

Innofactor Plc Financial Statement March 7, 2017, at 8:30 Finnish time.

Innofactor Plc Financial Statement 2016 (IFRS)

Innofactor closes 2016 with a strong quarter – The maximum purchase price of the Lumagate acquisition reduced by EUR 3.7 million as Lumagate operating margin was weaker than forecasted

Quarter 10–12/2016:

- The net sales were approximately EUR 18.0 million, which shows an increase of 42.9%.
- The operating margin was approximately EUR 2.0 million (11.1% of the net sales), which shows an increase of 14.2%.
- The operating profit was approximately EUR 1.3 million (2015: approximately EUR 1.5 million), decreasing by 9.8% as the net sales were affected by increased write-offs related to acquisitions, in accordance with IFRS 3, resulting in a decrease of EUR 518 thousand (2015: 120).

Year 1–12/2016:

- The net sales were approximately EUR 59.6 million, which shows an increase of 34.1%.
- The operating margin was approximately EUR 4.8 million (8.1% of the net sales), which shows an increase of 30.4%.
- The operating profit was approximately EUR 2.3 million (2015: approximately EUR 2.5 million), decreasing by 8.3% as the net sales were affected by increased write-offs related to acquisitions, in accordance with IFRS 3, resulting in a decrease of EUR 1,884 thousand (2015: 480).
- Innofactor's operating cash flow in the review period remained strong and was approximately EUR 3.1 million.

	Oct 1– Dec 31, 2016	Oct 1– Dec 31, 2015*	Change	Jan 1–Dec 31, 2016	Jan 1– Dec 31, 2015*	Change
Net sales, EUR thousand	17,992	12,590	42.9%	59,616	44,452	34.1%
Operating margin (EBITDA), EUR thousand	1,990	1,742	14.2%	4,831	3,705	30.4%
percentage of net sales	11.1%	13.8%		8.1%	8.3%	
Operating profit/loss (EBIT), EUR thousand**	1,326	1,470	-9.8%	2,332	2,542	-8.3%
percentage of net sales**	7.4%	11.7%		3.9%	5.7%	
Earnings before taxes, EUR thousand**	1,196	1,395	-14.3%	1,920	1,935	-0.8%
percentage of net sales**	6.6%	11.1%		3.2%	4.4%	
Earnings, EUR thousand**	957	1,116	-14.2%	1,536	1,548	-0.8%
percentage of net sales**	5.3%	8.9%		2.6%	3.5%	
Net gearing	70.2%	34.1%		70.2%	34.1%	
Equity ratio	35.8%	56.9%		35.8%	56.9%	
Active personnel on average during the review period***	589	416	41.6%	532	409	30.1%
Earnings per share (EUR)	0.0292	0.0334	-12.5%	0.0467	0.0475	-1.6%

*) During the third quarter of 2015, an error in the assessment of projects was detected in the Group company concerning the period of January 1–June 30, 2015, for the year 2015 as well as previous financial periods. The assessment error was corrected for the above-mentioned periods in accordance with IAS 8: 41–42. The total effect of the error was a decrease of approximately EUR 552 thousand in the operating margin. Of this, approximately EUR 238 thousand was for the year 2015. Adjustments and their effects on the Group figures are described in more detail in the attachment to the interim report for January 1–September 30, 2015, which was published on October 20, 2015.

**) In accordance with IFRS 3, the operating profit for October 1–December 31, 2016, includes EUR 518 thousand (2015: 120) in depreciations related to acquisitions, consisting of allocations of the purchase price to intangible assets. Adjusted for the said depreciations, Innofactor's operative business profit for the review period of October 1–December 31, 2016, would have been EUR 1,844 thousand (2015: 1,590), the operative business result before taxes EUR 1,714 thousand (2015: 1,515), the operative business result EUR 1,371 thousand (2015: 1,212), and the operative business result per share EUR 0.0419 (2015: 0.0375). The business result of the review period January 1–December 31, 2016, includes EUR 1,884 thousand (2015: 480) in depreciations related to acquisitions, consisting of allocations of the purchase price to intangible assets. Adjusted for the said depreciations, Innofactor's operative business profit for the review period of January 1–December 31, 2016, would have been EUR 4,216 thousand (2015: 3,022), the operative business result before taxes EUR 3,804 thousand (2015: 1,935), the operative business result EUR 3,043 thousand (2015: 1,548), and the operative business result per share EUR 0.0926 (2015: 0.0471).

***) The Innofactor Group monitors the number of active personnel. The number of active personnel does not include employees who are on a leave of over 3 months.

Innofactor's future outlook for 2017

Innofactor's net sales and operating margin (EBITDA) in 2017 is estimated to increase from 2016, during which the net sales were EUR 59.6 million and operating margin was EUR 4.8 million.

CEO Sami Ensio's review: In 2016, we became the number one provider of Microsoft-based solutions in the Nordic Countries. Also, Q4/2016 net sales and operating margin were the highest in our history.

In the last quarter of 2016, Innofactor continued profitable growth in accordance with its strategy and had the best quarter in its history, as measured in both net sales and operating margin. The growth of net sales in the last quarter of 2016 was 42.9 percent (net sales EUR 18.0 million) and operating margin (EBITDA) was EUR 2.0 million (11.1 percent of the net sales), which shows an increase of 14.2 percent since the previous year.

In the entire year 2016, Innofactor's net sales grew 34.1 percent (net sales approximately EUR 59.6 million). The operating margin (EBITDA) was approximately EUR 4.8 million, which shows an increase of 30.4 percent since last year. The cash flow from business activities in 2016 remained strong and was approximately EUR 3.1 million.

On October 9, 2016, Innofactor reached an agreement on acquiring the entire share capital of the Lumagate group from the company's key persons. Lumagate is one of the leading Nordic IT companies, which operates in the Microsoft ecosystem and focuses on offering cloud-based solutions. The company has over 70 employees in three different countries: Sweden, Norway and Denmark. Due to the acquisition, Innofactor expanded into Norway and strengthened its position significantly in Sweden and Denmark. Innofactor considered that, after the acquisition, it had reached the position of the number one Microsoft-based solution provider in the Nordic Countries, as defined in its strategy. Innofactor's vision from now on is to be the leading implementer of cloud solutions and digitalization in each of the Nordic Countries.

However, in 2016, Lumagate's net sales, operating margin and cash flow in the last quarter were significantly weaker than the estimates at the time of signing the deal. Unfortunately, this also has a negative impact on Innofactor's figures for 2016. Corrective actions to improve the situation were started immediately after the problems were noticed and the organization in Norway went through a major reforming in February 2017. Lumagate Sweden's organization will be renewed during March 2017 and Lumagate Denmark will be merged with Innofactor in Denmark in April 2017. In addition Lumagate group functions will be combined with Innofactor. These actions are expected to improve the net sales, operating margin and cash flow starting from the second quarter of 2017 at the latest.

As the Lumagate's operating margin was significantly smaller than estimated in 2016, the maximum purchase price of Lumagate changed and is now approximately EUR 6.8 million, whereas it was EUR 10.5 million previously. This means that the possible additional purchase price

is EUR 2.1 million at the maximum and, should it realize, will be paid only in 2019 (with the company shares as a default). Despite the decrease in Lumagate net sales and operating profit in 2016, we consider the result, due to the lowered maximum purchase price of EUR 3.7 million, to positively affect Innofactor's value to shareholders.

Innofactor is still actively looking for new strategic partnerships in the Nordic Countries. The Group's goal is to grow both organically and through acquisitions.

Strategy and its realization in the review period

Innofactor is the one of the leading implementers of cloud solutions and digitalization in the Nordic Countries. Innofactor has the widest solution offering and leading know-how in the Microsoft ecosystem in the Nordic Countries. Innofactor has over 600 enthusiastic and motivated top specialists in Finland, Sweden, Denmark and Norway. Innofactor's customers include over 1,500 companies and public administration and third sector organizations. During the years 2017–2020, Innofactor will primarily strive to unify its offering in the Nordic Countries in its selected areas. This may happen either through organic growth or selected acquisitions.

Innofactor's mission: We empower organizations and people to make a difference in the digital world.

Innofactor's vision: We are the leading implementer of cloud solutions and digitalization in each of the Nordic Countries (Finland, Sweden, Denmark and Norway).

Innofactor's strategy for achieving this vision includes:

- The best Nordic professionals in the Microsoft ecosystem
- The leading offering in cloud solutions and digitalization
- A proactive, value-adding and flexible delivery model
- Spearhead customers in selected fields in the Nordic Countries

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

- To achieve annual organic growth of approximately 20 percent in 2020 at the latest
- To achieve approximately 20 percent operating margin (EBITDA) in relation to the net sales in 2020 at the latest
- To keep the cash flow positive and to secure solid financial standing in all situations

We believe that we can achieve the 20% organic growth by following means:

- In the Nordic Countries, we will focus on those fields and customer segments, which have great growth potential in digitalization and implementing cloud services. Social services and healthcare along with wellbeing services are an example of a field in which we will focus strongly in 2017 and coming years.
- We will improve sales of our products and services to existing customers in order to compete for an increasing share of the budget the customers are using for digitalization and to develop customer relationships in long term.
- We will invest in using modern digital marketing methods to improve acquiring of new customers and to strengthen the customers' image of Innofactor as the leading Nordic implementer of digitalization and cloud services, as well as to improve our sales.

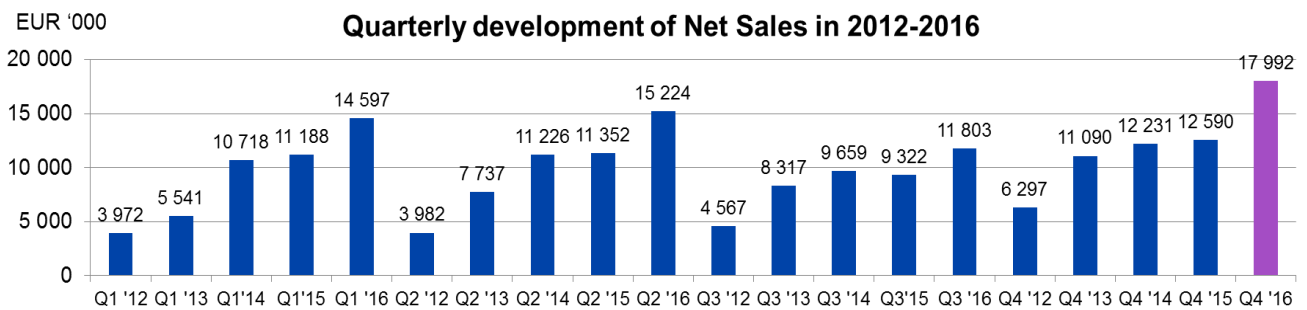
In addition to what was presented above, we believe that we can achieve the 20% operating margin by following means:

- We will move the focus in our offering more and more to our own products and productized services, which ease our customers' transfer to cloud services and maintenance. Thus, we can continue to offer our customers better services and greater added value, while strengthening long-term customer relationships.
- We will improve the skills of our own specialists, so that our customers will see significant added value in their know-how as compared to our competitors and will be willing to pay a rate that is higher than the field's average.
- We will develop our flexible delivery model, which enables fast added value, in such a way that it will further improve customer satisfaction. In the development of our delivery model, we will focus on as efficient planning of the work as possible, while minimizing unnecessary work that will not provide added value to the customer. At the same time, our invoicing rate will improve.
- In the Nordic level, we will focus on gaining synergies that provide cost savings, for example, by implementing in 2017–2018 the cloud-based Nordic Microsoft Dynamics 365 for Operations ERP system.

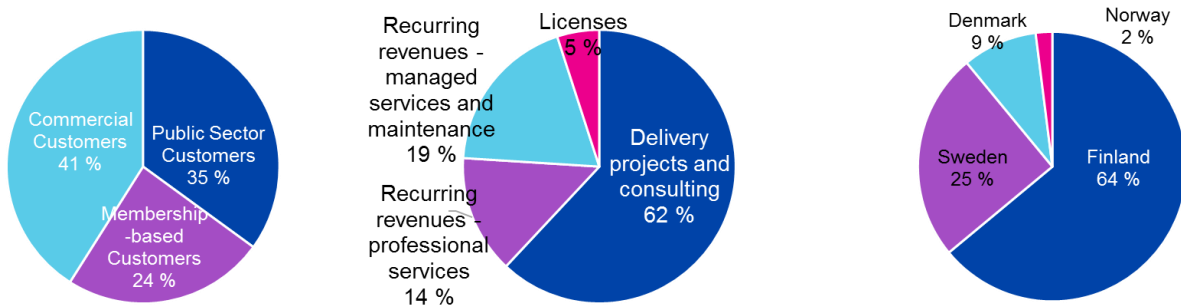
Innofactor's net sales on the review period of January 1–December 31, 2016, grew by 34.1% and a significant part of this was based on inorganic growth resulting from acquisitions. Innofactor's operating margin (EBITDA) in relation to net sales was 8.1 percent in the review period of January 1–December 31, 2016. Innofactor's operating cash flow in the review period of January 1–December 31, 2016, was EUR 3.1 million positive (2015: EUR 3.9 million).

Innofactor’s financial stability remains to be good. Net gearing at the end of the review period was 70.2 percent (2015: 34.1 percent). During the review period, Innofactor redeemed the EUR 3.2 million hybrid bond, which decreased the equity ratio and increased the net gearing. During the review period, the company took loans for approximately EUR 4.1 million for the acquisition of Cinteros AB and EUR 5.0 million for the acquisition of Lumagate, which together increased the amount of interest bearing liabilities.

Innofactor’s net sales and operating margin grew significantly during the review period



Innofactor’s operating profit in October 1–December 31, 2016, was EUR 17,992 thousand (2015: 12,590), which shows an increase of 42.9 percent, and on January 1–December 31, 2016, the net sales were EUR 59,616 thousand (2015: 44,452), which shows an increase of 34.1 percent.



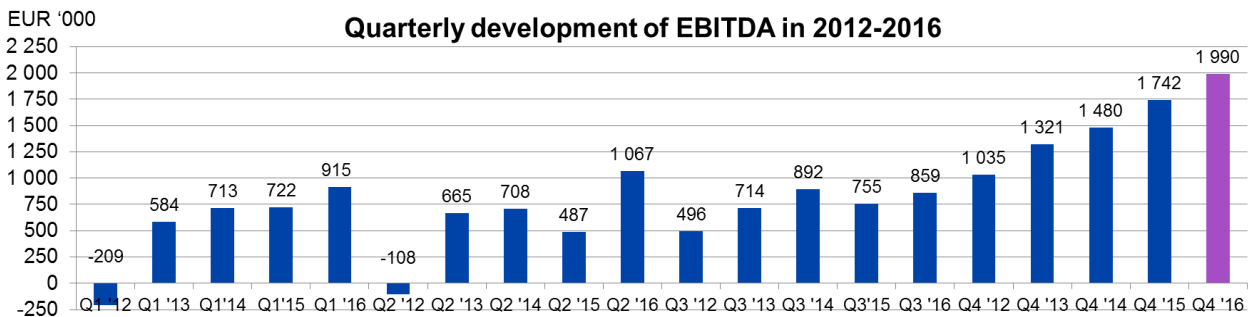
Innofactor's business operations were focused on Finland, Sweden, Denmark and Norway. In January 1–December 31, 2016, approximately 64 percent of the net sales came from Finland, approximately 25 percent from Sweden, approximately 9 percent from Denmark and approximately 2 percent from Norway. Lumagate's net sales in Sweden, Norway and Denmark are included only in the figures of the last quarter. Innofactor had no business operations in Norway before the Lumagate acquisition.

Of the net sales in January 1–December 31, 2016, approximately 41% came from commercial clients, approximately 35% from public sector clients and approximately 24% from third sector clients.

Innofactor's net sales in the review period of January 1–December 31, 2016, came from the following sources:

- approximately 62% from IT system delivery projects and consulting
- approximately 14% from specialist work based on recurring service contracts, such as smaller customer-specific changes and further development of IT systems
- approximately 19% from services based on recurring service contracts, such as SaaS, cloud and hosting services, and from software maintenance
- approximately 5% from licenses, of which the share of licensing income to third parties was about 2% of the net sales

Innofactor’s 10 largest clients accounted for approximately 29 percent of the net sales during the review period January 1–December 31, 2016. Significant growth compared to the previous year (2015: 23 percent) is mainly due to the fact that the Swedish subsidiary Innofactor AB (former Cinteros AB), which was merged into Innofactor on January 1, 2016, has several major projects in progress at the moment.



Innofactor's operating margin (EBITDA) in October 1–December 31, 2016, was EUR 1,990 thousand* (2015: 1,742), which shows an increase of 14.2 percent. EBITDA accounted for 11.1 percent of the net sales (2015: 13.8%). Innofactor’s operating profit in October 1–December 31, 2016, was EUR 1,326 thousand (2015: 1,470), which shows a decrease of 9.8 percent. Operating profit accounted for 7.4 percent of the net sales (2015: 11.7%).

Innofactor’s operating margin (EBITDA) on January 1–December 31, 2016, was EUR 4,831 thousand (2015: 3,705), which shows an increase of 30.4 percent. EBITDA accounted for 8.1 percent of the net sales (2015: 8.3%). Innofactor’s operating profit in January 1–December 31, 2016, was EUR 2,332 thousand (2015: 2,542), which shows a decrease of 8.3 percent. Operating profit accounted for 3.9 percent of the net sales (2015: 5.7%).

Acquisitions are a central part of Innofactor's strategy. Depreciations of intangible rights resulting from acquisitions vary greatly depending on how valuable the customer contracts and technology of the acquired company are estimated to be and also in what kind of schedule the resulting intangible rights will be depreciated. For this reason, the company's view is that instead of the operating profit, the primary measure for profitability should be the operating margin (EBITDA), because it is not affected by the said depreciations.

The growth of Innofactor's net sales and operating margin in the review period was affected by the acquisition of the Swedish company Cinteros AB (current Innofactor AB), whose figures have been incorporated into Innofactor figures as of January 1, 2016, and by the acquisition of Lumagate Group whose figures have been incorporated into Innofactor figures as of October 1, 2016.

In accordance with IFRS 3, the operating profit for October 1–December 31, 2016, includes EUR 518 thousand (2015: 120) in depreciations related to acquisitions, consisting of allocations of the purchase price to intangible assets. Adjusted for the said depreciations, Innofactor's operative business profit for the review period of October 1–December 31, 2016, would have been EUR 1,844 thousand (2015: 1,590), which shows an increase of 16.0 percent. The business result of the review period January 1–December 31, 2016, includes EUR 1,884 thousand (2015: 480) in depreciations related to acquisitions, consisting of allocations of the purchase price to intangible assets. Innofactor's operative business profit adjusted for these depreciations in January 1–December 31, 2016, would have been EUR 2,216 thousand (2015: 2,542), which shows an increase of 65.9 percent.

Innofactor's operating cash flow in the review period remained strong

Innofactor's balance sheet total at the end of the review period was EUR 63,587 thousand (2015: 43,983). The growth in the balance sheet total was mainly due to the acquisitions of Cinteros AB and Lumagate. The Group's liquid assets totaled EUR 902 thousand (2015: 843), consisting totally of cash funds.

The operating cash flow remained strong in the review period of January 1–December 31, 2016, and was EUR 3,442 thousand (2015: 3,943). The investment cash flow was significantly affected by the acquisitions of Cinteros AB and Lumagate, realized during the review period, and it was EUR -7,318 thousand (2015: -2,162).

The equity ratio at the end of the review period was 35.8 percent (2015: 56.9%) and net gearing was 70.2 percent (2015: 34.1%). During the review period, Innofactor redeemed the EUR 3.2 million hybrid bond, which decreased the equity ratio and increased the net gearing.

At the end of the review period, the company had EUR 7,663 thousand in current interest bearing liabilities (2015: 4,428) and EUR 9,038 thousand in non-current interest bearing liabilities (2015:

4,791). The total amount of interest bearing liabilities was EUR 16,701 thousand (2015: 9,219). At the end of the review period the company additionally had EUR 1.4 million in unused overdraft limit. For the acquisitions of Cinteros AB and Lumagate Group, the company took loans for approximately EUR 9.1 million during the review period, which increased the amount of interest bearing liabilities.

The return on investment in January 1–December 31, 2016, decreased from the previous year and was 6.4 percent (2015: 7.6%).

The return on investment in January 1–December 31, 2016, decreased slightly from the previous year and was 6.5 percent (2015: 6.6%).

The non-current assets in Innofactor's balance sheet at the end of the review period were EUR 43,876 thousand in total and consisted of the following items:

- Tangible assets EUR 628 thousand
- Goodwill EUR 27,690 thousand
- Other intangible assets EUR 9,141 thousand
- Shares and holdings EUR 62 thousand
- Receivables EUR 595 thousand
- Deferred tax assets EUR 5,760 thousand

Innofactor's gross investments in tangible assets in the review period of January 1–December 31, 2016, were EUR 479 thousand (2015: 447), consisting of normal additional and replacement investments required by growth.

The write-offs on intangible assets were EUR 1,978 thousand (2015: 587). The growth was mainly due to increased write-offs on intangible assets resulting from the acquisitions of Cinteros AB and Lumagate Group. In addition, Innofactor has activated development costs of EUR 322 thousand relating to its own ERP system from October 1, 2016 onwards.

Innofactor's research and product development investments increased significantly in 2016

In the Innofactor strategy, renewed at the end of 2015, the role of product and service development gained more importance and investments for 2016 were increased. The acquisitions of Cinteros AB (realized at the beginning of 2016) and Lumagate Group (October 2016), and their products that have thus become Innofactor's products support this strategic development.

In the product development during the review period, focus was on renewing existing products, increasing cloud capabilities and continuous further development in order to support the growth of product-based business. A significant part of the Group's research and product development costs in the review period were due to the further development of the Membership Management Solutions product that Innofactor gained in the Cinteros AB acquisition.

Innofactor's research and development costs recognized in profit or loss for October 1–December 31, 2016, were approximately EUR 889 thousand (2015: 886), which accounts for 4.9 percent of the net sales (2015: 7.0%).

Innofactor's research and development costs recognized in profit or loss for January 1–December 31, 2016, were approximately EUR 3,394 thousand (2015: 2,495), which accounts for 5.7 percent of the net sales (2015: 5.6%).

Innofactor's net sales per person continued to grow

Primarily, Innofactor monitors the number of active personnel. The number of active personnel does not include employees who are on a leave of over 3 months.

In the Cinteros AB acquisition, realized at the beginning of the year, approximately 100 new employees were transferred to Innofactor in Sweden. The Lumagate acquisition, realized in October, brought approximately 70 new employees to Innofactor in Sweden, Norway and Denmark.

The average number of active personnel in October 1–December 31, 2016, was 589 persons (2015: 416), which shows an increase of 41.6 percent.

The average number of active personnel in January 1–December 31, 2016, was 532 persons (2015: 409), which shows an increase of 30.1 percent.

In the review period January 1–December 31, 2016, net sales per active person was approximately EUR 112.1 thousand (2015: 108.7), which shows an increase of EUR 3.4 thousand per person.

At the end of the review period, the number of active personnel was 591 (2015: 415), which shows an increase of 42.4 percent.

At the end of the review period, the average age among personnel was 39.4 years (2015: 40.1).

Women accounted for 28 percent (2015: 28%) of the personnel. Men accounted for 72 percent (2015: 72%) of the personnel.

Other events in the review period

On January 25, 2016, Innofactor announced in a stock exchange release that Keva has selected Innofactor in a public procurement competition as the provider of a web content management system and related services. The system delivery includes the implementation project, maintenance and support services. The comparison price (excluding VAT) of the procurement for the contract period is EUR 549,324.

On January 26, 2016, Innofactor announced in a stock exchange release that starting from January 26, 2016, Innofactor's CEO Sami Ensio will take a sick leave of approximately two months related to an operation he is going to have and the recovery from it. During Sami Ensio's sick leave, his deputy will be Innofactor's CFO Janne Martola.

On January 28, 2016, Innofactor announced in a stock exchange release that the Board of HKL (Helsinki City Transport) decided on January 27, 2016, to cancel the procurement decision for the situational information system for the Metro's total security as Tieto Finland Oy, which came third in the bidding competition, has made a claim for rectification concerning the procurement. Additionally, the Board gave the Managing Director the authorization to interrupt the procurement. On November 26, 2015, HKL had made a procurement decision, selecting Innofactor as the provider of the system. The system concerned in the procurement will guarantee Metro's safe operation for the customers. As stated by the customer, the procurement price (excluding VAT) for the period of four years is EUR 2,909,000. The framework arrangement of the procurement was intended to remain in effect for a maximum of 15 years. For this total time, Innofactor has stated that the total price according to the tender will be EUR 7,025,500. Innofactor considers the HKL's decision on cancelling the procurement decision to be clearly in violation of the Procurement Act, and Innofactor will make a complaint about the matter to The Market Court, unless the City of Helsinki changes the decision. The legal process concerning the legality of the decision will possibly take about 2–3 years. The Local Government Act still gives the Helsinki City Government the right to take the matter into handling, and this gives the City Government the option to overrule the HKL Board decision.

On January 28, 2016, Innofactor announced in a stock exchange release that in a tendering process governed by a framework agreement, the Hospital District of Helsinki and Uusimaa (HUS) has selected Innofactor as the provider for transferring application and infrastructure solutions into cloud services and as the provider of continuous services and expert services related to the cloud services. In its invitation to tender, HUS estimated that the value of the delivery would be about EUR 1.5 million during the contract period of 2016–2017. However, the final value of the deal during the contract period cannot be stated for certain at this point. The whole includes transferring the existing On-Premises applications and infrastructure solutions of HUS into a Microsoft Azure cloud environment and also monitoring, management and support consultation services. The delivery also includes cloud architecture development, application and infrastructure service design/planning for individual projects and implementation of HUS' own solutions, such as

Virtual Hospitals. Project deliveries and services related to the cloud transfer are planned to be delivered in stages during 2016–2017.

On February 29, 2016, Innofactor announced in a stock exchange release that Innofactor has redeemed its EUR 3.2 million hybrid bond in full in cash. Innofactor has no other hybrid bonds. Innofactor did not take a new bank loan to redeem the hybrid bond. Currently, Innofactor has bank loans for a total of approximately EUR 11.3 million.

On March 29, 2016, Innofactor announced in a stock exchange release that that the share repurchase program started in autumn 2015 has ended. The Board of Directors decided to cancel the 552,360 treasury shares.

On April 18, 2016, Innofactor announced in a stock exchange release that the company had cancelled 552,360 treasury shares. The cancellation of the shares has been registered in the Trade register on April 18, 2016. After the registrations, the total number of Innofactor Plc shares is 32,901,377.

On May 13, 2016, Innofactor announced in a stock exchange release that Innofactor Plc's CFO and deputy CEO Janne Martola has handed in his resignation on his own initiative on May 12, 2016. Innofactor's Board of Directors and Martola have agreed that Martola will continue as the CFO until the end of the third quarter on September 30, 2016.

On June 7, 2016, Innofactor announced in a stock exchange release that in its meeting on June 6, 2016, the Board of Directors of Innofactor Plc decided to start the acquisition of the company's own shares. A maximum of 800,000 shares will be acquired, equaling approximately 2.43% of the total number of the company's shares. The decision is based on the authorization, given to the Board by the General Meeting on March 29, 2016, to acquire a maximum of 8,000,000 shares. The acquisition of own shares will start at the earliest on July 1, 2016, and will end on March 31, 2017, at the latest.

On June 23, 2016, Innofactor announced in a stock exchange release that ABB Oy in Finland and Innofactor Plc signed an agreement on June 23, 2016, concerning the delivery of an Azure-based Integrated Management System to be used by ABB in Finland and the Baltic countries. The total value of the agreement is approximately EUR 925 thousand. The solution is based on Innofactor's Quality First out-of-the-box product, and the management system is used in a Microsoft Azure cloud environment. The three-year agreement encompasses management system licenses and their maintenance, the delivery project, support and maintenance services as well as Innofactor's Azure Managed Services.

On July 7, 2016, Innofactor announced in a stock exchange release that Innofactor's Board of Directors had appointed Patrik Pehrsson as Innofactor Plc's new Chief Financial Officer (CFO) as of October 1, 2016. Previously, Mr. Pehrsson has worked as a CFO at Microsoft Oy since 2008. In his

new role, Mr. Pehrsson, M.Sc. (Econ. & Bus. Adm.), will be a member of Innofactor's Executive Board, reporting to CEO Sami Ensio.

On October 10, 2016, Innofactor announced in a stock exchange release that Innofactor will acquire Lumagate.

On October 10, 2016, Innofactor announced in a stock exchange release that it will renew its vision and long-term financial goals.

On December 21, 2016, Innofactor announced in a stock exchange release that Innofactor's General Counsel has resigned.

Share and shareowners

At the end of the review period, Innofactor Plc's share capital was EUR 2,100,000.00 and the total number of shares was 32,901,377 of which the company was holding 163,839 shares. Innofactor Plc has one series of shares. Each share is entitled to one vote.

On October 1–December 31, 2016, the highest price of the company share was EUR 1.22 (2015: EUR 1.01), the lowest price was EUR 0.97 (2015: EUR 0.76), and the average* price was EUR 1.12 (2015*: EUR 0.84).

On January 1–December 31, 2016, the highest price of the company share was EUR 1.22 (2015: EUR 1.20), the lowest price was EUR 0.75 (2015: EUR 0.76), and the average* price was EUR 0.99 (2015*: EUR 0.96).

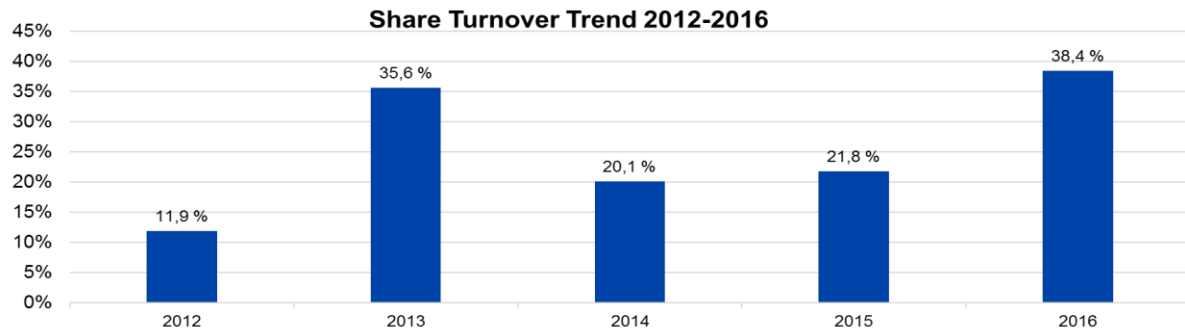
The closing price for the review period on December 30, 2016, was EUR 1.15 (2015: EUR 0.98).

* 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 October 1–December 31, 2016, a total of 4,408,692 shares were traded (2015: 1,741,268 shares), which corresponds to 13.5 percent (2015: 5.2%) of the average number of shares on the said period. On October 1–December 31, 2016, there were 32,746,848 shares on the average (2015:33,186,668*). The share trading increased by 153.2 percent compared to the corresponding period in 2015.

In public trading on January 1–December 31, 2016, a total of 12,617,494 shares were traded (2015: 7,118,343 shares), which corresponds to 38.4 percent (2015: 21.8%) of the average number of shares on the said period. On January 1–December 31, 2016, there were 32,871,577 shares on the average (2015: 32,579,614*). The share trading increased by 77.3 percent compared to the corresponding period in 2015.

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



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

The market value of the share capital at the closing price of the review period, EUR 1.15, on December 31, 2016, was EUR 37,837 thousand (2015: 32,785), which shows an increase of 15.4 percent.

On December 31, 2016, the company had a total of 11,158 shareowners (2015: 10,771), including administrative registers.

The Board of Directors has the following authorizations:

- Until June 30, 2017, to decide on a share issue and granting of special rights entitling to shares for a maximum of 15,000,000 new shares with the total number of shares not exceeding 45,000,000 (decided by the General Meeting of March 29, 2016); the authorization has not been used.
- Until June 30, 2017, to decide on a transfer of a maximum of 1,000,000 treasury shares (decided by the General Meeting of March 29, 2016); the authorization has not been used.

On February 22, 2016, Innofactor published a flagging announcement pursuant to Chapter 9, Section 10 of the Finnish Securities Markets Act, stating that as a result of a share transaction made on February 22, 2016, Jyrki Salminen's ownership of Innofactor Plc has decreased to below 5 percent.

Treasury shares

The General Meeting of March 29, 2016, authorized the Board of Directors to decide on acquiring of a maximum of 8,000,000 of company's own shares in one or several parts with the company's unrestricted equity. The authorization entitles the Board to deviate from the shareholders' proportional shareholdings (directed acquisition). Own shares may be acquired at the purchase price formed for them in public trading at the day of purchase or at another market price. The number of treasury shares at a time may be, at the maximum, one tenth of the total number of shares in the company. Shares may be purchased to be used in company acquisitions or

implementing other arrangements relating to the company's business operations, improving the company's capital or financing structure, as a part of the company's incentive system, or otherwise to be handed over or voided. In connection with the share repurchase, ordinary derivative, stock lending and other agreements may be made in the market in accordance with the laws and regulations. The authorization includes the right of the Board of Directors to decide on all other matters related to the acquisition of shares. The authorization will be valid until June 30, 2017. This authorization replaces the Board's earlier authorizations concerning share repurchase. On the basis of the authorization, Innofactor Plc purchased a total of 163,839 of its own shares during the review period. After the purchases made during the review period, the authorization remains valid for 7,836,161 shares.

On March 29, 2016, Innofactor announced in a stock exchange release that that the share repurchase program started in autumn 2015 has ended. The Board of Directors decided to cancel the 552,360 treasury shares the company had on March 31, 2016. They were cancelled on April 18, 2016.

On June 7, 2016, Innofactor announced in a stock exchange release that in its meeting on June 6, 2016, the Board of Directors of Innofactor Plc decided to start the acquisition of the company's own shares. A maximum of 800,000 shares will be acquired, equaling approximately 2.43% of the total number of the company's shares. The decision is based on the authorization, given to the Board by the General Meeting on March 29, 2016, to acquire a maximum of 8,000,000 shares. The acquisition of own shares started on July 1, 2016, and will end on March 31, 2017, at the latest. On December 31, 2016, Innofactor Plc had a total of 163,839 (0.50%) treasury shares in its possession.

Management of the company

Innofactor Plc complies with the recommendations of the Corporate Governance Code 2015 for Finnish listed companies, published by the Securities Market Association.

The General Meeting of March 29, 2016, decided that the number of Board members is five. Of the current members of the Board of Directors, Sami Ensio, Jukka Mäkinen, Ilari Nurmi, Pekka Puolakka and Ari Rahkonen were re-elected. In their organizing meeting held immediately after the General Meeting, the Board of Directors elected Ari Rahkonen as the Chairman of the Board.

The General Meeting approved the proposal to appoint the auditing firm PricewaterhouseCoopers Oy as the auditor for the company, with Samuli Perälä, APA, as the main responsible auditor.

Innofactor has drawn up a separate Corporate Governance Statement for the financial period of 2016.

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

Market outlook and business environment

Main forces affecting market changes and main trends of innovation are, for example, augmented and virtual reality, Internet of Things (IoT), artificial intelligence, and robotics. Factors enabling these include transfer of software into the cloud, data analytics, social media, and mobility. The purchase habits of customers have continued to change as these business changes are taking place. Our customers expect their IT provider to focus more on business benefits instead of technology benefits. Our customers want to get solutions that are ready for use without a need to make major customer-specific changes. Additionally, customers increasingly wish to purchase continuous services instead of large one-off projects.

We estimate that the IT service market in the Nordic Countries grew by approximately 2–3% in 2016. In Finland, the growth was still slower than in the other Nordic Countries, but increased slightly. We estimate that the growth of the IT service market in the Nordic Countries in 2017 will be approximately 3–4%. The competitiveness contract signed in 2016 is estimated to have a positive effect on markets in Finland. Our estimate is based on research institutes' forecasts and our own outlook on markets.

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

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

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

Innofactor a very attractive partner when making reorganizations in the field in the Nordic Countries.

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 Innofactor Plc's Board of Directors four times a year as part of the strategy and business planning process. The risks are published in their entirety in the financial statement and in the Annual Report of the Board of Directors. The interim reports only present the changes in short-term risks.

Risks related to operations

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

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

Increase in personnel costs: The main part of Innofactor's costs consists of salaries and other personnel costs (in 2016, about 70% of the net sales). Currently, all of Innofactor's own employees work in the Nordic Countries, whereas some competitors rely heavily on workforce in countries with cheap labor. If the personnel costs continue rising in the Nordic Countries at the same rate as before, it will create a risk for Innofactor, if the prices paid for IT services will not rise correspondingly. Innofactor is monitoring the situation constantly and strives to affect the development of personnel costs via interest groups. It also aims at increasing the share of work done by subcontractors and abroad, when it makes sense from the point of view of business operations, for example, in large product development projects.

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

to be sold cheaper because of competition, which leads to lower profit margins. Innofactor pays special attention to the profitability of project business.

Competition: Innofactor's main competitors are companies offering traditional information technology services and software in the Nordic Countries. Some competitors have larger financial resources, wider product selection, cheaper workforce and larger existing customer base than Innofactor does and also notable legal resources, and they can use these when competing with Innofactor for the same deliveries. Additionally, new, small startup companies increase competition in certain deliveries. The price competition in the field is expected to remain tough. If the competition becomes tougher, it may have an adverse effect on Innofactor's business, operating result and financial position. Innofactor continuously strives to improve its competitiveness. Regarding this, the company has published its long term financial goals for 2020.

Research and product development: In Innofactor's operation, research and product development play a central role. In 2016, about 5.7% of the net sales was used for it. Each research and product development project carries the risk that the end results are not as successful financially as planned and that the investment in the project does not pay itself back. In organizing its operations, Innofactor aims at minimizing the risks inherent in research and product development.

Changes in the technology and field of business: Fast technological development is characteristic for Innofactor's field of business. There can be quick changes in the customers' requirements and choices concerning software technology. Important changes under way include, for example, the transfer of software into cloud technologies, digitalization, artificial intelligence, and Internet of Things (IoT). If Innofactor cannot react to these changes, it may have an adverse effect on Innofactor's business, operating result and financial position. Innofactor strives to actively invest in new technologies and central areas of know-how.

Reaching the growth goals: Realizing the desired organic growth requires a growth rate that is clearly faster than the growth in the IT market in general. This creates a risk that it cannot be realized in the future, although it has been done often in the past. It is possible that the IT market in Innofactor's market area will not grow or may even shrink in 2017. Ensuring growth has a central part in planning Innofactor's operations and setting its goals. Innofactor strives to lessen this operational risk by focusing on the growing Microsoft solution areas, which grow faster than the IT market in general, and by focusing on sales to keep the order book on a sufficient level as regards the business operations.

Globalization: In accordance with its strategy, Innofactor is seeking for more growth also in the global markets, especially in the Nordic Countries. Global operations typically always involve higher risks than operation at home. Innofactor strives to make sure that the investments in becoming a global player will not be so great that it would jeopardize the Group's ability to make profit and to grow. Additionally, the company strives to create a management model and common processes and information systems supporting these that will decrease the risks in global operations. A main part of this is the implementation of the Nordic ERP system in 2016–2018.

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

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

Success of the organizational changes: Rapid growth may occasionally require making significant changes in the organization. Starting a new organization typically includes challenges before the desired improvement in operation can be achieved. Typically, the operation can be at least restored to the previous level of efficiency within a few months from starting the new organization. If the improvement in operation for some parts does not take place within the planned schedule, there is a risk that it will not happen at all or that the delay may lead to extra costs. The reasons for this include, for example, incorrect planning in placing units and personnel. Innofactor strives to pay attention to controlling organization changes and to prepare for them also financially.

Financial risks

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

Financing risks: In its normal business operations, the Innofactor Group is susceptible to normal financing risks. In January 2016, Innofactor took a bank loan package totaling approximately EUR 4.1 million for the Cinteros AB acquisition, on February 29, 2016, the company redeemed the EUR 3.2 million hybrid bond, and in March 2016, the company reorganized its other loans. In October 2016, Innofactor took another bank loan of approximately EUR 5.0 million for the Lumagate acquisition. In total at the end of the review period, Innofactor had approximately EUR 16.7 million in interest bearing debts.

Innofactor has committed itself to the following covenants: equity ratio calculated every 6 months is at least of 30% on December 31, 2016, and at least 35% on June 30, 2017, and December 31, 2017. After this, the equity ratio calculated on every 6-month check point must be at least 40%. Additionally, interest bearing liabilities calculated every 6 months divided by the 12-month operating margin (EBITDA), including the pro forma effect of acquisitions, is a maximum of 3.5 on

December 31, 2016. At the next check point on June 30, 2017, the requirement is 3.0 at the maximum, and on the check point on December 31, 2017, and every 6-month check point after that, 2.5 at the maximum. The goal of managing the financing risks is to minimize the negative effects of the changes in the financial markets to the result of the Group. Risk management has been centralized to the CFO, who is responsible for the Group's financing and regularly reports to the company's Executive Board, CEO, and Board of Directors. It is possible that, in the future, the Group will not get the financing it needs and this will have a negative effect on the Group's business and its development, especially on making acquisitions.

Interest risk: An interest risk is mainly due to the Group's short-term and long-term loans. Loans with fluctuating rates pose an interest risk to the Group's cash flow. This risk is decreased, for example, by using interest rate swap agreements.

Exchange rate risk: The Innofactor group operates globally and is susceptible to risks related to the currencies of the countries in which it operates. Changes in exchange rates, especially the rates of Swedish krona and Norwegian krone, affect the Group's net sales and profitability. After the Cinteros and Lumagate acquisitions, Innofactor has significant business operations based on Swedish krona and Norwegian krone. The exchange rate risk is mainly due to the assets and liabilities registered in the balance sheet and the net investments made in the subsidiaries abroad. Also the business contracts made by subsidiaries pose an exchange rate risk, although these contracts are mainly made in the currency the unit uses in its operation. The management of exchange rate risks in the Group aims at minimizing the uncertainty that changes in exchange rates cause in the result through cash flows and assessment of receivables and liabilities.

Risks related to the cash position: The Innofactor Group handles management of liquid assets with the help of centralized payments and cash management. The Group strives for continuous monitoring and assessment of the needed business financing in order to ensure that the Group has enough liquid assets in its use. Additionally, the Group's subsidiaries have in their use checking accounts with an overdraft limit of about EUR 4.6 million in total in order to cover any seasonal variations in liquid assets. Excess cash balance is placed on savings accounts or funds with capital guarantee.

Risks related to receivables from projects: A large part of Innofactor's net sales comes from project business. A significant part of projects consists of long-term projects in which scheduled payments and their terms are typically agreed on with the customer beforehand. When Innofactor performs work in customer projects, which is scheduled to be invoiced afterwards, project receivables are accrued. Especially in public administration projects, scheduled payments often take place nearer to the end of the project, which means increased project receivables and related risks. In customer negotiations, Innofactor pays special attention to scheduling the payments and the size of payments, and in customer projects, to project management and steering in accordance with the scheduled payments. Project receivables are monitored regularly.

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

Risks related to deferred tax assets: Innofactor's balance sheet includes a significant amount of deferred tax assets that are based on previous financial periods. Should the company's profitability decrease significantly in the long run, it is possible that the Group would not be able to utilize in full the receivables currently activated in the balance sheet.

Risks related to shares

The number of Innofactor Plc shares traded on January 1–December 31, 2016, increased by 77.3% compared to the same period in the previous year. In 2016, share trading was 38.4% of the share capital, which is a fairly large number compared to many Small Cap companies. However, in the Helsinki stock exchange, companies' average trade in 2016 was approximately 62.6% of the market value. Lower than average share trading may result in a liquidity risk for the share and its price formation. Innofactor strives to improve the liquidity of the share and decrease the related liquidity risk by its strategy of increasing the value for the shareowners and by its active investor communications. Additionally, Innofactor has a market maker agreement that has been valid since May 24, 2012. According to the agreement, S-Pankki Oy 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.

Acquisitions and changes in the group structure

On December 22, 2015, Innofactor announced in a stock exchange release that Innofactor will acquire the entire share capital of the Swedish company Cinteros AB from the company's management. The acquisition was realized on January 8, 2016, and Cinteros AB and its financial figures have been consolidated into the Innofactor Group as of January 1, 2016. Cinteros AB is 100% owned by the Swedish subsidiary Innofactor Holding AB, which Innofactor Plc acquired in connection with the acquisition and which is 100% owned by Innofactor Plc. The name of Cinteros AB was changed to Innofactor AB on May 31, 2016.

On October 10, 2016, Innofactor announced in a stock exchange release that on October 9, 2016, it had signed an agreement on acquiring the entire share capital of the Nordic Lumagate group from the company's key persons. The preliminary acquisition cost calculation is provided at the end of this statement.

Events after the review period

On February 17, 2017, Innofactor announced in a stock exchange release that Anna-Maria Palmroos has been appointed as Innofactor's General Counsel.

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

Innofactor's future outlook for 2017

Innofactor's net sales and operating margin (EBITDA) in 2017 is estimated to increase from 2016, during which the net sales were EUR 59.6 million and operating margin was EUR 4.8 million.

Board of Directors' proposal on the dividend

Innofactor is a growing company and intends to use its operating profit on actions promoting growth, for example, on realizing mergers. Innofactor has defined a dividend distribution policy according to which the aim of the Board of Directors is to provide an opportunity for the shareholders to distribute, from the part of the operating margin (EBITDA) that exceeds 10%, the maximum dividend allowed by the state of the business. For 2016, the operating margin (EBITDA) was 8.1% of the net sales. In making the proposal on the dividend, the Board of Directors takes into account the company's financial situation, profitability and near-term outlook.

At the end of the financial period of 2016, the distributable assets of the Group's parent company were EUR 41,020,610.27.

The Board of Directors proposes that no dividend be distributed for the financial period of 2016.

Espoo, March 7, 2017

INNOFACTOR PLC

Board of Directors

Additional information:

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

Briefings concerning the financial statement of 2016

On March 7, 2017, at 10:00 Finnish time, Innofactor will hold a briefing concerning the interim report in Finnish for the media, investors and analysts at the company's premises at Keilaranta 9, Espoo. The report will be presented by CEO Sami Ensio and CFO Patrik Pehrsson. The presentations of the briefing will be available on Innofactor's web site after the briefing.

We ask you to register for the briefing beforehand by sending email to tanja.eskolin@innofactor.com.

Innofactor will also hold a conference call in English for analysts, media and investors on March 7, 2017, at 16:00 Finnish time. Registrations to tanja.eskolin@innofactor.com before 12:00 Finnish time on Tuesday, March 7, 2017.

Financial releases in 2016

The annual report for 2016 will be published on the company's web site on Tuesday, March 14, 2017.

The Annual General Meeting will be held on Tuesday, April 4, 2017, at 9:00 Finnish time.

The schedule for financial releases in 2016 is as follows:

- Interim Report January–March 2017 (Q1) on Wednesday, May 3, 2017
- Half-Yearly Report January–June 2017 (Q2) on Tuesday, August 1, 2017
- Interim Report January–September 2017 (Q3) on Tuesday, October 31, 2017

Distribution:
NASDAQ Helsinki
Main media
www.innofactor.com

Financial statement summary and appendixes January 1–December 31, 2016 (IFRS)

Accounting policies

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

This financial statement has been drafted in accordance with the IAS 34 Interim financial reporting standard.

Starting from October 1, 2016, Innofactor has activated development costs of its own ERP system. The Nordic ERP system is very important for Innofactor in order to gain future synergies and the long-term financial goals for 2020. We also believe that the experience we gain while developing and implementing the new Microsoft Dynamics 365-based cloud system will bring us significant competitive edge in customer deliveries.

The financial statement adheres to the same drafting principles and calculation methods as the last annual financial statement. The principles for calculating the key figures and the calculation formulas have not been changed and they have been presented in an appendix to the financial statement.

Innofactor has taken into use the instructions given by the European Securities and Market Authority, ESMA, concerning alternative key figures. In addition to the IFRS key figures, Innofactor publishes certain alternative key figures in order to present the financial development of the actual business operations and to improve comparisons between different periods. Acquisitions are a central part of Innofactor's strategy. Depreciations of intangible rights resulting from acquisitions vary greatly depending on how valuable the customer contracts and technology of the acquired company are estimated to be and also in what kind of schedule the resulting intangible rights will be depreciated. For this reason, the company's view is that instead of the operating profit, the primary measure for profitability should be the operating margin (EBITDA), because it is not affected by the said depreciations. In addition to the operating margin, the company also publishes the operative business result adjusted for the above-mentioned depreciations, operative business result before taxes, operative business result, and operative business result per share. Depreciations related to acquisitions, adjusted from the above-mentioned key figures, in the period October 1–December 31, 2016, were EUR 518 thousand (2015: 120), and in the period January 1–December 31, 2016, EUR 1,884 thousand (2015: 480).

Other alternative key figures used by Innofactor are equity ratio, net gearing, return on investment, return on equity, and net sales per person. The formulas for calculating the other alternative key figures are presented at the end of this financial statement.

Drafting a financial statement in accordance with the IFRS standards requires the management of Innofactor to use estimates and presuppositions, which affect the amounts of assets and debts at

the time of drafting the balance sheet and the amounts of earnings and costs for the review period. The application of the accounting policies also requires judgment. As estimates and presuppositions are based on the views held at the time of drafting the statement, they contain risks and uncertainty factors. The actual figures may deviate from the estimates and presuppositions. The figures of the profit and loss statement and the balance sheet are figures for the group. The figures of the statement have been rounded, so the sum of individual figures may differ from the sum presented.

The financial statement figures in this financial statement have not been audited.

Consolidated Profit and Loss Statement, IFRS

EUR thousand	Oct 1–Dec 31, 2016	Oct 1–Dec 31, 2015	Jan 1–Dec 31, 2016	Jan 1–Dec 31, 2015
Net sales	17,992	12,590	59,616	44,452
Other operating income	235	164	569	234
Materials (–)	-1,613	-1,062	-5,482	-3,464
Employee benefits/expenses (–)	-11,510	-7,970	-40,697	-30,708
Depreciation (–)	-664	-272	-2,499	-1,163
Other operating expenses (–)	-3,114	-1,980	-9,175	-6,809
Operating profit/loss	1,326	1,470	2,332	2,542
Financial income	4	0	5	1
Financial expenses (–)	-134	-75	-417	-608
Profit/loss before taxes	1,196	1,395	1,920	1,935
Income taxes	-239	-279	-384	-387
Profit/loss for the financial period	957	1,116	1,536	1,548
Items that may be later recognized in profit or loss:				
Exchange differences	17	0	-20	0
Total comprehensive income	976	1,116	1,518	1,548

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

basic earnings per share (EUR)	0.0292	0.0334	0.0467	0.0475
diluted earnings per share (EUR)	0.0292	0.0334	0.0467	0.0475

Consolidated Balance Sheet, IFRS
ASSETS

EUR thousand	Dec 31, 2016	Dec 31, 2015
Non-current assets		
Tangible assets	628	541
Goodwill	27,690	19,584
Other intangible assets	9,141	2,934
Shares and holdings	62	62
Receivables	595	663
Deferred tax assets	5,760	6,704
Non-current assets	43,876	30,488
Current assets		
Trade and other receivables	18,809	12,652
Cash and cash equivalents	902	843
Current assets	19,711	13,495
TOTAL ASSETS	63,587	43,983

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR thousand	Dec 31, 2016	Dec 31, 2015
Equity attributable to the shareholders of the parent company		
Share capital	2,100	2,100
Share premium reserve	72	72
Other reserves (+/-)	59	59
Fund for invested unrestricted equity	16,153	16,153
Hybrid bond	0	3,200
Treasury shares	-161	-345
Retained earnings	4,278	3,295
Total shareholders' equity	22,501	24,534
Non-current liabilities		
Loans from financial institutions	9,038	4,791
Deferred tax liabilities	2,234	840
Long term liabilities total	11,272	5,631
Current liabilities		
Loans from financial institutions	7,663	4,428
Trade and other payables	22,151	9,390
Current liabilities total	29,814	13,818
Total liabilities	41,086	19,449
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	63,587	43,983

Statement of change in shareholders' equity, IFRS

EUR thousand	Share capital	Share premium reserve	Reserve fund	Fund for invested unrestricted equity	Treasury shares	Retained earnings	Hybrid bond	Total shareholders' equity
Shareholders' equity Jan 1, 2016	2,100	72	59	16,153	-345	3,295	3,200	24,534
Comprehensive income								
Profit for the financial period						1,536		1,536
Correction								0
Other comprehensive income:								
Exchange differences						-20		-20
Total comprehensive income	0	0	0	0	0	1,516	0	1,516
Share issue								0
Purchase of own shares					-301			-301
Share issue								0
Cancellation of treasury shares					485	-485		0
Transactions with shareholders in total	0	0	0	0	184	-485	0	-301
Redemption of the hybrid bond							-3,200	-3,200
Interest payments on the hybrid bond						-47		-47
Shareholders' equity Dec 31, 2016	2,100	72	59	16,153	-161	4,278	0	22,501

EUR thousand	Share capital	Share premium reserve	Reserve fund	Fund for invested unrestricted equity	Treasury shares	Retained earnings	Hybrid bond	Total shareholders' equity
Shareholders' equity Jan 1, 2015	2,100	72	59	14,995	0	2,036	3,200	22,462
Comprehensive income								
Profit for the financial period						1,548		1,548
Correction								0
Other comprehensive income:								
Exchange differences						-1		-1
Total comprehensive income	0	0	0	0	0	1,547	0	1,547
Share issue				1,158				1,158
Purchase of own shares					-345			-345
Transactions with shareholders in total	0	0	0	1,158	-345	0	0	813
Interest payments on the hybrid bond							-288	-288
Shareholders' equity Dec 31, 2015	2,100	72	59	16,153	-345	3,583	2,912	24,534

Consolidated Cash Flow Statement, IFRS

EUR thousand	Jan 1–Dec 31, 2016	Jan 1–Dec 31, 2015
Cash flow from operating activities		
Operating profit	2,332	2,542
Adjustments:		
Depreciation	2,499	1,163
Changes in working capital:		
Change in trade or other receivables (+/–)	-186	2,120
Change in trade and other payables (+/–)	-838	-1,535
Interests paid (–)	-370	-348
Interests received	5	1
Total cash flow from operating activities	3,442	3,943
Investment cash flow		
Acquisition of subsidiaries	-6,475	-1,685
Investments in intangible and tangible assets (–)	-843	-477
Total cash flow from investments	-7,318	-2,162
Cash flow from financing		
Loans withdrawn	13,783	1,390
Loans paid	-6,302	-2,809
Payments received from share issue		117
Redemption of the hybrid bond	-3,200	0
Interest payments on the hybrid bond	-47	-288
Purchase of own shares	-300	-345
Total cash flow from financing	3,934	-1,935
Change in cash and cash equivalents (+/–)	58	-154
Cash and cash equivalents, opening balance	843	997
Cash and cash equivalents, closing balance	902	843

Consolidated Profit and Loss Statement by Quarter, IFRS

EUR thousand	Jan 1– Mar 31,2016	Apr 1– Jun 30,2016	Jul 1– Sep 30,2016	Oct 1– Dec 31,2016	Jan 1– Mar 31,2015	Apr 1– Jun 30,2015	Jul 1– Sep 30,2015	Oct 1– Dec 31,2015
Net sales	14,597	15,224	11,803	17,992	11,188	11,352	9,322	12,590
Other operating income	21	13	300	235	13	30	27	164
Materials (–)	-1,468	-1,451	-950	-1,613	-672	-1,030	-700	-1,062
Employee benefits/expenses (–)	-10,236	-10,669	-8,282	-11,510	-8,012	-8,184	-6,542	-7,970
Depreciation (–)	-609	-621	-605	-664	-350	-348	-193	-272
Other operating expenses (–)	-1,999	-2,050	-2,012	-3,114	-1,796	-1,681	-1,352	-1,980
Operating profit/loss	306	446	254	1,326	372	139	562	1,470
Financial income	0	1	0	4	0	0	1	0
Financial expenses (–)	-135	-51	-97	-134	-112	-343	-78	-75
Profit/loss before taxes	171	396	157	1,196	260	-204	485	1,395
Income taxes	-34	-79	-32	-239	-51	41	-97	-279
Profit/loss for the financial period	137	317	125	957	209	-163	388	1,116

Commitments and contingent liabilities

EUR thousand	Dec 31, 2016	Dec 31, 2015
Collateral given for own commitments		
Collateral for rent	212	85
Mortgages on company assets*	17,453	16,250
Bank guarantees	303	303
Other own guarantees		
Lease liabilities		
Current lease liabilities	303	137
Lease liabilities maturing in 1-5 years	341	144
Total	644	281
Rental liabilities		
Current rental liabilities	1,976	1,244
Rental liabilities maturing in 1-5 years	2,034	2,563
Total	4,010	3,807
Other own guarantees total	4,654	4,088

* Of the mortgages on company assets, EUR 500 thousand was in the company's possession on December 31, 2016.

	Oct 1–Dec 31, 2016	Oct 1–Dec 31, 2015	Change	Jan 1–Dec 31, 2016	Jan 1–Dec 31, 2015	Change
Net sales, EUR thousand	17,992	12,590	42.9%	59,616	44,452	34.1%
Growth of net sales	42.9%	2.9%		34.1%	1.4%	
Operating margin (EBITDA), EUR thousand*	1,990	1,742	14.2%	4,831	3,705	30.4%
percentage of net sales*	11.1%	13.8%		8.1%	8.3%	
Operating profit/loss (EBIT), EUR thousand* ***	1,326	1,470	-9.8%	2,332	2,542	-8.3%
percentage of net sales	7.4%	11.7%		3.9%	5.7%	
Earnings before taxes, EUR thousand** ***	1,196	1,395	-14.3%	1,920	1,935	-0.8%
percentage of net sales	6.6%	11.1%		3.2%	4.4%	
Earnings, EUR thousand** ***	957	1,116	-14.2%	1,536	1,548	-0.8%
percentage of net sales	5.3%	8.9%		2.6%	3.5%	
Shareholders' equity, EUR thousand	22,501	24,534	-8.3%	22,501	24,534	-8.3%
Return on equity****	5.4%	18.4%		6.5%	6.6%	
Interest bearing liabilities, EUR thousand	16,701	9,219	81.2%	16,701	9,219	81.2%
Cash and cash equivalents, EUR thousand	902	843	7.0%	902	843	7.0%
Deferred tax assets, EUR thousand	5,760	6,704	-14.1%	5,760	6,704	-14.1%
Return on investment*****	4.9%	17.6%		6.4%	7.6%	
Net gearing	70.2%	34.1%		70.2%	34.1%	
Equity ratio	35.8%	56.9%		35.8%	56.9%	
Balance sheet total, EUR thousand	63,587	43,983	44.6%	63,587	43,983	44.6%
Research and product development EUR thousand	889	886	0.3%	3,394	2,495	36.0%
percentage of net sales	4.9%	7.0%		5.7%	5.6%	
Active personnel on average during the review period*****	589	416	41.6%	532	409	30.1%
Active personnel on average at the end of the review period*****	591	415	42.4%	591	415	42.4%
Number of shares at the end of the review period	32,901,377	33,453,737	-1.7%	32,901,377	33,453,737	-1.7%
Earnings per share (EUR)	0.0292	0.0334	-12.5%	0.0467	0.0475	-1.6%
Shareholders' equity per share (EUR)	0.684	0.733	-6.7%	0.684	0.733	-6.7%

*) During the third quarter of 2015, an error in the assessment of projects was detected in the Group company concerning the period of January 1–June 30, 2015, for the year 2015 and only the last quarter of 2014 for the previous financial periods. The assessment error has been corrected for the above-mentioned periods in accordance with IAS 8: 41–42. The total effect of the error on the net sales for January 1–September 30, 2015, and for the net sales of the entire year 2015 was a decrease of approximately EUR -238 thousand in the operating margin and operating profit. Adjustments and their effects on the Group figures are described in more detail in the attachment to the interim report for January 1–September 30, 2015, which was published on October 20, 2015.

***) During the third quarter of 2015, an error in the assessment of projects was detected in the Group company concerning the period of January 1–June 30, 2015, for the year 2015 and only the last quarter of 2014 for the previous financial periods. The assessment error has been corrected for the above-mentioned periods in accordance with IAS 8: 41–42. The effect of the error on the net sales for January 1–September 30, 2015, and for the entire year 2015 was a decrease of approximately EUR -238 thousand in the earnings before taxes, which decreased the profit of the financial period of 2015 by EUR -190 thousand. Adjustments and their effects on the Group figures are described in more detail in the attachment to the interim report for January 1–September 30, 2015, which was published on October 20, 2015.

****) In accordance with IFRS 3, the operating profit for October 1–December 31, 2016, includes EUR 518 thousand (2015: 120) in depreciations related to acquisitions, consisting of allocations of the purchase price to intangible assets. Adjusted for the said depreciations, Innofactor's operative business profit for the review period of October 1–December 31, 2016, would have been EUR 1,844 thousand (2015: 1,590), the operative business result before taxes EUR 1,714 thousand (2015: 1,515), the operative business result EUR 1,371 thousand (2015: 1,212), and the operative business result per share EUR 0.0419 (2015: 0.0375). The business result of the review period January 1–December 31, 2016, includes EUR 1,884 thousand (2015: 480) in depreciations related to acquisitions, consisting of allocations of the purchase price to intangible assets. Adjusted for the said depreciations, Innofactor's operative business profit for the review period of January 1–December 31, 2016, would have been EUR 4,216 thousand (2015: 3,022), the operative business result before taxes EUR 3,804 thousand (2015: 1,935), the operative business result EUR 3,043 thousand (2015: 148), and the operative business result per share EUR 0.0926 (2015: 0.0471).

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

*****) The Innofactor Group monitors the number of active personnel. The number of active personnel does not include employees who are on a leave of over 3 months.

The final acquisition cost calculation for Cinteros AB

On December 21, 2015, Innofactor Plc signed an agreement on acquiring the entire share capital of Cinteros AB from the company's management. According to the agreement published by the company on December 22, 2015, the purchase price will be determined by Cinteros' realized operating margin in 2016 and growth of sales in 2017. The Enterprise Value (EV) is a minimum of approximately SEK 25 million (approximately EUR 2.7 million) and it was paid in SEK as the agreement was signed on January 8, 2016, and all of Cinteros AB shares were transferred to the ownership of Innofactor. In connection with signing the agreement, the sellers were paid approximately SEK 28 million in cash (approximately EUR 3.1 million). The payment in its entirety was financed with a new bank loan.

The rest of the Enterprise Value, which is a maximum of SEK 49 million (at the exchange rate of the time of publishing the deal, a maximum of EUR 5.3 million), is intended to be paid mainly in Innofactor shares during 2017 and 2018. The Enterprise Value (EV) is a maximum of SEK 74 million (at the exchange rate of the time of publishing the deal, a maximum of EUR 8.0 million). The part of the purchase price to be paid in shares includes a transfer restriction, which will be gradually released during a period of 36 months and which concerns 75 percent of the shares.

The figures for Cinteros AB were consolidated into the Innofactor Group's balance sheet as of January 1, 2016, and, thus, they are not included in the balance sheet of December 31, 2015. Cinteros AB's name was changed to Innofactor AB on May 31, 2016, after which the Cinteros services are offered under the Innofactor brand.

The acquisition cost according to IFRS is the estimated purchase price of the shares, which in the acquisition cost calculation is EUR 9,342 thousand and has been presented in more detail in the following calculation.

	Values registered for consolidation (EUR thousand)
Tangible assets	82
Intangible assets	6,696
Deferred tax assets	64
Non-current deposits	97
Trade and other receivables	2,856
Cash and cash equivalents	1,858
Total assets	11,654
Other payables	4,923 (includes a deferred tax liability of 1,473)
Total liabilities	4,923
Net assets	6,731 (total assets - total debts)
Acquisition cost	9,342 (cash 4,073, conditional compensation 5,269)
Goodwill	2,611 (acquisition cost - net assets)
Purchase price paid in cash	4,073
Cash funds of the acquired subsidiary	1,858
Cash flow effect	-2,215

The value of the customer contracts and the related customer relationships included in the intangible assets (EUR 2,805 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 value of the products and technologies included in the intangible assets (EUR 3,891 thousand) has been defined on the basis of the new customers' license orders and estimated license income from other new customers and the discounted net cash flows resulting from estimated maintenance agreements related to product licenses.

The acquisition created a goodwill of EUR 2,611 thousand. The goodwill is based on the expected synergy benefits arising from the acquisition of Cinteros AB and on making use of the common sales and marketing network in the group and expanding customer relationships.

The acquisition cost calculation is final.

The preliminary acquisition cost calculation for Lumagate

On October 10, 2016, Innofactor Plc signed an agreement on acquiring the entire share capital of Lumagate Holding AB from the company's management. According to the agreement published by the company on October 10, 2016, the purchase price will be determined by Lumagate's realized operating margin in 2016 and the operating margins of 2017 and 2018. The Enterprise Value (EV) is a minimum of approximately SEK 45 million (approximately EUR 4.7 million) and it was paid in SEK as the agreement was signed on October 14, 2016, and all of Lumagate shares were transferred to the ownership of Innofactor. In connection with signing the agreement, the sellers were paid approximately SEK 45 million in cash (approximately EUR 4.7 million). The payment in its entirety was financed with a new bank loan.

The rest of the Enterprise Value, which is a maximum of SEK 20 million (at the fixed exchange rate defined in the agreement, a maximum of EUR 2.1 million), is intended to be paid mainly in Innofactor shares in 2019. The Enterprise Value (EV) is a maximum of SEK 65 million (at the fixed exchange rate defined in the agreement, a maximum of EUR 6.8 million). The part of the purchase price to be paid in shares includes a transfer restriction, which will be gradually released during a period of 24 months and which concerns 90 percent of the shares.

The figures for Lumagate were consolidated into the Innofactor Group's balance sheet as of October 1, 2016.

The acquisition cost according to IFRS is the estimated purchase price of the shares, which in the preliminary acquisition cost calculation is EUR 6,684 thousand and has been presented in more detail in the following calculation.

Values registered for consolidation (EUR thousand)	
Tangible assets	32
Intangible assets	1,058
Deferred tax assets	27
Trade and other receivables	2,716
Cash and cash equivalents	367
Total assets	4,200
Other payables	3,013 (includes a deferred tax liability of 227)
Total liabilities	3,013
Net assets	1,187 (total assets - total debts)
Acquisition cost	6,684 (cash 4,627, conditional compensation 2,057)
Goodwill	5,496 (acquisition cost - net assets)
Purchase price paid in cash	4,627
Cash funds of the acquired subsidiary	367
Cash flow effect	-4,260

The value of the customer contracts and the related customer relationships included in the intangible assets (EUR 426 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 value of the products and technologies included in the intangible assets (EUR 606 thousand) has been defined on the basis of the new customers' license orders and estimated license income from other new customers and the discounted net cash flows resulting from estimated maintenance agreements related to product licenses.

The acquisition created a preliminary goodwill of EUR 5,496 thousand. The goodwill is based on the expected synergy benefits arising from the acquisition of Lumagate and on making use of the common sales and marketing network in the group and expanding customer relationships.

The acquisition cost calculation is preliminary.

Largest shareholders

According to the share register maintained by Euroclear Finland Oy, the share ownership of the 20 largest Innofactor Plc shareowners at the end of the review period on December 31, 2016, was as follows.

Name	Number of shares	% of share capital
1. Ensio Sami	7,460,715	22.68%
<i>Ensio Sami</i>	5,286,955	16.07%
<i>Minor under guardianship</i>	724,588	2.20%
<i>Minor under guardianship</i>	724,586	2.20%
<i>Minor under guardianship</i>	724,586	2.20%
2. Tilman Tuomo Tapani	2,747,492	8.35%
3. Ilmarinen Mutual Pension Insurance Company	1,550,000	4.71%
4. Laiho Rami Tapani	1,392,519	4.23%
5. Linturi Kaija and Risto	1,266,411	3.85%
<i>R. Linturi Oyj</i>	499,107	1.52%
<i>Linturi Kaija Anneli</i>	430,000	1.31%
<i>Linturi Risto Erkki Olavi</i>	337,304	1.03%
6. Ärje Matias Juhanpoika	933,278	2.84%
7. Mäki Antti-Jussi	930,201	2.83%
8. Muukkonen Teemu	522,230	1.59%
9. Lampi Mikko Olavi	508,579	1.55%
10. Kukkonen Heikki-Harri	326,021	0.99%
11. Järvenpää Janne-Olli	322,804	0.98%
12. Laiho Jari Olavi	270,000	0.82%
13. Rausanne Oy	245,000	0.74%
14. Damen Klaus Antero	210,001	0.64%
15. Karppinen Antti Sakari	200,000	0.61%
16. Hellen Stefan Andreas	180,000	0.55%
17. Martola Janne Matti Juhani	170,000	0.52%
18. Innofactor Plc	163,839	0.50%
19. Insurance company Henki-Fennia	150,000	0.46%
20. Mäkinen Antti Vilho Juhani	140,000	0.43%

Formulas for calculating the key figures

Operating margin (EBITDA):

Operating profit/loss - Depreciations

Percentage of return on equity:

Profit or loss before taxes - Taxes
Shareholders' equity

Percentage of return on investment:

Profit or loss before taxes + Interest and other financial expenses
Shareholders' equity + Interest bearing financial liabilities

Net gearing:

Interest bearing liabilities - Cash funds
Shareholders' equity

Equity ratio, %:

Shareholders' equity
Balance sheet total - Received advances

Result/share:

Profit before taxes attributable to equity holders of the parent - Taxes
Average number of shares on the financial period adjusted after the share issue

Shareholders' equity / share:

Equity attributable to the shareholders of the parent company
Undiluted number of shares on the date of the financial statement

Net sales / person

Net sales
Active personnel on average during the review period