

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

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

Summary

Innofactor group's key figures for July 1–September 30, 2012:

- Net sales EUR 4,567 thousand (2011: 3,766), increase of 21.3%
- Operating profit before depreciation and amortization (EBITDA), EUR 496* thousand (2011: 412), increase of 20.4%*
- EBITDA percentage 10.9%* (2011: 10.9%)
- Operating profit (EBIT) EUR 348* thousand (2011: 280), increase of 24.3%*
- EBIT percentage 7.6%* (2011: 7.4%)

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

- Net sales EUR 12,521** thousand (2011: 12,069), increase of 3.7%**
- Operating profit before depreciation and amortization (EBITDA), EUR 180*** thousand (2011: 837), decrease of 78.5%***
- EBITDA percentage 1.4%*** (2011: 6.9%)
- Operating loss (EBIT) EUR -249*** thousand (2011: 441), decrease of 156.5%***
- EBIT percentage -2.0%*** (2011: 3.7%)

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 acquired Danish company Bridgeconsulting A/S (current Innofactor A/S) has been included in the figures as of July 1, 2012. Further details about the acquisition can be found in this interim report's section "Acquisitions and changes in the group structure."

* The acquisition made on July 5, 2012, resulted in a one-off cost of about EUR 150 thousand in the review period July 1–September 30, 2012.

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Key figures of the group, IFRS

	mo. 7–9 /2012	mo. 7–9 /2011	Change	mo. 1–9 /2012	mo. 1–9 /2011	Change	mo. 1–12 /2011
Net sales, EUR thousand*	4,567	3,766	+21.3%	12,521	12,069	+3.7%	17,205
Operating profit before depreciation and amortization (EBITDA), EUR thousand**	496	412	+20.4%	180	837	-78.5%	1,443
percentage of net sales**	10.9%	10.9%		1.4%	6.9%		8.4%
Operating profit/loss (EBIT), EUR thousand**	348	280	+24.3%	-249	441	-156.5%	904
percentage of net sales**	7.6%	7.4%		-2.0%	3.7%		5.3%
Earnings before taxes, EUR thousand**	328	274	+19.9%	-269	429	-162.7%	886
percentage of net sales**	7.2%	7.3%		-2.1%	3.6%		5.1%
Earnings, EUR thousand**	224	205	+9.5%	-367	326	-212.6%	687
percentage of net sales**	4.9%	5.4%		-2.9%	2.7%		4.0%
Shareholders' equity, EUR thousand	13,039	12,604	+3.5%	13,039	12,604	+3.5%	12,905
Return on equity***	6.9%	6.6%		-3.8%	3.5%		5.5%
Return on investment***	10.3%	8.9%		-3.3%	4.7%		7.2%
Net gearing	8.5%	-0.9%		8.5%	-0.9%		-5.4%
Equity ratio	66.1%	76.5%		66.1%	76.5%		74.5%
Balance sheet total, EUR thousand	20,856	17,539	+18.9%	20,856	17,539	+18.9%	18,324
Research and development, EUR thousand	593	468	+26.7%	1,940	1,716	+13.1%	2,086
percentage of net sales	13.0%	12.4%		15.5%	14.2%		12.1%
Personnel on average during the review period	196	178	+10.1%	186	175	+6.3%	177
Personnel at the end of the review period	198	184	+7.6%	198	184	+7.6%	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)****	0.0074	0.0070	+6.1%	-0.0123	0.0111	-210.4%	0.0235
Shareholders' equity per share (EUR)****	0.433	0.431	+0.6%	0.433	0.431	+0.6%	0.441

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*** The percentages for the return on equity and return on investment have been adjusted to correspond with the figures for a 12-month period.

**** 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, offering software, systems and related services.

CEO Sami Ensio's review

During July 1–September 30, 2012, Innofactor's net sales grew by 21.3 percent compared to the corresponding period last year. Operating profit before depreciation and amortization (EBITDA) during July 1–September 30, 2012, was EUR 496 thousand (10.9%) and earnings before interest and taxes (EBIT) were EUR 348 thousand (7.6%).

The over 20% growth in net sales was due to consolidating the figures of the Danish Innofactor A/S (former Bridgeconsulting A/S) into the Innofactor figures as of July 1, 2012. Integrating the company as part of Innofactor has gone according to the plan.

The negative effects of the organization reform done at the beginning of 2012 did not show anymore in Q3, but thanks to the corrective actions made, Innofactor returned to the profitability level of over 10% (EBITDA), which is the same as in the previous year. The goal of the organization reform is to support growth and globalization in accordance with the strategy.

During Q3, the software and systems market has developed slower than estimated in the main market area in Finland. This can be seen in delaying of purchases by both corporate and public administration customers. In this situation, Innofactor focuses especially in sales in Finland in order to keep the order book on the level required by the business growth goals.

Although the current market situation is challenging, Innofactor estimates that it will achieve organic growth by the end of year 2012 and achieve targets for full year 2012 because of the current order backlog.

Innofactor continues to actively seek potential strategic partnerships in Finland, Denmark and other Nordic Countries. The group will seek growth, which can be organic or based on mergers or acquisitions.

Market outlook and business environment

The software and systems market has developed slower than estimated in the Nordic Countries in July 1–September 30, 2012. This can be seen in delaying of purchases by both corporate and public administration customers. At this stage, it cannot be estimated, whether the purchases will be delayed until the beginning of the next year or whether the delay will be longer. For the entire 2012, Innofactor estimates that the software and systems market in the Nordic Countries will not grow compared to 2011.

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. The publishing of the Windows 8 operating system on October 26, 2012, is significant for the Microsoft ecosystem and it is believed to strengthen Microsoft's competitiveness.

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 July 1–September 30, 2012, were EUR 4,567 thousand (2011: 3,766), which shows an increase of 21.3 percent, of which organic -1.5 percent and inorganic 22.8 percent. During reporting period January 1–September 30, 2012, the net sales were EUR 12,521** thousand (2011: 12,069), which shows an increase of 3.7 percent, of which organic -3.4 percent and inorganic 7.1 percent.

Innofactor A/S figures have been included from July 1, 2012 onward when separating organic and inorganic net sales.

** 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 July 1–September 30, 2012, was EUR 496* thousand (2011: 412), which shows an increase of 20.4 percent. EBITDA accounted for 10.9* percent of the net sales (2011: 10.9%).

Innofactor operating profit on January 1–September 30, 2012, was EUR 348* thousand (2011: 280), which shows an increase of 24.3 percent. Operating profit accounted for 7.6* percent of the net sales (2011: 7.4%).

Innofactor's operating profit before depreciation and amortization (EBITDA) on January 1–September 30, 2012, was EUR 180** thousand (2011: 837), which shows a decrease of 78.5 percent. EBITDA accounted for 1.4** percent of the net sales (2011: 6.9%).

Innofactor's operating result on January 1–September 30, 2012, was EUR -249** thousand (2011: 441), which shows a decrease of 156.5 percent. The operating result accounted for -2.0** percent of the net sales (2011: 3.7%).

During July 1–September 30, 2012, research and development costs recognized in the profit and loss statement were EUR 593 thousand (2011: 468); during January 1–September 30, 2012, they were EUR 1,940 thousand (2011: 1,716).

* The acquisition made on July 5, 2012, resulted in a one-off cost of about EUR 150 thousand in the review period July 1–September 30, 2012.

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Financing and investments

Innofactor's balance sheet total at the end of the review period was EUR 20,856 thousand (2011: 17,539). The group's liquid assets totaled EUR 245 thousand (2011: 255), consisting totally of cash funds.

The operating cash flow in the review period of January 1–September 30, 2012, was EUR -282 thousand (2011: -1,420). The investment cash flow was EUR -1,384 thousand (2011: -176).

The equity ratio at the end of the review period was 66.1 percent (2011: 76.5%) and net gearing was 8.5 percent (2011: -0.9%).

At the end of the review period, the company had EUR 428 thousand in current interest bearing liabilities (2011: 137) and EUR 937 thousand in long term interest bearing liabilities (2011: 0).

The return on investment on January 1–September 30, 2012, was -3.3 percent (2011: 4.7%).

The return on equity on January 1–September 30, 2012, was -3.8 percent (2011: 3.5%).

The non-current assets in Innofactor's balance sheet at the end of the review period were EUR 12,731 thousand in total and consisted of the following items:

- Tangible assets EUR 457 thousand
- Goodwill value EUR 2,643 thousand
- Other intangible assets EUR 1,736 thousand
- Deferred tax assets EUR 7,895 thousand

Innofactor's gross investments in tangible assets in the review period of January 1–September 30, 2012, were EUR 124 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 240 thousand (2011: 244).

Research and product development

Innofactor's research and development costs recognized in the profit and loss statement for July 1–September 30, 2012, were EUR 593 thousand (2011: 468), which accounts for 13.0 percent of the net sales (2011: 12.4%).

Innofactor's research and development costs recognized in the profit and loss statement for January 1–September 30, 2012, were EUR 1,940 thousand (2011: 1,716), which accounts for 15.5 percent of the net sales (2011: 14.2%).

Personnel

The average number of personnel at Innofactor during July 1–September 30, 2012, was 196 (2011: 178), an increase of 10.1%; during January 1–September 30, 2012, the average number was 186 (2011: 175), which shows an increase of 6.3 percent.

At the end of the review period, the number of personnel was 198 (2011: 184), which shows an increase of 7.6 percent.

At the end of the review period, the average age among personnel was 37.4 years (2011: 36.3). Of the personnel, 40.4 percent (2011: 37.3%) had a higher academic degree, 31.3 percent (2011: 38.4%) had a lower academic degree or were studying for a higher academic degree, and 28.3 percent (2011: 24.3%) had some other degree. Women accounted for 21 percent of the personnel and men for 79 percent (2011: 22% and 77% respectively).

Business operations

On January 1–June 30, 2012, Innofactor's business was focused on Finland, and on July 1–September 30, 2012, in Finland and Denmark. On January 1–September 30, 2012, about 92 percent of the net sales came from Finland, about 6 percent from Denmark, and about 2 percent from emissions trading solutions for EU member states and from services provided to certain Swedish parishes and to some Finnish companies' foreign operations.

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

- about 56% from systems integrator services (including system delivery projects and smaller changes and further development);
- about 7% from licenses, of which the share of licensing income to third parties was about 3%;
- about 37% from ongoing service agreements (incl. maintenance agreements, SaaS, cloud and hosting services).

Innofactor's 10 largest clients accounted for about 19 percent of the net sales during the review period January 1–September 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 in the 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[®] 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."

On April 7, 2012, Innofactor Plc's subsidiary Innofactor Software Ltd 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.

On August 27, 2012, the Extraordinary General Meeting of Innofactor Plc accepted the Board of Directors' proposal to renew the March 27, 2012, Authorization until June 30, 2014. According to the decision, the Innofactor Board of Directors has an authorization, valid until June 30, 2014, 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 ("March 27, 2012, Authorization"). 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 March 27, 2012, 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 March 27, 2012, 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 March 27, 2012, 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 March 27, 2012, Authorization cannot be used in implementing incentive systems aimed at the company's personnel or the Chief Executive Officer. The March 27, 2012, 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 Board of Directors shall decide on all other matters related to the March 27, 2012, Authorization.

The Extraordinary General Meeting of Innofactor Plc on August 27, 2012, accepted the Board of Directors' proposal to grant the Board an authorization to decide on acquisition of own shares with following presumptions:

The Extraordinary General Meeting authorizes the Board of Directors to decide on acquiring of a maximum of 3,000,000 shares in one or several parts with the company's own capital. The authorization entitles the Board to deviate from the shareholders' proportional shareholdings (directed acquisition). Shares will be acquired on the Nasdaq OMX Helsinki Ltd with the public trading on the market. The number of shares in the company's possession may be, at the maximum, one tenth (1/10) of the total number of shares in the company. The shares may be used to develop the capital structure, to widen the ownership base, in making a payment for an acquisition, or when the company buys property related to its business operations or as part of the incentive compensation plan, or to be otherwise invalidated or conveyed. In connection with the share repurchase, ordinary derivative, stock lending, and other agreements may be made in the market in accordance with the laws and regulations. The authorization includes the right of the Board of Directors to decide on all other matters related to the acquisition of shares. The authorization will be valid until June 30, 2014.

At its meeting on August 27, 2012, the Board of Directors of Innofactor Plc decided to start the acquisition of the company's own shares. A maximum of 1,500,000 shares will be acquired, equaling approximately 4.97% of the total number of the company's shares. The decision is based on the authorization, given to the Board by the Extraordinary General Meeting on August 27,

2012, to acquire a maximum of 3,000,000 shares. The acquisition of own shares will start at the earliest on September 4, 2012, and will end on December 31, 2013, at the latest. The shares may be used to develop the capital structure, to widen the ownership base, in making a payment for an acquisition, or when the company buys property related to its business operations or as part of the incentive compensation plan, or to be otherwise invalidated or conveyed. The shares will be acquired by using company's unrestricted equity, at the market price on the time of purchase, in the public trading maintained by NASDAQ OMX Helsinki Ltd, and in accordance with the NASDAQ OMX Helsinki Ltd and Euroclear Oy regulations and guidelines for acquisition of own shares.

At its meeting on August 27, 2012, the Board of Directors of Innofactor Plc decided to increase the equity of Innofactor Software Ltd, a subsidiary of the group, by EUR 5,000,000. The equity was increased by having Innofactor Software Ltd offer new shares to Innofactor Plc for subscription at a total subscription price of EUR 5,000,000, of which EUR 4,988,000 was recorded in Innofactor Software Ltd's fund for invested unrestricted equity and EUR 12,000 in the share capital. The subscription price was fully paid through an offset of EUR 5,000,000 of Innofactor Plc's receivables from Innofactor Software Ltd. Innofactor group's business operations in Finland are centralized into Innofactor Software Ltd. The amount of Innofactor Software Ltd's equity will be significant particularly for certain public-sector procurement contracts, where it may be considered as one of the grounds for awarding a contract.

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 July 1–September 30, 2012, the highest price of the company share was EUR 0.51 (2011: EUR 1.10), the lowest price was EUR 0.38 (2011: EUR 0.58), and the average** price was EUR 0.44 (2011: EUR 0.76).

On January 1–September 30, 2012, the highest price of the company share was EUR 0.65 (2011: EUR 3.20*), the lowest price was EUR 0.38 (2011: EUR 0.58*), and the average** price was EUR 0.50 (2011: EUR 1.46*). The closing price for the review period on September 30, 2012, was EUR 0.43 (2011: EUR 0.60*).

* 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 July 1–September 30, 2012, a total of 985,732 shares were traded (2011: 670,455 shares), which corresponds to 3.3 percent (2011: 2.3%) of the average number of shares

on the said period. On July 1–September 30, 2012, there were 30,165,900 shares on the average (2011: 29,261,800). The share trade increased by 47.0 percent compared to the corresponding period in 2011.

In public trading on January 1–September 30, 2012, a total of 1,880,540 shares were traded (2011: 1,811,516 shares*), which corresponds to 6.3 percent (2011: 6.2%) of the average number of shares on the said period. On January 1–September 30, 2012, there were 29,872,232 shares on the average (2011: 29,261,819*). The share trade increased by 3.8 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, excluding the shares in the company's possession, on September 30, 2012, at the closing price of the review period, EUR 0.43, was EUR 12,942 thousand (2011: 17,557), which shows a decrease of 26.3 percent.

On September 30, 2012, the company had 12,122 shareowners (2011: 12,399), including administrative registers.

The Board of Directors has the following authorizations:

- Until December 31, 2012, on a share issue and granting of special rights entitling to shares, concerning a maximum of 3,000,000 new shares, of which has been used 904,100 shares (March 30, 2012) and remains 2,095,900 shares (decided on General Meetings of June 18, 2009, and April 28, 2011).
- Until June 30, 2014, on a share issue and granting of special rights entitling to shares, concerning a maximum of 8,000,000 new shares, of which none has been used (decided on General Meetings of March 27, 2012, and August 27, 2012).
- Until June 30, 2014, on a transfer of company shares in the company's possession, concerning a maximum of 1,000,000 shares, of which none has been used (decided on General Meetings of March 27, 2012, and August 27, 2012).

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:

- Pyyry Lautsuo, 46,964 shares, 0.16%
- Sami Ensio 7,400,000 shares, 24.52%
 - Sami Ensio 5,226,240 shares, 17.32%
 - 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, 105,670 shares, 0.35%
 - Pekka Puolakka, 31,309 shares, 0.10%

CEO:

- Sami Ensio 7,400,000 shares, 24.52%
 - Sami Ensio 5,226,240 shares, 17.32%
 - 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, 0.44%
- Petteri Kekkonen, 36,900 shares, 0.12% (until July 24, 2012)
- Mikko Karvinen, 100,000 shares, 0.33% (as of August 1, 2012)
- Mikko Lampi, 1,045,543 shares, 3.47%
- Janne Martola, 100,000 shares, 0.33%
- Teemu Muukkonen, 507,468 shares, 1.68%
- Mikko Mylly, 176,981 shares, 0.59%
- Mika Nurmi, 139,553 shares, 0.46%
- Anneli Saarikoski, 22,616 shares, 0.07% (until July 31, 2012)

Auditors:

- Juha Hilmola, 0 shares, 0.0%

Own shares

The Extraordinary General Meeting of Innofactor Plc on August 27, 2012, accepted the Board of Directors' proposal to grant the Board an authorization to decide on acquisition of own shares with following presumptions:

The Extraordinary General Meeting authorized the Board of Directors to decide on acquiring of a maximum of 3,000,000 shares in one or several parts with the company's own capital. The authorization entitles the Board to deviate from the shareholders' proportional shareholdings (directed acquisition). Shares will be acquired on the Nasdaq OMX Helsinki Ltd with the public trading on the market. The number of shares in the company's possession may be, at the maximum, one tenth (1/10) of the total number of shares in the company. The shares may be used to develop the capital structure, to widen the ownership base, in making a payment for an acquisition, or when the company buys property related to its business operations or as part of the incentive compensation plan, or to be otherwise invalidated or conveyed. In connection with the share repurchase, ordinary derivative, stock lending, and other agreements may be made in the market in accordance with the laws and regulations. The authorization includes the right of the Board of Directors to decide on all other matters related to the acquisition of shares. The authorization will be valid until June 30, 2014.

At its meeting on August 27, 2012, the Board of Directors of Innofactor Plc decided to start the acquisition of the company's own shares. A maximum of 1,500,000 shares will be acquired, equaling approximately 4.97% of the total number of the company's shares. The decision is based on the authorization, given to the Board by the Extraordinary General Meeting on August 27, 2012, to acquire a maximum of 3,000,000 shares. The acquisition of own shares will start at the earliest on September 4, 2012, and will end on December 31, 2013, at the latest. The shares may be used to develop the capital structure, to widen the ownership base, in making a payment for an acquisition, or when the company buys property related to its business operations or as part of the incentive compensation plan, or to be otherwise invalidated or conveyed. The shares will be acquired by using company's unrestricted equity, at the market price on the time of purchase, in the public trading maintained by NASDAQ OMX Helsinki Ltd, and in accordance with the NASDAQ OMX Helsinki Ltd and Euroclear Oy regulations and guidelines for acquisition of own shares.

On September 30, 2012, Innofactor Plc had in its possession 68,000 of its own shares that had been purchase at the average price of EUR 0.44 per share. The ownership of the company's share capital is 0.23%, which does not have a significant effect on the distribution of ownership or votes.

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, Pyy 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 Pyy 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

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

For the entire 2012, Innofactor estimates that the software and systems market in the Nordic Countries will not grow. This may mean that purchases of both corporate and public administration customers may be postponed on Q4. In this situation, Innofactor strives to lessen this operational risk by focusing on sales especially in Finland, to keep the order book on a sufficient level as regards the business operations.

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

Financial risks

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 a highly ranked Microsoft partner in Business Intelligence, 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 company's 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 company employs approximately 25 people in Copenhagen, Denmark. The management and employees of Bridgeconsulting were transferred into the Innofactor group as existing employees. Bridgeconsulting and its financial information have been consolidated into the Innofactor group starting from July 2012, on the basis of the acquisition closing date, July 5, 2012. The company's current financial period (started in October 2011) has been extended, so it will end on December 31, 2012. The acquisition price will depend on Bridgeconsulting’s realized EBITDA of the 12 months following the acquisition (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.

The name of Bridgeconsulting A/S has been changed to 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):

	Sep 30, 2011	Sep 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.

The preliminary acquisition cost calculation for Bridgeconsulting A/S has been attached to the interim report.

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. Innofactor operates in Finland and Denmark and offers its solutions from these to other countries. Innofactor strives to actively expand its operations in the Nordic Countries, which may happen either organically or through acquisitions. Additionally, Innofactor offers value-added components for Microsoft business solutions for global markets, utilizing several distribution channels.

Innofactor's mission is

- to help our clients offer their customers increasingly better services and improve their operations, and
- 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

- #1 provider of Microsoft solutions for corporate clients and organizations in the Nordic Countries, and
- #1 provider of value-added components for Microsoft's business solutions globally.

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

- Unique combination of Microsoft ISV/CSV and SI business
- Focusing on the most important corporate clients and organizations in the target market
- Unique offering, containing critical Microsoft business solutions
- Value for money = Only the best people and products

- Focusing on continuous service and long-term partnerships with clients
- Growth in the Nordic Countries (SI) and globally (ISV/CSV)

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 October 30, 2012 Innofactor A/S, a subsidiary of Innofactor Plc was awarded as Microsoft Business Intelligence Partner of the year 2012 in Denmark.

On October 30, 2012, the Innofactor Board of Directors decided on the changes in strategy, which are described in the section "Strategy."

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

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 October 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–September 30, 2012

On October 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 October 31, 2012, at 16:00 Finnish time. Registrations to ir@innofactor.com at least one hour before the event.

Financial releases in 2013

The financial statement for 2012 will be published on February 26, 2013. The schedule for other financial information in 2013 will be published by the end of 2012.

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

Financial statement summary and appendixes January 1–September 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. The figures include the figures for the acquired Danish company Innofactor A/S (former Bridgeconsulting A/S) as of July 1, 2012.

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	Jul 1–Sep 30, 2012	Jul 1– Sep 30, 2011	Jan 1–Sep 30, 2012	Jan 1– Sep 30, 2011	Jan 1–Dec 31, 2011
Net sales	4,567	3,766	12,521	12,069	17,205
Other operating income	7	39	7	60	109
Materials (–)	-330	-325	-1,232	-945	-1,516
Employee benefits/expenses (–)	-2,921	-2,393	-8,876	-7,783	-10,936
Depreciations (–)	-147	-132	-429	-396	-539
Other operating expenses (–)	-828	-675	-2,240	-2,564	-3,418
Operating profit/loss	348	280	-249	441	904
Financial income	2	0	7	2	5
Financial expenses (–)	-22	-6	-27	-14	-23
Profit/loss before taxes	328	274	-269	429	886
Income taxes	-104	-69	-98	-103	-199
Profit/loss for the period	224	205	-367	326	687
Total comprehensive income	224	205	-367	326	687

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

Basic earnings per share (EUR)	0.0074	0.0070	-0.0123	0.0111	0.0235
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	Sep 30, 2012	Sep 30, 2011	Dec 31, 2011
Non-current assets			
Tangible assets	457	484	459
Goodwill	2,643	1,212	1,207
Other intangible assets	1,736	1,610	1,534
Deferred tax assets	7,895	8,020	7,895
Non-current assets	12,731	11,326	11,095
Current assets			
Trade and other receivables	7,880	5,958	6,533
Cash and cash equivalents	245	255	696
Current assets	8,125	6,213	7,229
TOTAL ASSETS	20,856	17,539	18,324

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR thousand	Sep 30, 2012	Sep 30, 2011	Dec 31, 2011
Shareholders' equity			
Share capital	2,100	2,100	2,100
Share premium reserve	72	72	72
Other reserves (+/-)	59	59	59
Own shares	-30	0	0
Fund for invested unrestricted equity	8,834	8,344	8,344
Retained earnings	2,004	2,029	2,330
Total shareholders' equity	13,039	12,604	12,905
Long term liabilities			
Loans from financial institutions	937	0	0
Deferred tax liabilities	518	449	420
Long term liabilities total	1,455	449	420
Current liabilities			
Loans from financial institutions	428	137	0
Trade and other payables	5,934	4,349	5,000
Current liabilities total	6,362	4,486	5,000
Liabilities total	7,817	4,935	5,420
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	20,856	17,539	18,324

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
Shareholders' equity Jan 1, 2012	2,100	72	59	8,344	0	2,330	12,905
Comprehensive income							
Profit for the financial period						-367	-367
Other items of comprehensive income:							
Translation differences						-2	-2
Total comprehensive income	0	0	0	0	0	-369	-369
Transactions with owners							
Share issue				490		43	533
Acquisition of own shares					-30		-30
Transactions with owners in total				490	-30	43	503
Shareholders' equity Sep 30, 2012	2,100	72	59	8,834	-30	2,004	13,039
Shareholders' equity Jan 1, 2011	2,100	72	59	8,344	0	1,723	12,278
Comprehensive income							
Profit for the financial period						326	326
Total comprehensive	0	0	0	0	0	326	326

 income

Shareholders' equity

Sep 30, 2011	2,100	72	59	8,344	0	2,029	12,604
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Consolidated cash flow statement, IFRS

EUR thousand	Jan 1– Sep 30, 2012	Jan 1– Sep 30, 2011	Jan 1 –Dec 31, 2011
Cash flow from operating activities			
Operating profit	-249	441	904
Amendments:			
Depreciations	429	396	539
Non-cash transactions	43	0	0
Change in working capital:			
Change in trade or other receivables (+/–)	-122	117	-338
Change in trade and other payables (+/–)	-363	-2,286	-1,807
Interests paid (–)	-27	-15	-23
Interests received	7	2	5
Taxes paid (–)	0	-75	-78
Cash flow from operating activities, total	-282	-1,420	-798
Cash flow/investments			
Investment in daughter companies	-1,260	0	0
Investments in intangible and tangible assets (–)	-124	-176	-220
Cash flow/investments total	-1,384	-176	-220
Cash flow/financing			
Payments received from share issue	138	0	0
Loans withdrawn	1,394	137	0
Loans paid	-287	0	0
Purchase of own shares (–)	-30	0	0
Cash flow/financing total	1,215	137	0
Change in liquid funds (+/–)	-451	-1,459	-1,018

Liquid funds, opening balance	696	1,714	1,714
Liquid funds closing balance	245	255	696

Consolidated profit and loss statement by quarter, IFRS

EUR thousand	Jan 1– Mar 31, 2012	Apr 1– Jun 30, 2012	Jul 1–Sep 30, 2012	Oct 1–Dec 31, 2012	Jan 1–Mar 31, 2011	Apr 1– Jun 30, 2011	Jul 1–Sep 30, 2011	Oct 1–Dec 31, 2011
Net sales	3,972	3,982	4,567		3,943	4,360	3,766	5,136
Other operating income	0	0	7		10	11	39	49
Materials (–)	-429	-473	-330		-231	-389	-325	-571
Employee benefits/expen ses (–)	-3,142	-2,813	-2,921		-2,704	-2,686	-2,393	-3,153
Depreciations (–)	-138	-143	-147		-131	-133	-132	-143
Other operating expenses (–)	-609	-803	-828		-868	-1,021	-675	-854
Operating profit/loss	-347	-251	348		19	142	280	463
Financial income	2	3	2		1	1	0	3
Financial expenses (–)	-2	-3	-22		-4	-4	-6	-9
Profit/loss before taxes	-347	-251	328		16	139	274	457
Income taxes	3	3	-104		-3	-31	-69	-96
Profit/loss for the period	-344	-248	224		13	108	205	361

Commitments and contingent liabilities

EUR thousand	Sep 30, 2012	Sep 30, 2011	Dec 31, 2011
Collateral given for own commitments			
Rental guarantees	199	151	152
Business mortgages	2,250	300	1,000
Bank guarantees	18	18	18
Other own guarantees			
Lease liabilities			
Current lease liabilities	106	90	104
Lease liabilities maturing in 1-5 years	77	104	96
Total	183	194	200
Rental liabilities			
Current rental liabilities	655	595	604
Rental liabilities maturing in 1-5 years	478	813	836
Total	1,133	1,408	1,440
Other own guarantees total	1,316	1,602	1,640

Key figures of the group, IFRS

	mo. 7–9 /2012	mo. 7–9 /2011	Change	mo. 1–9 /2012	mo. 1–9 /2011	Change	mo. 1–12 /2011
Net sales, EUR thousand*	4,567	3,766	+21.3%	12,521	12,069	+3.7%	17,205
Operating profit before depreciation and amortization (EBITDA), EUR thousand**	496	412	+20.4%	180	837	-78.5%	1,443
percentage of net sales**	10.9%	10.9%		1.4%	6.9%		8.4%
Operating profit/loss (EBIT), EUR thousand**	348	280	+24.3%	-249	441	-156.5%	904
percentage of net sales**	7.6%	7.4%		-2.0%	3.7%		5.3%
Earnings before taxes, EUR thousand**	328	274	+19.9%	-269	429	-162.7%	886
percentage of net sales**	7.2%	7.3%		-2.1%	3.6%		5.1%
Earnings, EUR thousand**	224	205	+9.5%	-367	326	-212.6%	687
percentage of net sales**	4.9%	5.4%		-2.9%	2.7%		4.0%
Shareholders' equity, EUR thousand	13,039	12,604	+3.5%	13,039	12,604	+3.5%	12,905
Return on equity***	6.9%	6.6%		-3.8%	3.5%		5.5%
Return on investment***	10.3%	8.9%		-3.3%	4.7%		7.2%
Net gearing	8.5%	-0.9%		8.5%	-0.9%		-5.4%
Equity ratio	66.1%	76.5%		66.1%	76.5%		74.5%
Balance sheet total, EUR thousand	20,856	17,539	+18.9%	20,856	17,539	+18.9%	18,324
Research and development, EUR thousand	593	468	+26.7%	1,940	1,716	+13.1%	2,086
percentage of net sales	13.0%	12.4%		15.5%	14.2%		12.1%
Personnel on average during the review period	196	178	+10.1%	186	175	+6.3%	177
Personnel at the end of the review period	198	184	+7.6%	198	184	+7.6%	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)****	0.0074	0.0070	+6.1%	-0.0123	0.0111	-210.4%	0.0235
Shareholders' equity per share (EUR)****	0.433	0.431	+0.6%	0.433	0.431	+0.6%	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. Additionally, the acquisition made on July 5, 2012, resulted in a one-off cost of about EUR 150 thousand in the review period July 1–September 30, 2012.

*** The percentages for the return on equity and return on investment have been adjusted to correspond with the figures for a 12-month period.

**** 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.

The preliminary acquisition cost calculation for Bridgeconsulting A/S (current Innofactor A/S)

On June 25, 2012, Innofactor Plc signed an agreement on acquiring the entire share capital of the Danish company Bridgeconsulting A/S from the company's management (3% of shares were purchased directly and 97% indirectly by acquiring the entire share capital of Bridgeconsulting Holding Aps). The name of Bridgeconsulting A/S has been changed to Innofactor A/S.

The acquisition price will depend on Bridgeconsulting's realized EBITDA of the 12 months following the acquisition (July 1, 2012–June 30, 2013). The acquisition price will be paid in Danish kroner and in Innofactor Plc shares and the total price 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 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 figures of Innofactor A/S have been consolidated into the Innofactor group as of July 1, 2012. In the preliminary acquisition cost calculation, an acquisition price of EUR 2,018 thousand has been used.

The values of the acquired assets and liabilities on the acquisition date were as follows:

Values registered for consolidation (EUR thousand)	
Tangible assets	63
Intangible assets	435
Trade and other receivables	874
Total assets	1,372
Financing liabilities	258
Other liabilities	532
Liabilities total	790
Net assets	582
Acquisition cost	2,018
Goodwill	1,435
Acquisition price paid in cash	1,260
Cash funds of the acquired subsidiary	0
Effect on cash flow	-1,260

The value of the customer contracts and the related customer relationships included in the intangible assets (EUR 435 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 value of EUR 1,435 thousand. The goodwill value is based on the expected synergy benefits arising from the acquisition of Innofactor A/S and on making use of the common sales and marketing network in the group and expanding customer relationships.

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 September 30, 2012, was as follows:

Name	Number of shares	% of share capital
1. Ensio Sami	7,400,000	24.52%
Ensio Sami	5,226,240	17.32%
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	950,543	3.15%
9. Ärje Matias Juhanpoika	946,278	3.14%
10. Luostarinen Juha Markku T	929,438	3.08%
11. Jokinen Klaus Antero	564,111	1.87%
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. Estate of Santala Ilpo Pellervo	139,553	0.46%
20. Nurmi Mika	139,553	0.46%