

Innofactor Plc's Interim Report May 8, 2018, at 9:00 Finnish time

## **Innofactor Plc's Interim Report for January 1–March 31, 2018 (IFRS)**

### **A challenging first quarter despite several significant orders**

January–March 2018 in brief:

- The net sales were approximately EUR 16.5 million (2017: 17.3), which shows a decrease of 4.5%.
- The operating margin was approximately EUR 0.3 million (2017: 0.9), which shows a decrease of 62.1%.
- The operating loss was EUR 364 thousand (2017: operating profit 222), which shows a decrease of 264.0%.
- The weaker than expected profitability was contributed to by the lower than expected net sales.
- Innofactor got several significant orders on the first quarter, for example, HAIPA for the Legal Register Centre, approximately EUR 2.0 million; Swedish adult educational association Folksuniversitet, approximately EUR 0.5 million; and the Swedish Teachers' Union Lärarförbundet, approximately EUR 0.5 million.

	Jan 1–Mar 31, 2018*	Jan 1–Mar 31, 2017*	Change	Jan 1–Dec 31, 2017*
Net sales, EUR thousand	16,470	17,252	-4.5%	65,666
Growth of net sales	-4.5%	18.2%		10.1%
Operating profit before depreciation and amortization (EBITDA), EUR thousand	340	898	-62.1%	1,308
percentage of net sales	2.1%	5.2%		2.0%
Operating profit/loss (EBIT), EUR thousand*	-364	222	-264.0%	-1,461
percentage of net sales*	-2.2%	1.3%		-2.2%
Earnings before taxes, EUR thousand*	-477	81	-688.9%	-1,579
percentage of net sales*	-2.9%	0.5%		-2.4%
Earnings, EUR thousand*	-699	-134	-421.6%	-2,007
percentage of net sales*	-4.2%	-0.8%		-3.1%
Net gearing	53.2%	53.3%		53.8%
Equity ratio	44.0%	43.0%		43.4%
Active personnel on average during the review period**	605	596	1.5%	610
Earnings per share (EUR)	-0.0106	0.0020	-631.9%	-0.0357

\*) In accordance with IFRS 3, the operating result for January 1–March 31, 2018, includes EUR 507 thousand (2017: 507) in depreciations related to acquisitions, consisting of allocations of the purchase price to intangible assets.

\*\*\*) 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 2018

Innofactor's net sales and operating margin (EBITDA) in 2018 is estimated to increase from 2017, during which the net sales were EUR 65.7\* million and operating margin was EUR 1.3\* million. Innofactor monitors the result development actively.

\*) The net sales and operating margin for 2017 have been adjusted in accordance with the IFRS 15 standard. A separate release on this was published on May 7, 2018.

**CEO Sami Ensio's review: The year started with challenges, but a turn is expected within the second quarter**

The net sales decreased by 4.5 percent in the first quarter of 2018 (net sales EUR 16.5 million). The operating margin (EBITDA) was EUR 0.3 million (2.1 percent of the net sales) and decreased by 62.1 percent from the previous year. The weaker than expected profitability was primarily contributed to by the lower than expected net sales. In Innofactor's history, the end of the year has typically been better in terms of operating margin than the beginning of the year, but special attention still needs to be paid to improving the profitability and raising it to the goal level.

We have made remarkable progress in implementing Nordic operating models and systems, and this has had a positive effect in controlling the company's operation. Our goal is to start using the common ERP system in Sweden at the beginning of July 2018, after which the system will be in use in all countries. We believe that a positive turn in Innofactor's profitability will take place during the second half of 2018.

A new deal significant for our business, valued at approximately EUR 2.0 million, was published on March 16, 2018, as the Legal Register Centre selected us in a public procurement competition to deliver a service package that includes an ERP and case management information system in which data will be handled in an electronic format throughout the entire administrative court process. The background for this is the government HAIPA project, which aims at renewing the work methods of the administrative courts and enabling electronic collaboration with other authorities, private law organizations, and citizens. The system delivery is planned to be implemented during 2018 and 2019. The system to be delivered by Innofactor will be based on the latest version of the Innofactor's Dynasty product into which we have made significant product development investments in 2016 and 2017. We consider the product to have significant business potential.

Innofactor's vision is to be the leading implementer of cloud solutions and digitalization in each of the Nordic Countries. We believe in our chosen Nordic strategy and in reaching our long term goals. This requires perseverance and determination from the company's management and employees as well as investors. Innofactor is still actively looking for new strategic partnerships in the Nordic Countries. The Group's goal is to grow both organically and through acquisitions.

**Strategy and its realization in the review period**

Innofactor is the one of the leading implementers of cloud solutions and digitalization in the Nordic Countries. Innofactor has the widest solution offering and leading know-how in the Microsoft ecosystem in the Nordic Countries. Innofactor has over 600 enthusiastic and motivated top specialists in Finland, Sweden, Denmark and Norway. Innofactor's customers include over 1,500 companies and public administration and third sector organizations. During the years 2018–2020, Innofactor will primarily strive to unify its operating model and offering in the Nordic

Countries in its selected areas. Unifying the offering may take place either through organic growth or selected acquisitions.

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

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

Innofactor's strategy for achieving this vision includes:

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

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

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

In the review period of January 1–March 31, 2018, Innofactor's net sales decreased by 4.5 percent. The company did not reach the goal it had set for organic growth.

Innofactor's operating margin (EBITDA) in relation to net sales was 2.1 percent in the review period of January 1–March 31, 2018. This is low and very far away from the set target level of 20 percent.

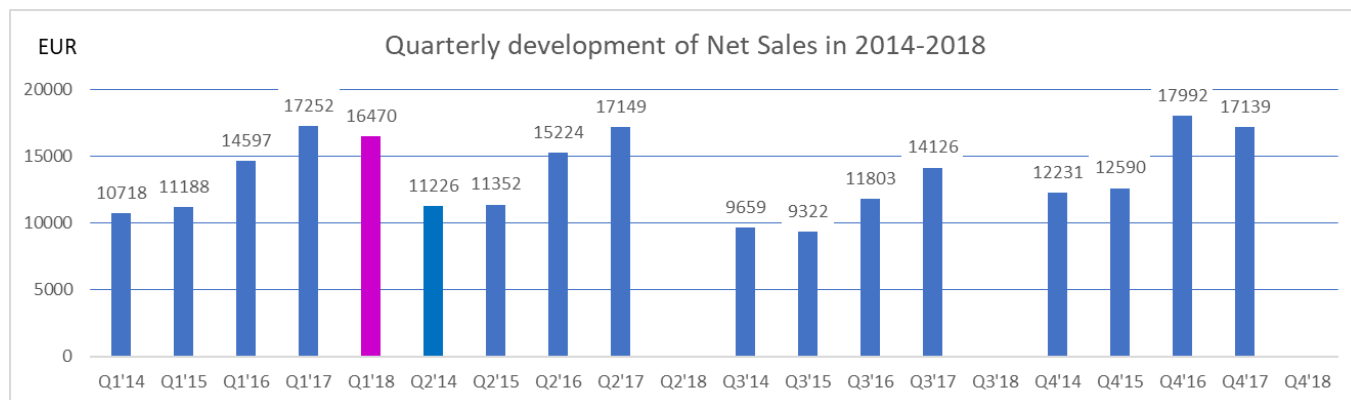
The main actions for reaching the approximately 20 percent growth and 20 percent operating margin:

- In the Nordic Countries, we will focus on those fields and customer segments, which have great growth potential, such as social services and health services.
- We will improve sales of our products and services to existing customers in order to get a greater share of the budget the customers are using for digitalization.
- We will invest in using modern digital marketing methods to improve our sales.

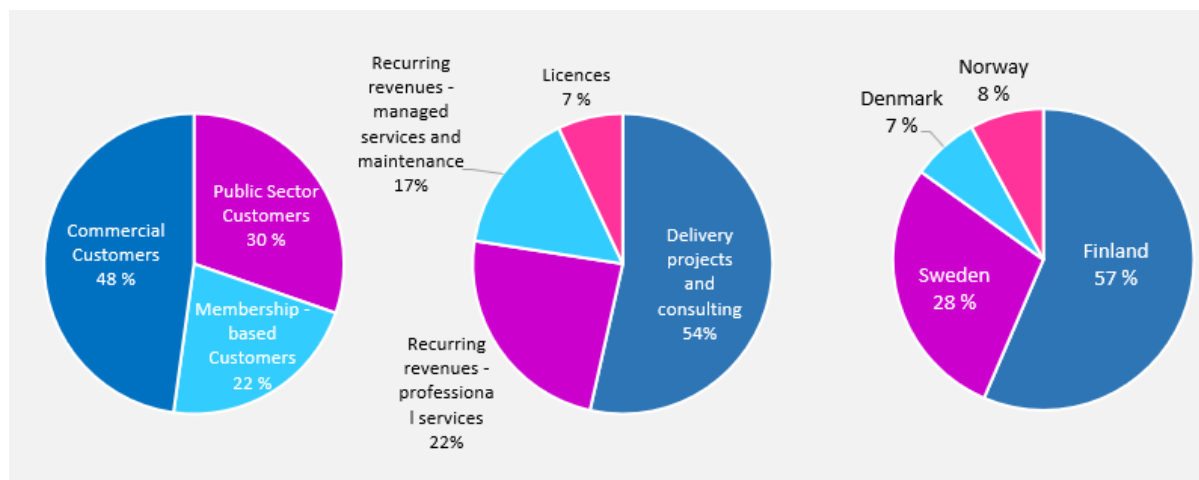
- We will concentrate on management of know-how, recruiting, and resource optimization in the Nordic level.
- We will move the focus in our offering and net sales more and more to products and productized services.
- We will continuously improve our specialists' skills, so customers will be willing to pay a higher than the average price on the field for them and our leading offering.
- We will develop our flexible delivery model, which enables fast added value, in such a way that the amount of unnecessary work is minimized and our billing rate and customer satisfaction improve.
- We will invest in operative efficiency by developing the Financial Quarterly Accountability (FQA), internal information systems and predictability.

Innofactor’s operating cash flow in the review period of January 1–March 31, 2018, was EUR 0.6 million positive (2017: EUR 2.3 million). Innofactor’s financial stability is good. Net gearing at the end of the review period was 53.2 percent (2017: 53.3%).

**Innofactor's net sales on the first quarter did not reach the goal**



Innofactor’s net sales in January 1–March 31, 2018, were EUR 16,470 thousand (2017: 17,252), which shows a decrease of 4.5 percent.



Innofactor's business operations were focused on Finland, Sweden, Denmark and Norway. In January 1–March 31, 2018, approximately 57 percent of the net sales came from Finland, approximately 28 percent from Sweden, approximately 7 percent from Denmark and approximately 8 percent from Norway.

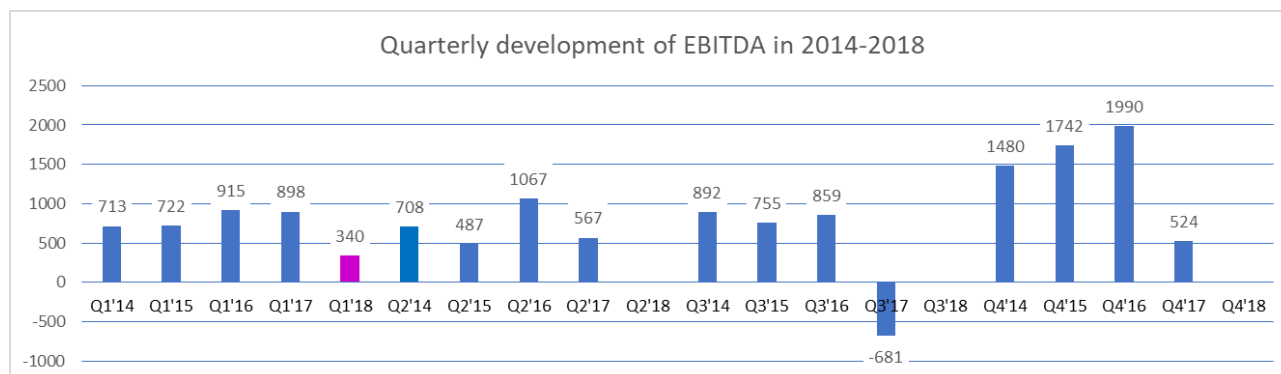
Of the net sales in January 1–March 31, 2018, approximately 48 percent came from commercial clients, approximately 30 percent from public sector clients and approximately 22 percent from third sector clients.

Innofactor's net sales in the review period of January 1–March 31, 2018, came from the following sources:

- approximately 54 percent from IT system delivery projects and consulting
- approximately 22 percent from specialist work based on recurring service contracts, such as smaller customer-specific changes and further development of IT systems
- approximately 17 percent from services based on recurring service contracts, such as SaaS, cloud and hosting services, and from software maintenance
- approximately 7 percent from licenses, of which the share of licensing income to third parties was approximately 4 percent of the net sales

Due to ERP implementation revenue source classification was clarified effective from 1.1.2018, thus before presented shares of revenue sources are not directly comparable to previous year similar shares.

Innofactor's 10 largest clients accounted for approximately 28 percent of the net sales during the review period January 1–March 31, 2018.



Innofactor’s operating margin (EBITDA) in January 1–March 31, 2018, was EUR 340 thousand (2017: 898), which shows a decrease of 62.1 percent. EBITDA accounted for 2.1 percent of the net sales (2017: 5.2%). Innofactor’s operating loss in January 1–March 31, 2018, was EUR 364 thousand (2017: operating profit EUR 222), which shows a decrease of 264.0 percent. The operating loss accounted for -2.2 percent of the net sales (2017: operating profit 1.3%).

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.

In accordance with IFRS 3, the operating result for January 1–March 31, 2018, includes EUR 507 thousand (2017: 507) 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, 2018, would have been EUR 143 thousand (2017: operating profit 729), which shows a decrease of 80.4 percent.

**Innofactor's financial stability continues to be good**

Innofactor's balance sheet total at the end of the review period was EUR 57,481 thousand (2017: 64,084). The Group's liquid assets totaled EUR 898 thousand (2017: 1,370), consisting totally of cash funds.

The operating cash flow in the review period of January 1–March 31, 2018, was EUR 586 thousand (2017: 2,337). The investment cash flow was EUR -260 thousand (2017: -534).

The equity ratio at the end of the review period was 44.0 percent (2017: 43.0%) and net gearing was 53.2 percent (2017: 53.3%).

At the end of the review period, the company had EUR 7,068 thousand in current interest bearing liabilities (2017: 7,584) and EUR 6,822 thousand in non-current interest bearing liabilities (2017: 7,983). The total amount of interest bearing liabilities was EUR 13,890 thousand (2017: 15,567).

The return on investment in January 1–March 31, 2018, decreased from the previous year and was -3.7 percent (2017: 2.2%).

The return on equity in January 1–March 31, 2018, decreased from the previous year and was -6.2 percent (2017: 1.1%).

The non-current assets in Innofactor's balance sheet at the end of the review period were EUR 40,030 thousand in total.

Innofactor's gross investments in tangible and intangible assets in the review period of January 1–March 31, 2018, were EUR 289 thousand (2017: 534), consisting of normal additional and replacement investments required by growth.

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. 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 write-offs on intangible assets were EUR 585 thousand (2017: 534). In the review period of January 1–March 31, 2018, the company has activated development costs of its ERP system for a total of EUR 238 thousand.

### **Innofactor's research and product development investments remained the same**

In the Innofactor strategy, renewed at the end of 2015, the role of product and service development gained more importance and investments were increased.

In the product development during the review period, focus was on renewing existing products and services and continuous further development in order to support the growth of product-based business.

Despite the challenging first quarter, Innofactor managed to keep the share of research and product development costs from the net sales on a slightly higher level than in the first quarter of the previous year. Innofactor's research and development costs recognized in profit or loss for January 1–March 31, 2018, were approximately EUR 823 thousand (2017: 849), which accounts for 5.0 percent of the net sales (2017: 4.8%).



**The number of Innofactor personnel remained the same**

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 average number of active personnel in January 1–March 31, 2018, was 605 persons (2017: 596), which shows an increase of 1.5 percent.

In the review period of January 1–March 31, 2018, the net sales per active person was approximately EUR 27.2 thousand (2017: 28.9), which shows an approximate decrease of EUR 2 thousand per person. In the future, we will focus on increasing the net sales per active person.

At the end of the review period, the number of active personnel was 599 (2017: 597), which shows an increase of 0.3 percent.

At the end of the review period, the average age among personnel was 39.8 years (2017: 39.9).

Women accounted for 28 percent (2017: 28%) of the personnel. Men accounted for 72 percent (2017: 72%) of the personnel.

### Other events in the review period

On January 2, 2018, Innofactor announced in a stock exchange release that Marko Lehtonen has been appointed as Innofactor's Chief Financial Officer.

On January 24, 2018, Innofactor announced in a stock exchange release that Folkuniversitetet, a Swedish adult educational association, had selected Innofactor as the partner for implementing a Course and Event Management System with the value of the deal being approximately EUR 0.5 million.

On January 24, 2018, Innofactor published a flagging announcement pursuant to Chapter 9, Section 10 of the Finnish Securities Markets Act, stating that Tuomo Tilman's ownership of the Innofactor Plc votes and shares had decreased below five percent (5%).

On February 6, 2018, Innofactor announced in a stock exchange release that Innofactor's operating margin (EBITDA) for the fourth quarter (Q4) of 2017 is less than estimated in the Interim Report for the third quarter (Q3) of 2017.

On February 7, 2018, Innofactor announced in a stock exchange release that the Swedish Teachers' Union (Lärarförbundet) selected Innofactor as the partner for a pilot project for membership management, recruiting and membership analysis. The value of the deal is approximately EUR 0.5 million.

On March 5, 2018, Innofactor announced in a stock exchange release that the Supreme Administrative Court did not overrule HKL's decision to cancel the procurement decision of November 26, 2015, awarded to Innofactor in a bidding competition concerning the situational information system for the Metro's total security. The framework arrangement of the procurement was intended to remain in effect for a maximum of 15 years. For this total time, Innofactor had stated that the total price according to the tender would be approximately EUR 7 million.

On March 16, 2018, Innofactor announced in a stock exchange release that the Legal Register Centre selected Innofactor as the provider of the HAIPA system. The value of the deal is approximately EUR 2 million during 2018 and 2019.

### 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, 2018, the highest price of the company share was EUR 1.13 (2017: EUR 1.41), the lowest price was EUR 0.79 (2017: EUR 1.13), and the average price was EUR 0.92 (2017\*: EUR 1.27).

The closing price for the review period on March 31, 2018, was EUR 0.84 (2017: EUR 1.26).

In public trading in January 1–March 31, 2018, a total of 3,245,441 shares were traded (2017: 4,400,918 shares), which corresponds to 9.0 percent (2017: 13.3%) of the average number of shares on the said period. In January 1–March 31, 2018, there were 36,188,225 shares on the average (2017: 32,755,302\*). The share trading decreased by 26.3 percent compared to the corresponding period in 2017.

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

The market value of the share capital at the closing price of EUR 0.84, on March 31, 2018, was EUR 30,507 thousand (2017: 45,597), which shows a decrease of 33.1 percent.

On March 31, 2018, the company had a total of 12,264 shareowners (2017: 11,272), including administrative registers.

The Board of Directors has the following authorizations:

- Until June 30, 2019, on a share issue and granting of special rights entitling to shares, concerning a maximum of 7,200,000 new shares (decided by the General Meeting of April 4, 2018); the authorization has not been used.
- Until June 30, 2019, to decide on a transfer of a maximum of 1,000,000 treasury shares (decided by the General Meeting of April 4, 2018); the authorization has not been used.

### **Own shares**

The General Meeting of April 4, 2018, authorized the Board of Directors to decide on acquiring of a maximum of 5,000,000 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, 2019. This authorization replaces the Board's earlier authorizations concerning share repurchase.

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

### **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, 2018, the General Meeting decided that the number of Board members is four. Of the previous members, Sami Ensio was re-elected, and Pekka Eloholma, Anna Lindén and Risto Linturi were elected as new members. In their organizing meeting held immediately after the General Meeting, the Board of Directors elected Pekka Eloholma 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 2017.

Innofactor Plc's entire Corporate Governance and statements are available on the company's web site at: <https://www.innofactor.com/fi/sijoittajille/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 and finances 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.

There have been no 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 May 7, 2018, Innofactor announced in a stock exchange release that 2017 IFRS 15 standard adjusted annual results have been published.

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

Espoo, May 8, 2018

INNOFACTOR PLC

Board of Directors

Additional information:

CEO Sami Ensio, Innofactor Plc

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[sami.ensio@innofactor.com](mailto:sami.ensio@innofactor.com)

**Briefings concerning the Interim Report January 1–March 31, 2018**

A briefing in Finnish concerning the interim report will be held for media, investors and analysts on May 8, 2018, at 10:00 Finnish time, at the company's premises at Keilaranta 9, Espoo. The report will be presented by CEO Sami Ensio and CFO Marko Lehtonen. The corresponding conference call in English will be held at 12:00 Finnish time, and the presenter will be CFO Marko Lehtonen.

Please register for the briefings beforehand by sending email to [ir@innofactor.com](mailto:ir@innofactor.com).

The presentations will be available on Innofactor's web site after the briefing.

Distribution:

NASDAQ Helsinki

Main media

[www.innofactor.com](http://www.innofactor.com)

**Financial statement summary and appendixes January 1–March 31, 2018 (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.

The interim report adheres to the same accounting policies and calculation methods as the last annual financial statement 2017. However, as of January 1, 2018, 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 2017. 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, 2018, were EUR 507 thousand (2017: 507).

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.

#### IFRS 15 Revenue from Contracts with Customers

Innofactor has implemented the IFRS 15 Revenue from Contracts with Customers standard as of January 1, 2018, (mandatory implementation) and applies it retroactively in full. The new standard defines a five-step model for recognizing revenue based on contracts with customers and replaces the current standards IAS 18 and IAS 11 as well as the related interpretations. The standard includes new guidance for license revenue, accounting for costs, and determining transaction price, among other things. It also expands requirements for notification related to revenue from customer contracts.

The new standard affects the timing of the net sales from software licenses sold by Innofactor in cases where the licenses are sold in connection with a project delivery. In these cases, a license will be recognized as net sales based on the project's completion percentage and not as one time net sales like before. Innofactor has adjusted its estimate on the effect of the IFRS 15 standard in the net sales and result. In 2018, it is estimated to be approximately EUR 0.4–0.6 million in total, which is correspondingly estimated to be transferred to 2019.

<u>EUR thousand</u>	<u>Jan 1–Mar 31, 2018</u>	<u>Jan 1– Mar 31, 2017</u>	<u>Change</u>
Revenue from services	8,444	8,833	-4.4%
Revenue recognized from long-term projects	8,026	8,419	-4.7%
<b>Total</b>	16,470	17,252	-4.5%

Revenue from services is recognized when the service has been provided and the economic benefit from the service is probable. Man-hour work is recognized monthly as it progresses.

Long-term fixed-price projects are recognized using the percentage of completion method when the outcome of the project can be estimated reliably.

#### IFRS 9 Financial Instruments

Innofactor has implemented the IFRS 9 Financial Instruments standard as of January 1, 2018. The primary effect of the IFRS 9 standard is related to the time of registering anticipated credit losses. The Group is not implementing the standard retroactively. The IFRS 9 Financial Instruments standard has no substantial effect on the Innofactor financial report.

**Comprehensive consolidated profit  
and loss statement, IFRS**

EUR thousand	Jan 1– Mar 31, 2018	Jan 1– Mar 31, 2017	Jan 1–Dec 31, 2017
Net sales	16,470	17,252	65,666
Other operating income	9	103	88
Materials (–)	-1,807	-1,144	-6,241
Employee benefits/expenses (–)	-12,125	-12,270	-46,690
Depreciation (–)	-704	-676	-2,769
Other operating expenses (–)	-2,207	-3,043	-11,515
<b>Operating profit/loss</b>	<b>-364</b>	<b>222</b>	<b>-1,461</b>
Financial income	4	5	526
Financial expenses (–)	-117	-146	-644
<b>Profit/loss before taxes</b>	<b>-477</b>	<b>81</b>	<b>-1,579</b>
Income taxes	95	-16	316
<b>Profit/loss for the financial period</b>	<b>-382</b>	<b>65</b>	<b>-1,263</b>
Other comprehensive income			
Items that may be later recognized			
in profit or loss:			
Exchange differences	-317	-199	-744
<b>Total comprehensive income</b>	<b>-699</b>	<b>-134</b>	<b>-2,007</b>

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

basic earnings per share (EUR)	-0.0106	0.0020	-0.0357
diluted earnings per share (EUR)	-0.0106	0.0020	-0.0357



**Consolidated Balance Sheet, IFRS**
**ASSETS**

<b>EUR thousand</b>	<b>Mar 31, 2018</b>	<b>Mar 31, 2017</b>	<b>Dec 31, 2017</b>
<b>Non-current assets</b>			
Tangible assets	571	664	640
Goodwill	26,105	27,673	26,398
Other intangible assets	7,241	8,875	7,797
Shares and holdings	62	62	62
Receivables	255	628	342
Deferred tax assets	5,796	5,765	5,668
<b>Non-current assets</b>	<b>40,030</b>	<b>43,667</b>	<b>40,907</b>
<b>Current assets</b>			
Trade and other receivables	16,553	19,047	16,455
Cash and cash equivalents	898	1,370	910
<b>Current assets</b>	<b>17,451</b>	<b>20,417</b>	<b>17,365</b>
<b>TOTAL ASSETS</b>	<b>57,481</b>	<b>64,084</b>	<b>58,272</b>

**SHAREHOLDERS' EQUITY AND LIABILITIES**

<b>EUR thousand</b>	<b>Mar 31, 2018</b>	<b>Mar 31, 2017</b>	<b>Dec 31, 2017</b>
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	20,321	20,262	20,321
Retained earnings	1,850	4,144	2,212
<b>Total shareholders' equity</b>	<b>24,402</b>	<b>26,637</b>	<b>24,764</b>
<b>Non-current liabilities</b>			
Loans from financial institutions	6,822	7,983	7,280
Deferred tax liabilities	1,731	2,214	1,826
<b>Long term liabilities total</b>	<b>8,553</b>	<b>10,197</b>	<b>9,106</b>
<b>Current liabilities</b>			
Loans from financial institutions	7,068	7,584	6,948
Trade and other payables	17,458	19,666	17,454
<b>Current liabilities total</b>	<b>24,526</b>	<b>27,250</b>	<b>24,402</b>
<b>Total liabilities</b>	<b>33,079</b>	<b>37,447</b>	<b>33,508</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>57,481</b>	<b>64,084</b>	<b>58,272</b>

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

EUR thousand	Share capital	Share premium reserve	Reserve fund	Fund for invested unrestricted equity	Own shares	Retained earnings	Total shareholders' equity
<b>Shareholders' equity Jan 1, 2018</b>	<b>2,100</b>	<b>72</b>	<b>59</b>	<b>20,321</b>	<b>0</b>	<b>2,549</b>	<b>25,101</b>
Comprehensive income							
Result for the financial period						-382	-382
Other comprehensive income:							
Exchange differences						-317	-317
Total comprehensive income	0	0	0	0	0	-699	-699
<b>Shareholders' equity Mar 31, 2018</b>	<b>2,100</b>	<b>72</b>	<b>59</b>	<b>20,321</b>	<b>0</b>	<b>1,850</b>	<b>24,402</b>

EUR thousand	Share capital	Share premium reserve	Reserve fund	Fund for invested unrestricted equity	Own shares	Retained earnings	Total shareholders' equity
<b>Shareholders' equity Dec 31, 2016</b>	<b>2,100</b>	<b>72</b>	<b>59</b>	<b>16,153</b>	<b>-161</b>	<b>4,278</b>	<b>22,501</b>
Effect of implementing IFRS 15 on Jan 1, 2017						-212	-212
<b>Shareholders' equity Jan 1, 2017</b>	<b>2,100</b>	<b>72</b>	<b>59</b>	<b>16,153</b>	<b>-161</b>	<b>4,066</b>	<b>22,289</b>
Comprehensive income							
Result for the financial period						277	277
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
<b>Shareholders' equity Mar 31, 2017</b>	<b>2,100</b>	<b>72</b>	<b>59</b>	<b>20,262</b>	<b>0</b>	<b>4,144</b>	<b>26,637</b>

**Consolidated Cash Flow Statement, IFRS**

<b>EUR thousand</b>	<b>Jan 1–Mar 31, 2018</b>	<b>Jan 1– Mar 31, 2017</b>	<b>Jan 1–Dec 31, 2017</b>
<b>Cash flow from operating activities</b>			
Operating profit	-364	487	-1,039
Adjustments:			
Depreciation	704	676	2,769
Non-cash transactions	0	0	485
Changes in working capital:			
Change in trade or other receivables (+/-)	383	-536	1,924
Change in trade and other payables (+/-)	-24	1,851	633
Interests paid (-)	-117	-146	-643
Interests received	4	5	40
<b>Total cash flow from operating activities</b>	<b>586</b>	<b>2,337</b>	<b>4,169</b>
<b>Investment cash flow</b>			
Acquisition of subsidiaries	0	0	-59
Investments in intangible and tangible assets (-)	-289	-534	-1,688
Loan receivables paid back	29	0	259
<b>Total cash flow from investments</b>	<b>-260</b>	<b>-534</b>	<b>-1,488</b>
<b>Cash flow from financing</b>			
Loans withdrawn	316	215	10,087
Loans paid	-654	-1,350	-12,560
Interest payments on the hybrid bond	0	0	-199
Purchase of own shares	0	-199	0
<b>Total cash flow from financing</b>	<b>-338</b>	<b>-1,334</b>	<b>-2,672</b>
<b>Change in cash and cash equivalents (+/-)</b>	<b>-12</b>	<b>469</b>	<b>8</b>
Cash and cash equivalents, opening balance	910	902	902
Cash and cash equivalents, closing balance	898	1,370	910

**Consolidated Profit and Loss Statement by Quarter, IFRS**

EUR thousand	Jan 1– Mar 31, 2018	Apr 1– Jun 30, 2018	Jul 1– Sep 30, 2018	Oct 1– Dec 31, 2018	Jan 1– Mar 31, 2017	Apr 1– Jun 30, 2017	Jul 1– Sep 30, 2017	Oct 1– Dec 31, 2017
Net sales	16,470				17,252	17,149	14,126	17,139
Other operating income	9				103	19	16	-50
Materials (–)	-1,807				-1,144	-2,005	-1,775	-1,317
Employee benefits/expenses (–)	-12,125				-12,270	-11,818	-10,276	-12,326
Depreciation (–)	-704				-676	-670	-667	-756
Other operating expenses (–)	-2,207				-3,043	-2,778	-2,772	-2,922
<b>Operating profit/loss</b>	<b>-364</b>				<b>222</b>	<b>-103</b>	<b>-1,348</b>	<b>-232</b>
Financial income	4				5	3	0	518
Financial expenses (–)	-117				-146	-131	-73	-294
<b>Profit/loss before taxes</b>	<b>-477</b>				<b>81</b>	<b>-231</b>	<b>-1,421</b>	<b>-8</b>
Income taxes	95				-16	46	284	2
<b>Profit/loss for the financial period</b>	<b>-382</b>				<b>65</b>	<b>-185</b>	<b>-1,137</b>	<b>-6</b>
EBITDA	340				898	567	-681	524

**Commitments and contingent liabilities**

EUR thousand	<b>Mar 31, 2018</b>	<b>Mar 31, 2017</b>	<b>Dec 31, 2017</b>
<b>Collateral given for own commitments</b>			
Collateral for rent	184	212	188
Mortgages on company assets*	16,969	17,778	17,002
Bank guarantees	303	303	303
<b>Other own liabilities</b>			
Lease liabilities			
Current lease liabilities	332	295	327
Lease liabilities maturing in 1-5 years	266	340	173
Total	598	635	500
<b>Rental liabilities</b>			
Current rental liabilities	1,979	1,976	2,007
Rental liabilities maturing in 1-5 years	1,007	1,830	1,482
Total	2,986	3,806	3,489
<b>Other own liabilities total</b>	<b>3,584</b>	<b>4,441</b>	<b>3,989</b>

\* Of the mortgages on company assets, EUR 500 thousand was in the company's possession on March 31, 2018.

## 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, 2018, was as follows.

Name	Number of shares	% of share capital
1. Ensio Sami	7,700,823	21.28%
<i>Ensio Sami</i>	5,527,063	15.27%
<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. Ilmarinen Mutual Pension Insurance Company	1,800,000	4.97%
3. Tilman Tuomo Tapani	1,659,416	4.59%
4. Laiho Rami Tapani	1,268,159	3.50%
5. Linturi Kaija and Risto	1,256,411	3.47%
<i>R. Linturi Oyj</i>	489,107	1.35%
<i>Linturi Kaija Anneli</i>	430,000	1.19%
<i>Linturi Risto Erkki Olavi</i>	337,304	0.93%
6. Ärje Matias Juhanpoika	882,065	2.44%
7. Mäki Antti-Jussi	877,192	2.42%
8. Muukkonen Teemu Heikki	522,230	1.44%
9. Ingman Finance Oy Ab	500,000	1.38%
10. Järvenpää Janne-Olli	315,211	0.87%
11. Kukkonen Heikki-Harri	286,931	0.79%
12. Rausanne Oy	273,040	0.75%
13. Hellen Stefan Andreas	250,000	0.69%
14. Laiho Jari Olavi	235,000	0.65%
15. Heikki Tervonen Oy	153,000	0.42%
16. Mäkinen Antti Vilho Juhani	148,000	0.41%
17. Salmela Alpo Jalmari	128,500	0.36%
18. Muurinen Hannu Olavi	125,750	0.35%
19. Mandatum Life	123,752	0.34%
20. Räsänen Heimo Juhani	112,979	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