jussi	1,310,201	4.34%
7. Lampi Mikko Olavi	1,045,543	3.47%
8. Riski Tuomas Mikael	995,543	3.30%
9. Ärje Matias Juhanpoika	946,278	3.14%
10. Luostarinen Juha Markku T	929,438	3.08%
11. Jokinen Klaus Antero	584,161	1.94%
12. Muukkonen Teemu Heikki	507,468	1.68%
13. Kukkonen Heikki-Harri	401,946	1.33%
14. Järvenpää Janne-Olli	372,804	1.24%
15. Ementor Norge As	269,299	0.89%
16. Laiho Jari Olavi	266,851	0.88%
17. Gerdt Aino-Maija	180,000	0.60%
18. Myllys Mikko Juhani	176,981	0.59%
19. Salminen Petri Juhani	166,795	0.55%
20. Nurmi Mika	139,553	0.46%