

Innofactor Plc Interim Report April 26, 2016, at 8:30 Finnish time

Innofactor Plc's Interim Report for January 1–March 31, 2016 (IFRS)

The best first quarter in history in terms of net sales and operating margin

January–March 2016 in brief:

- The net sales were EUR 14.6 million, which shows an increase of 30.5%.
- The operating margin was EUR 0.9 million, which was 6.3 percent of the net sales.
- Innofactor's operating cash flow in the review period continued to be strong and was EUR 3.5 million.
- Innofactor made significant changes in its management.
- The deal, signed by Innofactor in December 2015, on acquiring the Swedish company Cinteros AB (net sales in 2015 approximately EUR 11 million and over 100 employees) was realized in January 8, 2016, and it strengthened significantly Innofactor's Nordic growth strategy.

	Jan 1–Mar 31 2016	Jan 1–Mar 31 2015*	Change	Jan 1–Dec 31 2015*
Net sales, EUR thousand	14,597	11,188	30.5%	44,452
Growth of net sales	30.5%	0.9%		1.4%
Operating profit before depreciation and amortization (EBITDA), EUR thousand*	915	722	26.7%	3,705
percentage of net sales*	6.3%	6.5%		8.3%
Operating profit/loss (EBIT), EUR thousand*	306	372	-17.7%	2,542
percentage of net sales*	2.1%	3.3%		5.7%
Earnings before taxes, EUR thousand*	171	260	-34.2%	1,935
percentage of net sales*	1.2%	2.3%		4.4%
Earnings, EUR thousand*	142	208	-31.6%	1,548
percentage of net sales*	1.0%	1.9%		3.5%
Net gearing	49.6%	26.6%		34.1%
Equity ratio	40.5%	50.3%		56.9%
Active personnel on average during the review period**	500	397	25.9%	427
Earnings per share (EUR)	0.0041	0.0065	-36.3%	0.0475

*) During the third quarter, 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 the 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 83 thousand was for the period of January 1–March 31, 2015, and approximately EUR 238 thousand for the entire 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.

***) 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 2016 remains the same

Innofactor's net sales and operating margin (EBITDA) in 2016 are estimated to increase significantly from 2015, during which the net sales were EUR 44.5 million and operating margin was EUR 3.7 million.

CEO Sami Ensio's review

In the first quarter of 2016, Innofactor continued profitable growth in accordance with its strategy. The net sales grew 30.5 percent (net sales EUR 14.6 million). Innofactor estimates that the Nordic IT market will grow slightly faster in 2016 than in the previous year.

The operating margin (EBITDA) was EUR 0.9 million (6.3 percent of the net sales) and grew 26.7 percent from the previous year. In Innofactor's history, the end of the year has typically been better in terms of operating margin than the beginning of the year.

The cash flow from business activities in the first quarter remained strong and was EUR 3.5 million. In February 2016, Innofactor redeemed the EUR 3.2 million hybrid bond, which significantly lessens the future financing risk.

During the first quarter, Innofactor strengthened its management. The Executive Board got new members: in January, Robert Erlandsson, Innofactor's Managing Director in Sweden; in February, Jørgen Kaufmann, Innofactor's Managing Director in Denmark; and also in February, Jari Hahl, the Group's Chief Sales Officer. CEO Sami Ensio was on sick leave for approximately two months in January–March due to an operation, and during this time, his deputy was CFO Janne Martola.

During the review period, three former Microsoft Country Managers from Sweden, Denmark and Norway joined the newly formed Nordic Advisory Board to accelerate Innofactor's Nordic growth strategy. The newly appointed Nordic Advisory Board members will contribute their insights to the company on market, strategy, business development and M&A insights in Sweden, Denmark and Norway, key recruitments, and Microsoft relationships. The members of the Advisory Board are Jonas Persson, Niels Soelberg and Knut Aasrud.

The acquisition of the Swedish company Cinteros AB was realized on January 8, 2016. The integration of the company as part of Innofactor began immediately and has progressed as planned. The company's name is planned to be changed to Innofactor AB at the end of May 2016.

Innofactor got some major deals during the first quarter. Innofactor's order book grew, for example, due to the deal for providing a web content management system and related services for it for Keva, valued at approximately EUR 0.5 million, and the deal for providing the Hospital District of Helsinki and Uusimaa (HUS) with transfer of application and infrastructure solutions into cloud services and the continuous services and expert services related to the cloud services, valued at approximately EUR 1.5 million.

We think that Innofactor has good prerequisites to continue growing its business operations profitably in 2016.

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 January–March 2016

Innofactor strengthens its customers' competitiveness by providing outstanding IT solutions, products and services. Innofactor focuses on Microsoft-based solutions and the Microsoft ecosystem. Innofactor's customers include companies and public and third sector organizations. At the moment, Innofactor's operations are focused on Finland, Sweden and Denmark. Innofactor's strategy is to actively expand its operations in the Nordic Countries, which may happen either organically or through acquisitions.

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

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

Innofactor's strategy is to build competitive advantage as the leading provider focused on Microsoft-based solutions and the Microsoft ecosystem. Innofactor's strategy is to differentiate itself from the competitors in the following ways:

- Deep understanding of companies, public sector and third sector customers in the Nordic Countries
- The best Nordic professionals in the Microsoft ecosystem
- Comprehensive Microsoft-based offering, products and services
- Fast delivery and value-adding customer support

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

- By achieving over 10 percent operating margin (EBITDA) every year in 2014–2017

- By achieving an average annual growth of 25–35 percent in 2014–2017 through organic growth as well as acquisitions
- By keeping the cash flow positive and by securing solid financial standing in all situations

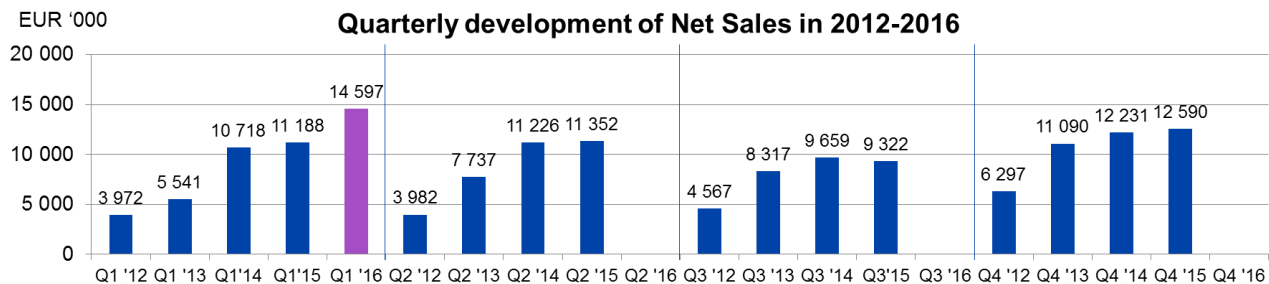
The growth of 30.5 percent in Innofactor's net sales in the review period matched the planned growth rate stated in the strategy.

Innofactor's operating margin (EBITDA) in relation to net sales was 6.3 percent. According to the strategy, the annual EBITDA must be over 10 percent. Typically, Innofactor's profitability has improved towards the end of the year.

Innofactor's operating cash flow in the review period was EUR 3.5 million positive, but was slightly lower than the corresponding figure for 2015 (2014: EUR 3.7 million). Innofactor's financial stability is good. Net gearing at the end of the review period was 49.6 percent (2015: 45.7 percent).

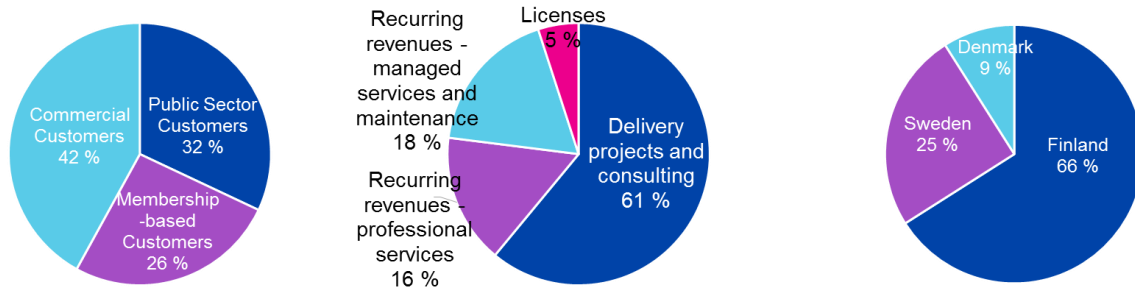
The acquisition of Cinteros AB, agreed on in December 2015, was realized on January 8, 2016.

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



Innofactor's operating profit in January 1–March 31, 2016, was EUR 14,597 thousand (2015: 11,188), which shows an increase of 30.5 percent.

Distribution of net sales 1.1.–31.3.2016



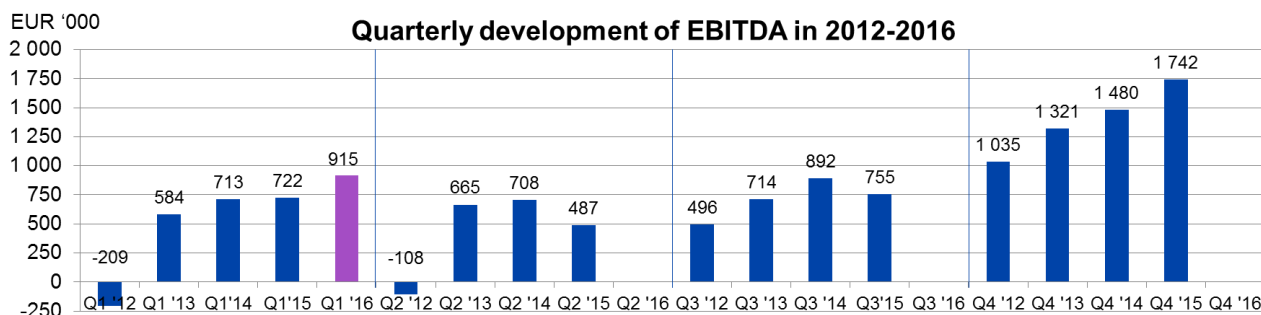
Innofactor's business operations were focused on Finland, Sweden and Denmark. In January 1–March 31, 2016, approximately 66 percent of the net sales came from Finland, approximately 25 percent from Sweden and approximately 9 percent from Denmark.

Of the net sales in January 1–March 31, 2016, approximately 42% came from commercial customers, approximately 32% from public sector customers and approximately 26% from membership –based customers.

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

- approximately 61% from IT system delivery projects and consulting
- approximately 16% from recurring revenues based on professional services, such as smaller customer-specific changes and further development of IT systems
- approximately 18% from recurring revenues based on managed services and maintenance, 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 4%

Innofactor's 10 largest clients accounted for approximately 34 percent of the net sales during the review period January 1–March 31, 2016. The significant growth compared to the previous review period is mainly due to the fact that Cinteros AB, which became part of Innofactor at the beginning of the year, has several ongoing major projects at the moment.



Innofactor's operating margin (EBITDA) in January 1–March 31, 2016, was EUR 915 thousand (2015: 722), which shows an increase of 26.7 percent. EBITDA accounted for 6.3 percent of the net sales (2015: 6.5%). Innofactor's operating profit in January 1–March 31, 2016, was EUR 306 thousand (2015: 372), which shows a decrease of 17.7 percent. Operating profit accounted for 2.1 percent of the net sales (2015: 3.3%).

The growth of Innofactor's net sales and operating margin was affected by the acquisition of Cinteros AB, whose figures have been incorporated into Innofactor figures as of January 1, 2016. Due to the increased write-offs on intangible assets resulting from the Cinteros AB acquisition, the net sales and result of the review period decreased from last year's figures despite the better operating margin (EBITDA).

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 54,864 thousand (2015: 47,208). The growth in the balance sheet total was mainly due to the acquisition of Cinteros AB. The group's liquid assets totaled EUR 1,188 thousand (2015: 3,560), consisting totally of cash funds.

The operating cash flow remained strong, and in January 1–March 31, 2016, it was EUR 3,484 thousand (2015: 3,709). The investment cash flow was significantly affected by the acquisition of Cinteros AB, realized during the review period, and it was EUR -2,289 thousand (2015: -102).

The equity ratio at the end of the review period was 40.5 percent (2015: 50.3%) and net gearing was 49.6 percent (2015: 26.6%). During the review period, Innofactor redeemed the EUR 3.2 million hybrid bond, which decreased the equity ration and increased the net gearing.

At the end of the review period, the company had EUR 4,224 thousand in current interest bearing liabilities (2015: 2,773) and EUR 7,532 thousand in non-current interest bearing liabilities (2015: 6,822), the total amount of interest bearing liabilities being EUR 11,756 thousand (2015: 9,595). For the acquisition of Cinteros AB, the company took loans for approximately EUR 4.1 million, which increased the amount of interest bearing liabilities.

The return on investment in January 1–March 31, 2016, was 3.7 percent (2015: 4.6%).

The return on equity in January 1–March 31, 2016, was 2.4 percent (2015: 3.7%).

The non-current assets in Innofactor's balance sheet at the end of the review period were EUR 39,285 thousand in total and consisted of the following items:

- Tangible assets EUR 553 thousand
- Goodwill value EUR 22,195 thousand
- other intangible assets EUR 9,234 thousand
- Shares and holdings EUR 62 thousand
- Receivables EUR 663 thousand
- Deferred tax assets EUR 6,578 thousand

Innofactor's gross investments in tangible assets in the review period of January 1–March 31, 2016, were EUR 62 thousand (2015: 77), consisting of normal additional and replacement investments required by growth.

The write-offs on intangible assets were EUR 497 thousand (2015: 157). The growth was mainly due to increased write-offs on intangible assets resulting from the Cinteros AB acquisition.

Innofactor's research and product development investments increased significantly

In the Innofactor strategy, renewed at the end of 2015, the role of product and service development has gained more importance and investments for 2016 have been increased. The acquisition of Cinteros AB, realized at the beginning of 2016, and its products that have thus become Innofactor's products support this strategic development.

In the product development during the review period, focus was on further development of existing products and supporting 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 January 1–March 31, 2016, were approximately EUR 853 thousand (2015: 403), which accounts for 5.8 percent of the net sales (2015: 3.6%).

Innofactor's net sales per person increased significantly

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. The average number of active personnel in January 1–March 31, 2016, was 500 persons (2015: 397), which shows an increase of 25.9 percent.

In the review period, net sales per person was EUR 29.2 thousand (2015: 28.2), which shows an increase of EUR 1 thousand per person.

At the end of the review period, the number of active personnel was 504 (2015: 399), which shows an increase of 26.3 percent.

At the end of the review period, the average age among personnel remained almost the same and was 39.7 years (2015: 39.6). This is significant development in lowering the average age of personnel, which is based, for example, on the Young Talent program aimed at offering work possibilities for young talented people.

Women's share continue to grow and was 28 percent (2015: 25%) of the personnel. Men accounted for 72 percent (2015: 75%) 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 load 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.

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 33,453,737. At the end of the review period, the company had 552,360 treasury shares. Innofactor Plc has one series of shares. Each share is entitled to one vote.

On January 1–March 31, 2016, the highest price of the company share was EUR 1.00 (2015: EUR 1.20), the lowest price was EUR 0.80 (2015: EUR 0.76), and the average* price was EUR 0.85 (2015*: EUR 1.03).

The closing price for the review period on March 31, 2016, was EUR 0.93 (2015: EUR 1.08).

* 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 January 1–March 31, 2016, a total of 2,408,213 shares were traded (2015: 3,087,653 shares), which corresponds to 7.3 percent (2015: 9.6%) of the average number of shares on the said period. On January 1–March 31, 2016, there were 33,093,126 shares on the average (2015: 32,153,737*). The share trading decreased by 22.0 percent compared to the corresponding period in 2015.

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

The market value of the share capital at the closing price of the review period, EUR 0.93, on March 31, 2016, was EUR 31,112 thousand (2015: 34,726), which shows a decrease of 10.4 percent.

On March 31, 2016, the company had 10,641 shareowners (2015: 11,208), 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 below 5 percent. After this, Salminen has 1,111,149 shares, which corresponds with 3.32% of the shares and votes.

Share owning by the Board of Directors at the end of the review period on March 31, 2016:

- Ari Rahkonen, 30,000 shares, 0.09%
- J.T. Bergqvist, 350,000 shares, 1.05% Board Member until March 29, 2016)
- Sami Ensio, 7,448,017 shares, 22.26%
 - Sami Ensio, 5,274,257 shares, 15.77%
 - minor under guardianship, 724,588 shares, 2.17%
 - minor under guardianship, 724,586 shares, 2.17%
 - minor under guardianship, 724,586 shares, 2.17%
- Jukka Mäkinen, 70,793 shares, 0.21%
- Ilari Nurmi, 50,630 shares, 0.15%
- Pekka Puolakka, 181,705 shares, 0.54%
 - Hillside Ou, 105,670 shares, 0.32%
 - Pekka Puolakka, 76,035 shares, 0.23%

Share owning by the CEO at the end of the review period on March 31, 2016:

- Sami Ensio, 7,448,017 shares, 22.26%
 - Sami Ensio, 5,274,257 shares, 15.77%
 - minor under guardianship, 724,588 shares, 2.17%
 - minor under guardianship, 724,586 shares, 2.17%
 - minor under guardianship, 724,586 shares, 2.17%

Share owning by other members of the Executive Board at the end of the review period on March 31, 2016:

- Anthony Gyursanszky, 83,044 shares, 0.25%
- Robert Erlandsson, 0 shares, 0% (Board member since January 8, 2016)
- Jari Hahl, 66,793 shares, 0.20% (Board member since February 1, 2016)
- Janne Heikkinen, 83,044 shares, 0.25%
- Elina Jokinen, 53,979 shares, 0.16%
- Jørgen Kaufmann, 83,044 shares, 0.25% (Board member since February 1, 2016)
- Janne Martola, 183,044 shares, 0.55%

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 treasury shares in one or several parts with the company's unrestricted equity. The authorization entitles the Board to deviate from the shareholders' proportional shareholdings (directed acquisition). Treasury shares may be acquired at the purchase price formed for them in public trading at the day of purchase or at another market price. The number of treasury shares at a time may be, at the maximum, one tenth of the total number of shares in the company. Shares may be purchased to be used in company acquisitions or implementing other arrangements relating to the company's business operations, improving the company's capital or financing structure, as a part of the company's incentive system, or otherwise to be handed over or voided. In connection with the share repurchase, ordinary derivative, stock lending and other agreements may be made in the market in accordance with the laws and regulations. The authorization includes the right of the Board of Directors to decide on all other matters related to the acquisition of shares. The authorization will be valid until June 30, 2017. This authorization replaces the Board's earlier authorizations concerning share repurchase. The authorization has not been used.

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.

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 PricewaterhouseCoopers Oy, an auditing firm authorized by the Central Chamber of Commerce, 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 2015.

Innofactor Plc's entire Corporate Governance and statements are available on the company's web site at: http://www.innofactor.com/investors/corporate_governance

Market outlook and business environment

Innofactor's market outlook and business environment in their entirety are described in the financial statement.

There have been no significant changes in Innofactor's market outlook and business environment during the review period nor can any be seen.

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.

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 all, the Innofactor's financing risk is estimated to be lower than in 2015, due to redeeming the hybrid bond and the more favorable covenants resulting from the reorganizing of loans in March 2016. In total at the end of the review period, Innofactor had approximately EUR 11.8 million in interest bearing debts.

Innofactor has committed itself to the following covenants: equity ratio calculated every 6 months is at least 35% on June 30, 2016, at least 38% on December 31, 2016, and a minimum of 40% on June 30, 2017, and on every 6-month check point after that. Additionally, interest bearing liabilities calculated every 6 months divided by the 12-month operating margin (EBITDA), including the pro forma effect of acquisitions, is a maximum of 3.0 on two review points (June 30, 2016, and December 31, 2016) and a maximum of 2.5 in the review point of June 30, 2017, and on each 6-month review period after that.

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

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 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.

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

Events after the review period

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.

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

Innofactor's future outlook for 2016 remains the same

Innofactor's net sales and operating margin (EBITDA) in 2016 are estimated to increase significantly from 2015, during which the net sales were EUR 44.5 million and operating margin was EUR 3.7 million.

Espoo, April 26, 2016

INNOFACTOR PLC

Board of Directors

Additional information:

CEO Sami Ensio, Innofactor Plc
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Briefings concerning the Interim Report January 1–March 31, 2016

On April 26, 2016, at 9:00 Finnish time, Innofactor will hold a briefing concerning the interim report in Finnish for the media, investors and analysts at the company's premises at Keilaranta 9, Espoo. The report will be presented by CEO Sami Ensio and CFO Janne Martola. The presentations of the briefing will be available on Innofactor's web site after the briefing.

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

Innofactor will also hold a conference call in English for analysts, media and investors on April 26, 2016, at 16:00 Finnish time. Registrations to ir@innofactor.com before 12:00 Finnish time on April 26, 2016.

Financial releases in 2016

The schedule for financial releases in 2016 is as follows:

July 5–18, 2016: Silent period

July 19, 2016: Interim report January–June 2016

October 11–24, 2016: Silent period

October 25, 2016: Interim report January–September 2016

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

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

Drafting principles

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

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 2015.

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

The figures in this interim report have not been audited.

Consolidated Profit and Loss Statement, IFRS

EUR thousand	Jan 1–Mar 31, 2016	Jan 1–Mar 31, 2015	Jan 1–Dec 31, 2015
Net sales	14,597	11,188	44,452
Other operating income	21	13	234
Materials (–)	-1,468	-672	-3,464
Employee benefits/expenses (–)	-10,236	-8,012	-30,708
Depreciation (–)	-609	-350	-1,163
Other operating expenses (–)	-1,999	-1,796	-6,809
Operating profit/loss	306	372	2,542
Financial income	0	0	1
Financial expenses (–)	-135	-112	-608
Profit/loss before taxes	171	260	1,935
Income taxes	-34	-51	-387
Profit/loss for the financial period	137	209	1,548
Items that may be later recognized in profit or loss:			
Exchange differences	5	-1	0
Total comprehensive income	142	208	1,548

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

basic earnings per share (EUR)	0.0041	0.0065	0.0475
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	Mar 31, 2016	Mar 31, 2015	Dec 31, 2015
Non-current assets			
Tangible assets	553	571	541
Goodwill	22,195	19,584	19,584
Other intangible assets	9,234	3,343	2,934
Shares and holdings	62	0	62
Receivables	663	87	663
Deferred tax assets	6,578	7,196	6,704
Non-current assets	39,285	30,781	30,488
Current assets			
Trade and other receivables	14,391	12,867	12,652
Cash and cash equivalents	1,188	3,560	843
Current assets	15,579	16,427	13,495
	0		
TOTAL ASSETS	54,864	47,208	43,983

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR thousand	Mar 31, 2016	Mar 31, 2015	Dec 31, 2015
Equity attributable to the shareholders of the parent company			
Share capital	2,100	2,100	2,100
Share premium reserve	72	72	72
Other reserves (+/-)	59	59	59
Fund for invested unrestricted equity	16,153	14,995	16,153
Fund for other equity	0	3,200	3,200
Treasury shares	-485	0	-345
Retained earnings	3,389	2,240	3,295
Total shareholders' equity	21,288	22,667	24,534
Non-current liabilities			
Loans from financial institutions	7,532	6,822	4,791
Deferred tax liabilities	2,293	893	840
Long term liabilities total	9,825	7,715	5,631
Current liabilities			
Loans from financial institutions	4,224	2,773	4,428
Trade and other payables	19,527	14,053	9,390
Current liabilities total	23,751	16,826	13,818
Total liabilities	33,576	24,541	19,449
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	54,864	47,208	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						137		137
Correction								0
Other comprehensive income:								
Exchange differences						4		4
Total comprehensive income	0	0	0	0	0	141	0	141
Share issue				0				0
Purchase of treasury shares					-140			-140
Transactions with shareholders in total	0	0	0	0	-140	0	0	-140
Redemption of the hybrid bond							-3,200	-3,200
Interest payments on the hybrid bond						-47	0	-47
Shareholders' equity Mar 31, 2016	2,100	72	59	16,153	-485	3,389	0	21,288

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						207		207
Correction								0
Other comprehensive income:								
Exchange differences						-2		-2
Total comprehensive income	0	0	0	0	0	205	0	205
Share issue								0
Purchase of treasury shares								0
Transactions with shareholders in total	0	0	0	0	0	0	0	0
Interest payments on the hybrid bond								0
Shareholders' equity Mar 31, 2015	2,100	72	59	14,995	0	2,240	3,200	22,667

Consolidated Cash Flow Statement, IFRS

EUR thousand	Jan 1–Mar 31, 2016	Jan 1– Mar 31, 2015	Jan 1–Dec 31, 2015
Cash flow from operating activities			
Operating profit	306	371	2,542
Adjustments:			
Depreciation	609	350	1,163
Non-cash transactions	0	0	0
Changes in working capital:			
Change in trade or other receivables (+/–)	1,361	2,544	2,120
Change in trade and other payables (+/–)	1,343	561	-1,535
Interests paid (–)	-135	-117	-348
Interests received	0	0	1
Total cash flow from operating activities	3,484	3,709	3,943
Investment cash flow			
Acquisition of subsidiaries	-2,215	1	-1,685
Investments in intangible and tangible assets (–)	-74	-102	-477
Total cash flow from investments	-2,289	-101	-2,162
Cash flow from financing			
Loans withdrawn	7,402	0	1,390
Loans paid	-4,866	-1,044	-2,809
Payments received from share issue	0	0	117
Redemption of the hybrid bond	-3,200	0	0
Interest payments on the hybrid bond	-47	0	-288
Purchase of treasury shares	-140	0	-345
Total cash flow from financing	-851	-1,044	-1,935
Change in cash and cash equivalents (+/–)	344	2,564	-154
Cash and cash equivalents, opening balance	843	997	997
Cash and cash equivalents, closing balance	1,188	3,560	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				11,188	11,352	9,322	14,597
Other operating income	21				13	30	27	21
Materials (–)	-1,468				-672	-1,030	-700	-1,468
Employee benefits/expenses (–)	-10,236				-8,012	-8,184	-6,542	-10,236
Depreciation (–)	-609				-350	-348	-193	-609
Other operating expenses (–)	-1,999				-1,796	-1,681	-1,352	-1,999
Operating profit/loss	306				372	139	562	306
Financial income	0				0	0	1	0
Financial expenses (–)	-135				-112	-343	-78	-135
Profit/loss before taxes	171				260	-204	485	171
Income taxes	-34				-51	41	-97	-34
Profit/loss for the financial period	137				209	-163	388	137

Commitments and contingent liabilities

EUR thousand	Mar 31, 2016	Mar 31, 2015	Dec 31, 2015
Collateral given for own commitments			
Collateral for rent	183	90	85
Mortgages on company assets*	16,575	16,250	16,250
Bank guarantees	303	303	303
Other own guarantees			
Lease liabilities			
Current lease liabilities	120	278	137
Lease liabilities maturing in 1-5 years	135	172	144
Total	255	450	281
Rental liabilities			
Current rental liabilities	1,735	1,268	1,244
Rental liabilities maturing in 1-5 years	2,879	3,332	2,563
Total	4,614	4,600	3,807
Other own guarantees total	4,869	5,050	4,088

* Of the mortgages on company assets, EUR 1,250 thousand was in the company's possession on March 31, 2016.

	Jan 1–Mar 31, 2016	Jan 1–Mar 31, 2015	Change	Jan 1–Dec 31, 2015
Net sales, EUR thousand	14,597	11,188	30.5%	44,452
Growth of net sales	30.5%	0.9%		1.4%
Operating profit before depreciation and amortization (EBITDA), EUR thousand*	915	722	26.7%	3,705
percentage of net sales*	6.3%	6.5%		8.3%
Operating profit/loss (EBIT), EUR thousand*	306	372	-17.7%	2,542
percentage of net sales*	2.1%	3.3%		5.7%
Earnings before taxes, EUR thousand**	171	260	-34.2%	1,935
percentage of net sales**	1.2%	2.3%		4.4%
Earnings, EUR thousand**	142	208	-31.6%	1,548
percentage of net sales**	1.0%	1.9%		3.5%
Shareholders' equity, EUR thousand	21,288	22,667	-6.1%	24,534
Return on equity***	2.4%	3.7%		6.6%
Interest bearing liabilities, EUR thousand	11,756	9,595	22.5%	9,219
Cash and cash equivalents, EUR thousand	1,188	3,560	-66.6%	843
Deferred tax assets, EUR thousand	6,578	7,196	-8.6%	6,704
Return on investment***	3.7%	4.6%		7.6%
Net gearing	49.6%	26.6%		34.1%
Equity ratio	40.5%	50.3%		56.9%
Balance sheet total, EUR thousand	54,864	47,208	16.2%	43,983
Research and development, EUR thousand	853	403	111.7%	2,495
percentage of net sales	5.8%	3.6%		5.6%
Active personnel on average during the review period****	500	397	25.9%	427
Active personnel on average at the end of the review period****	504	399	26.3%	432
Number of shares at the end of the review period	33,453,737	32,153,737	4.0%	33,453,737
Earnings per share (EUR)	0.0041	0.0065	-36.3%	0.0475
Shareholders' equity per share (EUR)	0.636	0.705	-9.7%	0.733

*) During the third quarter, 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–March 31, 2015, was a decrease of approximately EUR -83 thousand in the operating margin and operating profit. For the net sales of entire year 2015, the effect 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, 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–March 31, 2015, was a decrease of approximately EUR -83 thousand in the earnings before taxes, which decreased the profit of the period January 1–March 31, 2015 for EUR -66 thousand. The effect of the error on the net sales of 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.

**) 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 preliminary 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 will be changed to Innofactor AB around the middle of 2016, after which the Cinteros services will be offered under the Innofactor brand.

The acquisition cost according to IFRS is the estimated purchase price of the shares, which in the preliminary acquisition cost calculation is EUR 9,342 thousand and has been presented in more detail in the following calculation. The calculation is preliminary and is based on the unaudited figures of Cinteros AB for 2015.

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 agreement related to product licenses.

The acquisition created a preliminary 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 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 March 31, 2016, was as follows. Additionally, on March 31, 2016, Innofactor Plc had a total of 552,360 (1.65%) Innofactor shares in its possession. These share were cancelled on April 18, 2016.

Name	Number of shares	% of share capital
1. Ensio Sami	7,448,017	22.26%
<i>Ensio Sami</i>	5,274,257	15.77%
<i>Minor under guardianship</i>	724,588	2.17%
<i>Minor under guardianship</i>	724,586	2.17%
<i>Minor under guardianship</i>	724,586	2.17%
2. Tilman Tuomo Tapani	2,772,169	8.29%
<i>Tilman Tuomo Tapani</i>	2,747,492	8.21%
<i>Mpire Capital Oy</i>	24,677	0.07%
3. Laiho Rami Tapani	1,418,519	4.24%
4. Linturi Kaija and Risto	1,271,411	3.80%
<i>R. Linturi Oyj</i>	504,107	1.51%
<i>Linturi Kaija Anneli</i>	430,000	1.29%
<i>Linturi Risto Erkki Olavi</i>	337,304	1.01%
5. Ilmarinen Mutual Pension Insurance Company	1,250,000	3.74%
6. Salminen Jyrki Kalle Tapio	1,111,149	3.32%
7. Ärje Matias Juhanpoika	941,278	2.81%
8. Mäki Antti-Jussi	930,201	2.78%
9. Lampi Mikko Olavi	892,098	2.67%
10. Muukkonen Teemu	522,230	1.56%
11. Bergqvist J.T.	350,000	1.05%
12. Kukkonen Heikki-Harri	336,021	1.00%
13. Järvenpää Janne-Olli	322,804	0.96%
14. Laiho Jari Olavi	270,000	0.81%
15. Ementor Norge As	269,299	0.80%
16. Damen Klaus Antero	250,001	0.75%
17. Karppinen Antti Sakari	200,000	0.60%
18. Martola Janne Matti Juhani	183,044	0.55%
19. Hellen Stefan Andreas	180,000	0.54%
20. Mäkinen Antti Vilho Juhani	152,000	0.45%