

Innofactor Plc's Interim Report May 3, 2017, at 9:00 Finnish time

Innofactor Plc's Interim Report for January 1–March 31, 2017 (IFRS)

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

January–March 2017 in brief:

- The net sales were approximately EUR 17.5 million (2016: 14.6), which shows an increase of 20.0%.
- The operating margin was approximately EUR 1.2 million (2016: 0.9), which shows an increase of 27.1%.
- The operating profit was EUR 487 thousand (2016: 306), increasing by 59.2%; the operating profit was affected by increased write-offs related to acquisitions, in accordance with IFRS 3, resulting in a decrease of EUR 507 thousand (2016: 455).
- The actions for improving effectiveness of operations, related to the Lumagate companies, have had the desired effect of improving net sales, operating margin and cash flow as of March 2017, even though the actions resulted in extra costs for March.
- Innofactor received several significant orders during the first quarter of the year and in April. For example, the Unemployment Insurance Fund (TVR) for approximately EUR 1.0 million, the Hospital District of Helsinki and Uusimaa (HUS) for approximately EUR 1.8 million, and IF Metall (in Sweden) for approximately EUR 0.6-4 million.

	Jan 1–Mar 31, 2017	Jan 1–Mar 31, 2016	Change	Jan 1–Dec 31, 2016
Net sales, EUR thousand	17,517	14,597	20.0%	59,616
Operating margin (EBITDA), EUR thousand	1,163	915	27.1%	4,831
percentage of net sales	6.6%	6.3%		8.1%
Operating profit/loss (EBIT), EUR thousand*	487	306	59.2%	2,332
percentage of net sales*	2.8%	2.1%		3.9%
Earnings before taxes, EUR thousand*	346	171	102.3%	1,920
percentage of net sales*	2.0%	1.2%		3.2%
Earnings, EUR thousand*	78	142	97.9%	1,516
percentage of net sales*	0.4%	1.0%		2.5%
Net gearing	52.9%	49.6%		70.2%
Equity ratio	43.2%	50.5%		35.9%
Active personnel on average during the review period**	596	500	19.2%	427
Earnings per share (EUR)	0.0085	0.0041	104.3%	0.0467

*) In accordance with IFRS 3, the operating profit for January 1–March 31, 2017, includes EUR 507 thousand (2016: 455) 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–March 31, 2017, would have been EUR 994 thousand (2016: 761), the operative business result before taxes EUR 853 thousand (2016: 626), the operative business result EUR 682 thousand (2016: 501), and the operative business result per share EUR 0.0208 (2016: 0.0155).

***) 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 remains the same

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: Strong start for 2017

In the first quarter of 2017, Innofactor continued profitable growth in accordance with its strategy and had the best first quarter in its history, as measured in both net sales and operating margin.

The net sales grew by 20.0 percent (net sales EUR 17.5 million). Innofactor has estimated that the Nordic IT market will grow faster in 2017 than in the previous years, and this estimate remains the same. The market growth is believed to also increase Innofactor's growth possibilities.

In the first quarter of 2017, the operating margin (EBITDA) was EUR 1.2 million (6.6 percent of the net sales) and grew by 27.1 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 actions for improving effectiveness of operations (stated in the financial statement on March 7, 2017, and related to the Lumagate companies), including renewal of the organization structure and trimming down management, have had the desired effect of improving net sales, operating margin and cash flow as of March 2017, even though the actions resulted extra costs for March.

The integration of the Swedish company Cinteros AB, acquired at the end of 2015, and the Lumagate companies, acquired in October 2016, is progressing as planned. During 2017, we will continue to standardize our Nordic offering. The Lumagate product business has been merged into the Innofactor's Nordic product unit and our common offering.

Innofactor got significant deals during the first quarter and in April. Innofactor's order book grew, for example, due to the following: delivering IT services to the Unemployment Insurance Fund (TVR) for approximately EUR 1.0 million, developing the Terveyskylä applications for the Virtual Hospital project to the Hospital District of Helsinki and Uusimaa (HUS) for approximately EUR 1.8 million, and the further development and support for the IF Metall's membership management system (in Sweden) for approximately EUR 0.6-4 million.

Also the cash flow from business activities in the first quarter remained strong and was EUR 2.3 million.

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 approximately 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:

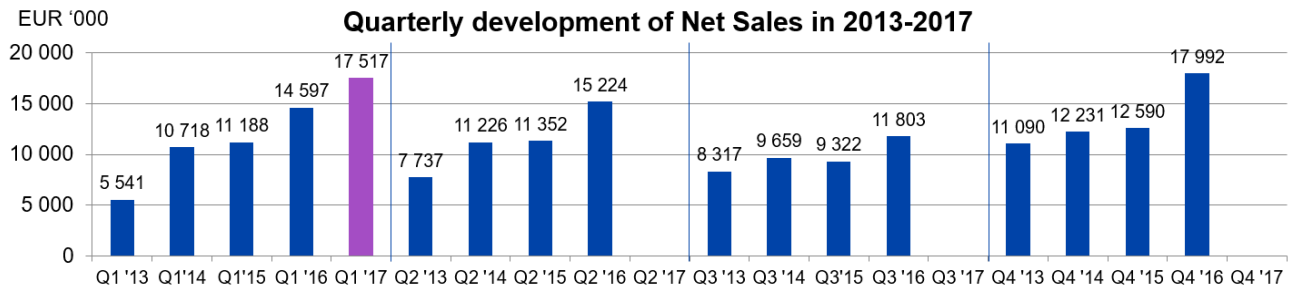
- By achieving annual organic growth of approximately 20 percent in 2020 at the latest
- By achieving approximately 20 percent operating margin (EBITDA) in relation to the net sales in 2020 at the latest
- By keeping the cash flow positive and securing solid financial standing in all situations

Innofactor's net sales on the review period of January 1–March 31, 2017, grew by 20.0% and was mostly based on inorganic growth resulting from the Lumagate acquisition.

Innofactor's operating margin (EBITDA) in relation to net sales was 6.6 percent in the review period of January 1–March 31, 2017. Typically, Innofactor's profitability has improved towards the end of the year.

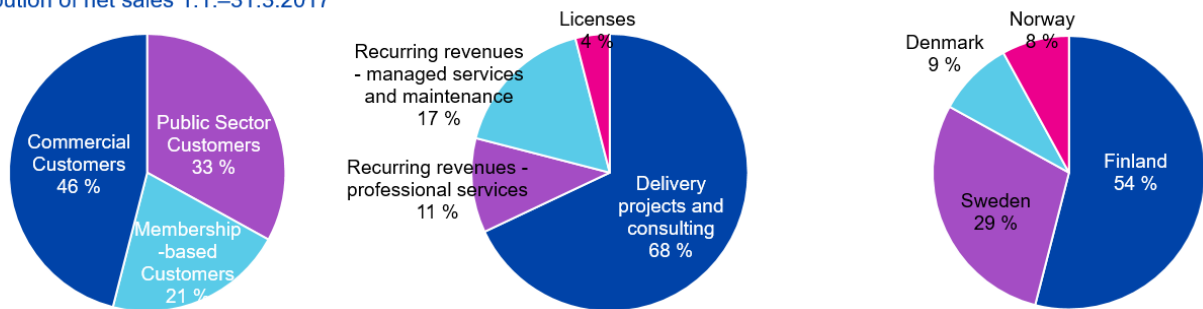
Innofactor’s operating cash flow in the review period of January 1–March 31, 2017, was EUR 2.3 million positive (2016: EUR 3.5 million). Innofactor’s financial stability is good. Net gearing at the end of the review period was 52.9 percent (2016: 49.6 percent).

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



Innofactor’s operating profit in January 1–March 31, 2017, was EUR 17,517 thousand (2016: 14,597), which shows an increase of 20.0 percent.

Distribution of net sales 1.1.–31.3.2017



Innofactor's business operations were focused on Finland, Sweden, Denmark and Norway. In January 1–March 31, 2017, approximately 54 percent of the net sales came from Finland, approximately 29 percent from Sweden, approximately 9 percent from Denmark and approximately 8 percent from Norway.

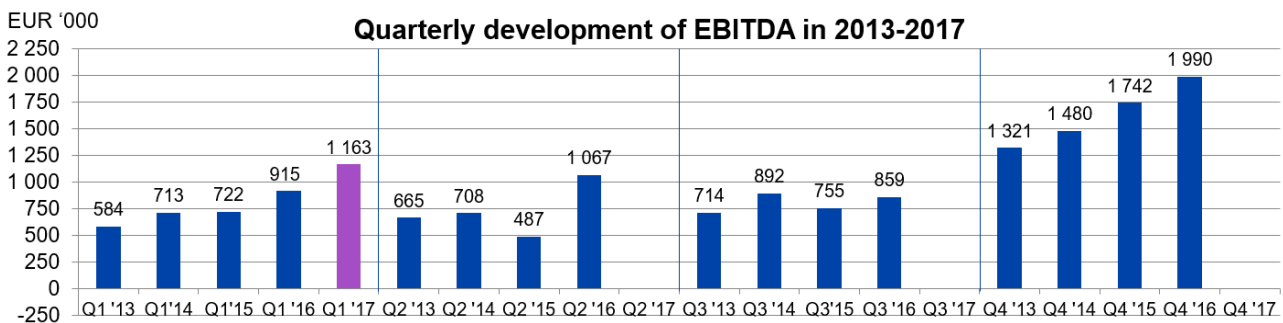
Of the net sales in January 1–March 31, 2017, approximately 46% came from commercial clients, approximately 33% from public sector clients and approximately 21% from third sector clients.

Innofactor's net sales in the review period of January 1–March 31, 2017, came from the following sources:

- approximately 68% from IT system delivery projects and consulting
- approximately 11% from specialist work based on recurring service contracts, such as smaller customer-specific changes and further development of IT systems

- approximately 17% from services based on recurring service contracts, such as SaaS, cloud and hosting services, and from software maintenance
- approximately 4% from licenses, of which the share of licensing income to third parties was about 3% of the net sales

Innofactor’s 10 largest clients accounted for approximately 27 percent of the net sales during the review period January 1–March 31, 2017.



Innofactor's operating margin (EBITDA) in January 1–March 31, 2017, was EUR 1,163 thousand (2016: 915), which shows an increase of 27.1 percent. EBITDA accounted for 6.6 percent of the net sales (2016: 6.3%). Innofactor’s operating profit in January 1–March 31, 2017, was EUR 487 thousand (2016: 306), which shows an increase of 59.2 percent. Operating profit accounted for 2.8 percent of the net sales (2016: 2.1%).

Acquisitions have been 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.

Innofactor’s net sales growth and operating margin during the review period were affected by the acquisition of the Nordic Lumagate companies, whose figures have been incorporated into Innofactor's figures as of October 1, 2016. In accordance with IFRS 3, the operating profit for January 1–March 31, 2017, includes EUR 507 thousand (2016: 455) 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–March 31, 2017, would have been EUR 994 thousand (2016: 761), which shows an increase of 30.6 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 64,500 thousand (2016: 54,864). The growth in the balance sheet total was mainly due to the acquisition of the Lumagate companies in October 2016. The group's liquid assets totaled EUR 1,370 thousand (2016: 1,188), consisting totally of cash funds.

The operating cash flow remained strong, and in January 1–March 31, 2017, it was EUR 2,337 thousand (2016: 3,484). The investment cash flow was EUR -534 thousand (2016: -2,289).

The equity ratio at the end of the review period was 43.2 percent (2016: 50.5%) and net gearing was 52.9 percent (2016: 49.6%).

At the end of the review period, the company had EUR 7,584 thousand in current interest bearing liabilities (2016: 4,224) and EUR 7,983 thousand in non-current interest bearing liabilities (2016: 7,532). The total amount of interest bearing liabilities was EUR 15,567 thousand (2016: 11,756).

The return on investment in January 1–March 31, 2017, grew from the previous year and was 4.8 percent (2016: 3.7%).

The return on equity in January 1–March 31, 2017, grew from the previous year and was 4.5 percent (2016: 2.4%).

The non-current assets in Innofactor's balance sheet at the end of the review period were EUR 43,614 thousand in total and consisted of the following items:

- Tangible assets EUR 664 thousand
- Goodwill value EUR 27,673 thousand*
- Other intangible assets EUR 8,875 thousand*
- Shares and holdings EUR 62 thousand
- Receivables EUR 628 thousand
- Deferred tax assets EUR 5,712 thousand

Innofactor's gross investments in tangible and intangible assets in the review period of January 1–March 31, 2017, were EUR 534 thousand (2016: 74), consisting of normal additional and replacement investments required by growth.

The write-offs on intangible assets were EUR 534 thousand (2016: 497). During the current quarter, the company has activated development costs of its ERP system for a total of EUR 368 thousand.

* Goodwill and fair value adjustments arising from acquisitions of foreign entities are treated as assets and liabilities of the foreign entities and are translated at the closing rate. Exchange differences arising from this are recognised in other comprehensive income.

Innofactor's research and product development investments

In the Innofactor strategy, renewed at the end of 2015, the role of product and service development gained more importance and investments for 2017 were increased. The acquisitions of Cinteros AB and the Lumagate companies in 2016 and their products, which 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 January 1–March 31, 2017, were approximately EUR 849 thousand (2016: 853), which accounts for 4.8 percent of the net sales (2016: 5.8%).

Innofactor's personnel

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.

The Lumagate acquisition, realized in October 2016, brought approximately 70 new employees to Innofactor in Sweden, Norway and Denmark.

The average number of active personnel in January 1–March 31, 2017, was 596 persons (2016: 500), which shows an increase of 19.1 percent.

In the review period of January 1–March 31, 2017, net sales per active person were approximately EUR 29.4 thousand (2016: 29.2), which shows an increase of EUR 0.2 thousand per person.

At the end of the review period, the number of active personnel was 597 (2016: 504), which shows an increase of 18.5 percent.

At the end of the review period, the average age among personnel was 39.9 years (2016: 39.7).

Women accounted for 28 percent (2016: 28%) of the personnel. Men accounted for 72 percent (2016: 72%) of the personnel.

Other events in 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.

On March 8, 2017, Innofactor announced in a stock exchange release that Innofactor paid the 2016 adjustment payment of Cinteros AB deal partly with new company shares.

On March 8, 2017, Innofactor announced in a stock exchange release that the share repurchase program started on July 7, 2016, has ended.

On March 21, 2017, Innofactor announced in a stock exchange release that Innofactor was selected as the provider of IT specialist services for the Unemployment Insurance Fund (TVR) and that the value of deal will be approximately EUR 1.0 million during 2017–2019.

On March 27, 2017, Innofactor announced in a stock exchange release that Innofactor Plc had conveyed some of its own shares to Svalroma Consulting AB as part of Cinteros AB's purchase price.

On March 27, 2017, Innofactor announced in a stock exchange release that the new Innofactor Plc shares, related to the payment of the Cinteros AB's additional purchase price, had been registered in the Trade Register.

On March 28, 2017, Innofactor published a flagging announcement pursuant to Chapter 9, Section 5 of the Finnish Securities Markets Act, stating that Svalroma Consulting AB's ownership of the Innofactor Plc votes and shares exceeds five percent (5%) due to receipt of the company shares as purchase price for Cinteros AB.

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 36,188,225. Innofactor Plc has one series of shares. Each share is entitled to one vote.

On January 1–March 31, 2017, the highest price of the company share was EUR 1.41 (2016: EUR 1.00), the lowest price was EUR 1.13 (2016: EUR 0.80), and the average* price was EUR 1.27 (2016*: EUR 0.85).

The closing price for the review period on March 31, 2017, was EUR 1.26 (2016: EUR 0.93).

* 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, 2017, a total of 4,400,918 shares were traded (2016: 2,408,213 shares), which corresponds to 13.3 percent (2016: 7.3%) of the average number of shares on the said period. On January 1–March 31, 2017, there were 32,755,302 shares on the average (2016: 33,093,126*). The share trading increased by 82.7 percent compared to the corresponding period in 2016.

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

The market value of the share capital at the closing price of EUR 1.26, on March 31, 2017, was EUR 45,597 thousand (2016: 31,112), which shows an increase of 46.6 percent.

On March 31, 2017, the company had 11,272 shareowners (2016: 10,641), including administrative registers.

The Board of Directors has the following authorizations:

- Until June 30, 2018, 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 April 4, 2017); 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 April 4, 2017); the authorization has not been used.

On March 28, 2017, Innofactor published a flagging announcement pursuant to Chapter 9, Section 5 of the Finnish Securities Markets Act, stating that Svalroma Consulting AB's ownership of the Innofactor Plc votes and shares exceeds five percent (5%) due to receipt of the company shares as purchase price for Cinteros AB.

Treasury shares

The General Meeting of April 4, 2017, 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, 2018.

This authorization replaces the Board's earlier authorizations concerning share repurchase. The authorization has not been used.

At the end of the review period, the company had no treasury shares.

On March 8, 2017, Innofactor announced in a stock exchange release that the share repurchase started on July 7, 2016, has ended. The share repurchase was based on an earlier authorization, given by the General Meeting of 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.

On April 4, 2017, the General Meeting decided that the number of Board members is six. Previous Board members Sami Ensio, Jukka Mäkinen, Ilari Nurmi, Pekka Puolakka and Ari Rahkonen were re-elected. Anni Vepsäläinen was elected as a new member to the Board of Directors. 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

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

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.

Innofactor has announced earlier that its share price formation involves a liquidity risk. The trading on Innofactor shares increased by 77.3% in 2016 and by 82.7% in the first quarter of 2017 in relation to the comparison period. As the share trading has increased, Innofactor considers that its shares no longer bear the previously determined liquidity risk and, therefore, a market maker agreement is no longer required to ensure normal share price development. The market maker for Innofactor's shares has been S-Pankki Oy. The market maker agreement will end on May 31, 2017, when S-Pankki Oy will discontinue the said business operation. In its meeting on May 2, 2017, the Innofactor Board of Directors decided that a new market maker agreement will not be made for now and the liquidity risk related to the shares will be removed.

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

Acquisitions and changes in the group structure

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

Events after the review period

On April 6, 2017, Innofactor announced in a stock exchange release that the Hospital District of Helsinki and Uusimaa (HUS) has selected Innofactor as the developer of the Terveyskylä applications. The value of the deal during the contract period is approximately EUR 1.8 million, which is estimated to be contributed to 2017.

On April 10, 2017, Innofactor announced in a stock exchange release that IF Metall in Sweden selected Innofactor as the provider of the further development and support of IF Metall's membership management system and that the value of the deal is approximately EUR 0,6 million and EUR 4 million at the maximum in 2017–2020.

On May 3, 2017, Innofactor announced in a stock exchange release that the Board of Directors of Innofactor Plc has in its meeting on May 2, 2017 established a Remuneration Committee.

On May 3, 2017, Innofactor announced in a stock exchange release that its market maker agreement will end on May 31, 2017.

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

Espoo, May 3, 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 Interim Report January 1–March 31, 2017

On May 3, 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. 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 May 3, 2017, at 16:00 Finnish time. Registrations to tanja.eskolin@innofactor.com before 12:00 Finnish time on Wednesday, May 3, 2017.

Distribution:
NASDAQ Helsinki
Main media
www.innofactor.com

Financial statement summary and appendixes January 1–March 31, 2017 (IFRS)

Accounting policies

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.

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 interim report adheres to the same accounting policies and calculation methods as the last annual financial statement 2016. However, as of January 1, 2017, the Group has introduced the new or renewed IFRS standards and IFRIC interpretations published by IASB and mentioned in the accounting policies section of the financial report 2016. The principles for calculating the key figures and the calculation formulas have not been changed and they have been presented in an appendix to this report.

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 January 1–March 31, 2017, were EUR 507 thousand (2016: 455).

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 report.

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.

Comprehensive consolidated profit and loss statement, IFRS

EUR thousand	Jan 1–Mar 31, 2017	Jan 1–Mar 31, 2016	Jan 1–Dec 31, 2016
Net sales	17,517	14,597	59,616
Other operating income	103	21	569
Materials (–)	-1,144	-1,468	-5,482
Employee benefits/expenses (–)	-12,270	-10,236	-40,697
Depreciation (–)	-676	-609	-2,499
Other operating expenses (–)	-3,043	-1,999	-9,175
Operating profit/loss	487	306	2,332
Financial income	5	0	5
Financial expenses (–)	-146	-135	-417
Profit/loss before taxes	346	171	1,920
Income taxes	-69	-34	-384
Profit/loss for the financial period	277	137	1,536
Other comprehensive income			
Items that may be later recognized in profit or loss:			
Exchange differences	-199	5	-20
Total comprehensive income	78	142	1,516

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

basic earnings per share (EUR)	0.0085	0.0041	0.0467
diluted earnings per share (EUR)	0.0085	0.0041	0.0467

Consolidated Balance Sheet, IFRS
ASSETS

EUR thousand	Mar 31, 2017	Mar 31, 2016	Dec 31, 2016
Non-current assets			
Tangible assets	664	553	628
Goodwill	27,673	22,195	27,690
Other intangible assets	8,875	9,234	9,141
Shares and holdings	62	62	62
Receivables	628	663	595
Deferred tax assets	5,712	6,578	5,760
Non-current assets	43,614	39,285	43,876
Current assets			
Trade and other receivables	19,312	14,391	18,809
Cash and cash equivalents	1,370	1,188	902
Current assets	20,682	15,579	19,711
TOTAL ASSETS	64,296	54,864	63,587

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR thousand	Mar 31, 2017	Mar 31, 2016	Dec 31, 2016
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	20,262	16,153	16,153
Treasury shares	0	-485	-161
Retained earnings	4,356	3,389	4,278
Total shareholders' equity	26,849	21,288	22,501
Non-current liabilities			
Loans from financial institutions	7,983	7,532	9,038
Deferred tax liabilities	2,214	2,293	2,234
Long term liabilities total	10,197	9,825	11,272
Current liabilities			
Loans from financial institutions	7,584	4,224	7,663
Trade and other payables	19,666	19,527	22,151
Current liabilities total	27,250	23,751	29,814
Total liabilities	37,447	33,576	41,086
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	64,296	54,864	63,587

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	Total shareholders' equity
Shareholders' equity Jan 1, 2017	2,100	72	59	16,153	-161	4,278	22,501
Comprehensive income							
Profit for the financial period						277	277
Correction							0
Other comprehensive income:							
Exchange differences						-199	-199
Total comprehensive income	0	0	0	0	0	78	78
Share issue				4,109			4,109
Purchase of own shares					-199		-199
Transfer of own shares					360		360
Transactions with shareholders in total	0	0	0	4,109	161	0	4,270
Shareholders' equity Mar 31, 2017	2,100	72	59	20,262	0	4 356	26,849

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
Purchase of own 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		-47
Shareholders' equity Mar 31, 2016	2,100	72	59	16,153	-485	3,389	0	21,288

Consolidated Cash Flow Statement, IFRS

EUR thousand	Jan 1–Mar 31, 2017	Jan 1– Mar 31, 2016	Jan 1–Dec 31, 2016
Cash flow from operating activities			
Operating profit	487	306	2,332
Adjustments:			
Depreciation	676	609	2,499
Changes in working capital:			
Change in trade or other receivables (+/–)	-536	1,361	-186
Change in trade and other payables (+/–)	1,851	1,343	-838
Interests paid (–)	-146	-135	-370
Interests received	5	0	5
Total cash flow from operating activities	2,337	3,484	3,442
Investment cash flow			
Acquisition of subsidiaries	0	-2,215	-6,475
Investments in intangible and tangible assets (–)	-534	-74	-843
Total cash flow from investments	-534	-2,289	-7,318
Cash flow from financing			
Loans withdrawn	215	7,402	13,783
Loans paid	-1,350	-4,866	-6,302
Payments received from share issue	0	0	0
Redemption of the hybrid bond	0	-3,200	-3,200
Interest payments on the hybrid bond	0	-47	-47
Purchase of own shares	-199	-140	-300
Total cash flow from financing	-1,334	-851	3,934
Change in cash and cash equivalents (+/–)	469	344	58
Cash and cash equivalents, opening balance	902	843	843
Cash and cash equivalents, closing balance	1,370	1,188	902

Consolidated Profit and Loss Statement by Quarter, IFRS

	Jan 1– Mar 31,2017	Apr 1– Jun 30,2017	Jul 1– Sep 30,2017	Oct 1– Dec 31,2017	Jan 1– Mar 31,2016	Apr 1– Jun 30,2016	Jul 1– Sep 30,2016	Oct 1– Dec 31,2016
EUR thousand								
Net sales	17,517				14,597	15,224	11,803	17,992
Other operating income	103				21	13	300	235
Materials (–)	-1,144				-1,468	-1,451	-950	-1,613
Employee benefits/expenses (–)	-12,270				-10,236	-10,669	-8,282	-11,510
Depreciation (–)	-676				-609	-621	-605	-664
Other operating expenses (–)	-3,043				-1,999	-2,050	-2,012	-3,114
Operating profit/loss	487				306	446	254	1,326
Financial income	5				0	1	0	4
Financial expenses (–)	-146				-135	-51	-97	-134
Profit/loss before taxes	346				171	396	157	1,196
Income taxes	-69				-34	-79	-32	-239
Profit/loss for the financial period	277				137	317	125	957

Commitments and contingent liabilities

EUR thousand	Mar 31, 2017	Mar 31, 2016	Dec 31, 2016
Collateral given for own commitments			
Collateral for rent	212	183	212
Mortgages on company assets*	17,778	16,575	17,453
Bank guarantees	303	303	303
Other own guarantees			
Lease liabilities			
Current lease liabilities	295	120	303
Lease liabilities maturing in 1-5 years	340	135	341
Total	635	255	644
Rental liabilities			
Current rental liabilities	1,976	1,735	1,976
Rental liabilities maturing in 1-5 years	1,830	2,879	2,034
Total	3,806	4,614	4,010
Other own guarantees total	4,441	4,869	4,654

* Of the mortgages on company assets, EUR 500 thousand was in the company's possession on March 31, 2017.

	Jan 1–Mar 31, 2017	Jan 1–Mar 31, 2016	Change	Jan 1–Dec 31, 2016
Net sales, EUR thousand	17,517	14,597	20.0%	59,616
Growth of net sales	20.0%	30.5%		34.1%
Operating margin (EBITDA), EUR thousand	1,163	915	27.1%	4,831
percentage of net sales	6.6%	6.3%		8.1%
Operating profit/loss (EBIT), EUR thousand*	487	306	59.2%	2,332
percentage of net sales*	2.8%	2.1%		3.9%
Earnings before taxes, EUR thousand*	346	171	102.3%	1,920
percentage of net sales*	2.0%	1.2%		3.2%
Earnings, EUR thousand*	78	142	97.9%	1,516
percentage of net sales*	0.4%	1.0%		2.5%
Shareholders' equity, EUR thousand	26,849	21,288	27.1%	22,501
Return on equity**	4.5%	2.4%		6.5%
Interest bearing liabilities, EUR thousand	15,567	11,756	32.4%	16,701
Cash and cash equivalents, EUR thousand	1,370	1,188	15.3%	902
Deferred tax assets, EUR thousand	5,712	6,578	-13.2%	5,760
Return on investment**	4.8%	3.7%		6.4%
Net gearing	52.9%	49.6%		70.2%
Equity ratio	43.2%	40.5%		35.8%
Balance sheet total, EUR thousand	64,296	54,864	17.6%	63,587
Research and development, EUR thousand	849	853	-0.5%	3,394
percentage of net sales	4.8%	5.8%		5.7%
Active personnel on average during the review period***	596	500	19.2%	532
Active personnel at the end of the review period***	597	504	18.5%	591
Number of shares at the end of the review period	36,188,225	33,453,737	8.2%	32,901,377
Earnings per share (EUR)	0.0085	0.0041	104.3%	0.0467
Shareholders' equity per share (EUR)	0.748	0.636	17.5%	0.684

*) In accordance with IFRS 3, the operating profit for January 1–March 31, 2017, includes EUR 507 thousand (2016: 455) 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–March 31, 2017, would have been EUR 994 thousand (2016: 761), the operative business result before taxes EUR 853 thousand (2016: 626), the operative business result EUR 682 thousand (2016: 501), and the operative business result per share EUR 0.0208 (2016: 0.0155).

***) 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 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 and there have been no changes after the financial statement.

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, 2017, was as follows.

Name	Number of shares	% of share capital
1. Ensio Sami	7,460,715	20.62%
<i>Ensio Sami</i>	5,286,955	14.61%
<i>Minor under guardianship</i>	724,588	2.00%
<i>Minor under guardianship</i>	724,586	2.00%
<i>Minor under guardianship</i>	724,586	2.00%
2. Tilman Tuomo Tapani	2,747,492	7.59%
3. Ilmarinen Mutual Pension Insurance Company	1,550,000	4.28%
4. Laiho Rami Tapani	1,355,019	3.74%
5. Linturi Kaija and Risto	1,261,411	3.49%
<i>R. Linturi Oyj</i>	494,107	1.37%
<i>Linturi Kaija Anneli</i>	430,000	1.19%
<i>Linturi Risto Erkki Olavi</i>	337,304	0.93%
6. Ärje Matias Juhanpoika	923,278	2.55%
7. Mäki Antti-Jussi	897,233	2.48%
8. Muukkonen Teemu	522,230	1.44%
9. Järvenpää Janne-Olli	322,804	0.89%
10. Kukkonen Heikki-Harri	316,021	0.87%
11. Lampi Mikko Olavi	276,891	0.77%
12. Laiho Jari Olavi	270,000	0.75%
13. Rausanne Oy	241,220	0.67%
14. Karppinen Antti Sakari	200,000	0.55%
15. Hellen Stefan Andreas	180,000	0.50%
16. Mäkinen Antti Vilho Juhani	140,000	0.39%
17. Salmela Alpo Jalmari	126,000	0.35%
18. Muurinen Hannu Olavi	125,750	0.35%
19. Tiirikainen Vesa Martti	120,750	0.33%
20. Martola Janne Matti Juhani	112,488	0.31%

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