

Innofactor Plc Stock Exchange Release May 10, 2011, at 8:30 Finnish time

## Innofactor Plc's interim report for January 1–March 31, 2011 (IFRS)

### Summary

Innofactor group's key figures for January 1–March 31, 2011:

- Net sales EUR 3,943 thousand (2010: 2,210), increase of 78.4%
- Earnings before interest, taxes, depreciation and amortization (EBITDA) EUR 150 thousand (2010: 348), decrease of 56.9%
- EBITDA percentage 3.8% (2010: 15.7%)
- Earnings before interest and taxes (EBIT) EUR 19 thousand (2010: 279)
- EBIT percentage 0.5% (2010: 12.6%)

Innofactor's result for the first quarter was affected by one-off costs related to the relisting, a sum of about EUR 200 thousand in the review period.

The future outlook of Innofactor has not changed. The group's net sales in 2011 is estimated to be about EUR 17 million, which is an increase of 70% compared to 2010. Additionally, the earnings before interest, taxes, depreciation and amortization (EBITDA) both in euro and in percentage is estimated to be better than in 2010 (2010: EUR 979 thousand and 9.9 percent).

### Key figures of the group

The figures in the interim report have not been audited.

	mo. 1–3 /2011	mo. 1–3 /2010	Change	mo. 1-12 /2010
Net sales, EUR thousand	3,943	2,210	+78.4%	9,862
Earnings before interest, taxes, depreciation and amortization (EBITDA), EUR thousand*	150	348	-56.9%	979
percentage of net sales*	3.8%	15.7%		9.9%
Earnings before interest and taxes (EBIT),	19	279	-93.2%	702

EUR thousand\*

percentage of net sales*	0.5%	12.6%		7.1%
Earnings before taxes, EUR thousand	16	278	-94.2%	696
percentage of net sales	0.4%	12.6%		7.1%
Earnings, EUR thousand	13	202	-93.6%	505
percentage of net sales	0.3%	9.1%		
Equity, EUR thousand	12,291	2,799	+339.1%	12,278
Return on equity**	0.4%	29.9%		6.8%
Return on investment**	0.7%	41.4%		9.7%
Net gearing	-9.9%	-59.7%		-14.0%
Equity ratio	74.8%	55.7%		68.6%
Balance sheet total, EUR thousand	18,241	5,446	+234.9%	19,517
Research and development, EUR thousand***	592			1,173
percentage of net sales***	15.0%			11.9%
Personnel on average during the review period	174	87	+100.0%	108
Personnel at the end of the review period	177	96	+84.4%	171
Number of shares at the end of the review period****	585,236,987	335,133,294	+74.6%	585,236.987
Earnings per share (EUR)****	0.000022	0.000603	-96.3%	0.0014
Shareholders' equity per share (EUR)****	0.021	0.008	+151.5%	0.021
Number of shares on May 10, 2011****	29,261,800			
Earnings per share for the number of shares on May 10, 2011 (EUR)****	0.000444			
Shareholders' equity per share for the number of shares on May 10, 2011 (EUR)****	0.420			

\* The figures include one-off costs related to the relisting for about EUR 200 thousand.

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

\*\*\* There are no comparison data for the corresponding review period in 2010 as Innofactor did not draft comparable interim reports in 2010 due to the reverse acquisition in accordance with IFRS 3.

\*\*\*\* In accordance with the decision of the Innofactor Plc's Annual General Meeting on April 28, 2011, twenty old shares were consolidated into one new share (registered in the Trade Register on May 7, 2011) and due to this, the total number of shares decreased to 1/20 of the previous number.

## Reporting

Innofactor Plc operates on one segment, offering software and systems and services related to them, and it operates mainly in Finland. Due to this, a segment-specific or geographical distribution of the net sales and result will not be presented.

### CEO Sami Ensio's review:

On the first quarter of the year, Innofactor's net sales grew 78.4 percent compared to the same period last year. Large part of the growth was based on the acquisitions in 2010 and about 14 percent of the growth was organic. The predicted growth for the whole year is about 70 percent.

Research and development focused into new versions of old products and into Innofactor's first cloud solutions. Research and development costs recognized in the profit and loss statement were EUR 592 thousand (there is no comparison figure available for the same period in 2010).

During the first quarter of the year, the relisting of Innofactor Plc was completed. That resulted in about EUR 200 thousand of one-off costs and required a significant amount of attention from the upper management. The earnings before interest, taxes, depreciation and amortization (EBITDA) for the first quarter was EUR 150 thousand (3.8%) and the earnings before interest and taxes (EBIT) was EUR 19 thousand (0.5%).

On the second quarter of 2011, Innofactor will focus on improving profitability, which will be helped by the good order backlog. During the quarter, the consolidation of Innofactor Documenta Oy and the companies of the Innofactor Software subgroup will be completed. In this arrangement, the operative business of the Innofactor group was centralized into the former Innofactor Documenta Oy (from now on, Innofactor Software Oy) as of May 1, 2011. This arrangement will decrease management costs in the future. Additionally, special attention will be paid to unifying and improving the methods of project management and resource allocation. There will also be attempts to decrease other business costs. These actions have been named as the cost-effectiveness program. We believe that the cost-effectiveness program can be implemented without a need to decrease the number of personnel.

## Market outlook and business environment

Nokia and Microsoft made an announcement on significant cooperation on February 11, 2011. Nokia's move to start using the Microsoft operating system in its smart phones may offer Innofactor, Finland's largest software provider focused on Microsoft solutions, significant opportunities, which may have a fundamental effect on the growth of the group within the coming years.

Nokia's announcement on April 27, 2011, that it will transfer the Symbian development to an external service provider, will affect the business environment in Finland. This will bring some uncertainty factors to the business environment, but they are not predicted to cause significant risk for Innofactor's operation.

Innofactor will publish its new global cloud solutions in Microsoft's Worldwide Partner Conference in Los Angeles, USA, on July 10–14, 2011. The conference is Microsoft's largest partner event and over 10,000 Microsoft partners all over the world will attend. Possible product launches by Innofactor and other companies and their reception in the World Wide Conference will affect Innofactor's position as a global provider of Microsoft cloud solutions.

Cloud solutions combined with the Windows operating system becoming more common in mobile phones may offer Innofactor, Finland's largest software provider focused on Microsoft solutions, significant opportunities.

On the whole, Innofactor considers the market outlook to be positive.

Also, when considering the business environment, it should be noted that Innofactor has worked actively in Sweden to make itself better known among Microsoft Sweden and its local partners.

## Net sales

Innofactor's net sales on January 1–March 31, 2011, were EUR 3,943 thousand (2010: 2,210), which shows an increase of 78.4 percent.

Approximately 86% of the increase in net sales was due to acquisitions (Westend ICT on December 27, 2010, and Visual Management on June 3, 2010) and approximately 14% was due to organic growth. Organic growth has been achieved in all significant customer segments.

## Result development

Innofactor's earnings before interest, taxes, depreciation and amortization (EBITDA) on January 1–March 31, 2011, were EUR 150 thousand (2010: 348), which shows a decrease of 56.9 percent. The share of EBITDA of the net sales was 3.8 percent (2010: 15.7%).

Innofactor's business profit on January 1–March 31, 2011, was EUR 19\* thousand (2010: 279), which shows a decrease of 93.2 percent. The share of business profit of the net sales was 0.5 percent (2010: 12.6%).

\* The figures include one-off costs related to the relisting for about EUR 200 thousand.

The result for the quarter is also affected by the fact that during the first quarter of the year, the relisting of Innofactor Plc was completed. That resulted in about EUR 200 thousand of one-off costs and required a significant amount of attention from the upper management.

During the first quarter, research and development costs recognized in the profit and loss statement were EUR 592 thousand.

## Financing and investments

Innofactor's balance sheet total at the end of the review period was EUR 18,241 thousand (2010: 5,446). The group's liquid assets totaled in EUR 1,222 thousand (2010: 1,672), all of which consisted of cash funds.

The operating cash flow in the review period was EUR -383 thousand (2010: 46). The investment cash flow was EUR -109 thousand (2010: -24).

The equity ratio was 74.8 percent (2010: 55.7%) and net gearing was -9.9 percent (2010: -59.7%). There were no interest-bearing debts (neither were there any in 2010). The return on investment in the review period was 0.7 percent (2010: 41.4%) and the return on equity was 0.4 percent (2010: 29.9%).

The significant change in the above mentioned key figures is mainly due to the significant strengthening of the balance sheet as a result of the merger between Westend ICT Plc and Innofactor Oy at the end of 2010.

Although former Westend ICT Plc was the judicial buyer in the acquisition and the judicial target of acquisition was former Innofactor Oy, in accordance with IFRS 3, the acquisition was a reverse acquisition in which, from the point of view of bookkeeping, former Westend ICT Plc was the target of acquisition and former Innofactor Oy was the buyer. In connection with the acquisition, the value of the former Westend ICT group's customer

relationships and software products was tentatively set to EUR 6,138 thousand in the financial statement of 2010. These intangible assets were included in the other intangible assets in the balance sheet and, after the deferred taxes had been taken into account, the goodwill value was set to EUR 5,114 thousand.

Innofactor Plc has about EUR 38 million of losses confirmed in the taxation for years 2001–2008. These were not taken into account as deferred tax assets in the preliminary acquisition cost calculation for 2010. According to IFRS 3, the acquisition cost calculation may be adjusted. At the end of March, the Large Taxpayers' Office gave a preliminary notice on the confirmed losses, according to which "Innofactor Plc (former Westend ICT Plc) may deduct its previously confirmed losses in the circumstances described in the application."

On the basis of the preliminary notice and other information received after the acquisition, Innofactor Plc updated the acquisition cost calculation related to the reverse acquisition of Westend ICT Plc during the first quarter. According to the adjusted acquisition cost calculation, the value of the former Westend ICT group's customer relationships and software products were set to EUR 1,222 thousand. These intangible assets were included in the other intangible assets in the balance sheet. In the adjusted acquisition cost calculation, EUR 7,925 thousand was allocated to the deferred tax assets and the goodwill value was set to EUR 827 thousand. The table related to this is enclosed as an attachment. The comparable figures 31.12.2010 have been changed accordingly.

The long-term assets in Innofactor's balance sheet were EUR 11,625 thousand in total and they consisted of the following items:

- Tangible assets EUR 524 thousand
- Goodwill value EUR 1,207 thousand
- Other intangible assets EUR 1,766 thousand
- Deferred tax assets EUR 8,127 thousand

In the review period, Innofactor's gross investments in tangible assets were EUR 109 thousand (2010: 24) and they consisted of normal additional and replacement investments required by growth.

In accordance with the depreciation tests performed, there are no depreciations in assets. The write-off for intangible assets was EUR 81 thousand (2010: 19).

## **Research and product development**

Innofactor's research and development costs recognized in the profit and loss statement were EUR 592 thousand (there is no comparison figure available for the same period in

2010), which is 15.0% of the net sales. The management estimates that most of the research and product development costs of 2011 will be registered on the first half of the year.

## Personnel

The number of personnel in Innofactor was 174 (2010: 87) on the average and this shows an increase of 100.0 percent. At the end of the review period, the number of personnel was 177 (2001: 96), which shows an increase of 84.4 percent.

At the end of the review period, the average age of personnel was 36.17 years. Of the personnel, 38.6 percent has a higher academic degree, 34.7 percent has a lower academic degree or is studying for a higher academic degree, and 26.7 percent has some other degree. Of the personnel, 19.77 percent are women and 80.23 percent are men.

## Business operations

The business operations of Innofactor were concentrated in Finland and about 97% of the net sales came from Finland. The rest, about 3% of the net sales, came from the emissions trading solutions for the European Union member countries, Swedish parish customers, and foreign operations of some Finnish companies.

## Other events in the review period

The change of the company name to Innofactor Plc came into effect on January 5, 2011, as the new trade name was registered in the Trade Register. The Extraordinary General Meeting on December 27, 2010, made the decision on changing the name.

Innofactor Plc published its new strategy on January 10, 2011. In accordance with its strategy, Innofactor Plc strives to continue its growth as the Finland's largest software provider focused on Microsoft solutions. Additionally, Innofactor Plc is trying to seek growth in areas near Finland and in global cloud applications.

On March 11, 2011, Innofactor Plc submitted to the stock exchange a report on fulfilling the listing criteria and an application for admitting the new shares to public trading, and on March 16, 2011, the new prospectus to the Financial Supervisory Authority. The new shares subscribed for on December 27, 2010, in the directed issue of Innofactor Plc in connection with the merger of Westend ICT Plc and Innofactor Oy—a total of 409,665,891 shares—were admitted to public trading in Nasdaq OMX Helsinki Oy as of March 22, 2011, together with the total of 175,571,096 old shares. As of March 22, 2011, a total of 585,236,987 shares have been subject to public trading.

## Share and shareowners

The share capital of Innofactor Plc at the end of the review period was EUR 2,100,000 and the number of shares was 585,236,987 in total.

During the quarter, the highest share price was EUR 0.16 (EUR 0.06 in 2010), the lowest share price was EUR 0.07 (EUR 0.04 in 2010), and the closing price was EUR 0.08 (EUR 0.05 in 2010). The average share price\* in the review period was EUR 0.11 (EUR 0.06 in 2010).

\* 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 (previously the price was calculated on the basis of the weighted average of the daily closing prices).

During the quarter, 13,814,370 shares were traded in the public trading (1,689,149 shares in 2009), which is 2.3 percent (1.3% in 2010) of the average number of shares. On January 1–March 31, 2011, there were 585,236,987 shares on the average (128,492,696 shares in 2010).

The market value of the share capital at the closing rate of the review period, EUR 0.08, on March 31, 2011, was EUR 46,819 thousand (2010: 6,425), which shows an increase of 628.7%.

On March 31, 2011, the company had 12,666 shareowners (2010: 13,083), including administrative registers (7 pcs). The share of nominee registered ownership was 0.4 percent of the total number of shares.

The Board of Directors of Innofactor Plc has the authorization, given by the General Meeting on December 27, 2010, to purchase 50,000,000 shares of the company. Innofactor Plc acquired 987 pcs of its own shares in public trading on April 4, 2011, for the total price of EUR 78.96. The acquired shares were voided and this was registered in the Trade Register on April 15, 2011. Voiding the shares made the number of shares divisible in order to implement the share consolidation decided by the General Meeting on April 28, 2011. Innofactor Plc or the companies belonging to the same group with it had no other Innofactor Plc shares in their possession during the quarter. By the decision of the General Meeting on April 28, 2011, which combined 20 shares into one, the authorization given to the Board of Directors on December 27, 2010, authorizing it to repurchase company's own shares, was changed as regards the number of shares, so that the authorization is for a maximum of 2,500,000 shares.

The General Meeting of Innofactor Plc on June 18, 2009, authorized the Board of Directors to decide, by December 31, 2012, on a share issue and granting of special rights entitling to shares. A maximum of 60,000,000 new shares may be granted on the basis of the authorization. By the decision of the General Meeting on April 28, 2011, which combined



20 shares into one, the authorization given to the Board of Directors on June 18, 2009, authorizing it to decide on a share issue and granting of special rights entitling to shares, was changed as regards the number of shares, so that the authorization is for a maximum of 3,000,000 shares. The authorization has not been used.

Innofactor Plc issued no flagging announcements during the review period.

According to the share register maintained by Euroclear Finland Oy, on March 31, 2011, the share ownership of persons belonging to the public insider register was as follows:

Board of Directors:

- Ilpo Santala, 2,791,079 shares, 0.48%
- Sami Ensio, 147,109,255 shares, 25.14%
  - Sami Ensio, 103,633,960 shares, 17.71%
  - minor under guardianship, 14,491,765 shares, 2.48%
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  - minor under guardianship, 14,491,765 shares, 2.48%
- Pekka Puolakka, 0 shares, 0%
- Mikko Salminen, 7,000 shares, 0.001%

CEO:

- Sami Ensio, 147,109,255 shares, 25.14%
  - Sami Ensio, 103,633,960 shares, 17.71%
  - minor under guardianship, 14,491,765 shares, 2.48%
  - minor under guardianship, 14,491,765 shares, 2.48%
  - minor under guardianship, 14,491,765 shares, 2.48%

Management Team:

- Henrikki Hervonen, 2,677,615 shares, 0.46%
- Mikko Lampi, 20,716,687 shares, 3.54%
- Aleksi Mattila, 2,912,430 shares, 0.50%
- Mika Nurmi, 2,791,079 shares, 0.48%
- Tuomas Riski, 20,716,743 shares, 3.54%
- Anneli Saarikoski, 2,330 shares, 0.0004%
- Vesa Tiirikainen, 2,515,004 shares, 0.43%

Auditors:

- Juha Hilmola, 0 shares, 0.0% (acts as the main responsible auditor in the financial period of 2011)

- Juha Nenonen, 0 shares, 0.0% (acted as the main responsible auditor in the financial period of 2010)

## Management of the company

Innofactor Plc complies with the recommendations of the Corporate Governance for Finnish listed companies in 2010, published by the Securities Market Association. The entire Corporate Governance of Innofactor Plc is available on the company's web site at: [http://www.innofactor.com/investors/corporate\\_governance](http://www.innofactor.com/investors/corporate_governance)

In the General Meeting on April 28, 2011, the number of the members of the Board of Directors was confirmed to be four. The General Meeting decided to approve the proposal to select Sami Ensio, Juha Koponen, Pyry Lautsuo and Pekka Puolakka as the members of the Board of Directors. The Board of Directors selected Pyry Lautsuo to be their Chairman.

The General Meeting accepted the proposal for selecting Ernst & Young Oy, an auditing firm authorized by the Central Chamber of Commerce, as the auditor for the company, with Juha Hilmola (CA) as the main responsible auditor.

## Short term risks and uncertainty factors

The operation, finances and shares of Innofactor include risks that may be essential for the company and its share value. The Board of Directors of Innofactor Plc assesses risks four times a year as a part of the strategy and business planning process.

### Operational risks

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

### Financial risks

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

### Risks related to shares

The risk related to the reliability of price formation, which was due to the low price of Innofactor Plc's share, was decreased when, by the decision of the General Meeting on April 28, 2011, 20 Innofactor shares were consolidated into one and the change was registered in the Trade Register on May 7, 2011. The price per share at the closing rate of

May 6, 2011, was EUR 0.07 and at the closing rate of May 9, 2010, EUR 1.40. On May 9, 2011, the stock exchange removed the Innofactor Plc share from the observation segment.

In other aspects, there have been no significant changes in Innofactor's short-term risks and uncertainty factors related to the shares during the financial period nor are any expected.

## **Acquisitions and changes in the group structure**

No acquisitions were made during the review period.

## **Responsibility for the environment and to the society**

Innofactor's operation is guided by the company strategy, values, quality system, environmental policy, and laws. The group is committed to operating profitably and increasing its net sales while taking into account the environmental effects.

Innofactor takes care of the well-being of its personnel by maintaining a stable, safe and communicative atmosphere and by building a reliable development path into the future.

In its operation, Innofactor adheres to the principles of sustainable development and the environmental guidelines of the Federation of Finnish Technology Industries. Through the solutions it has developed, the group has helped its customers to reach their environmental goals and affected the sustainable development of the society. The electronic case and document management solutions and client transaction solutions are examples of solutions created by the group that decrease the effects on the environment. Emissions trading systems for several European countries help in the work against the climate change.

Innofactor strives to establish long-term cooperation with its clients and partners to make know-how on different fields to complement each other and create new kinds of solutions. According to its mission, the group aims at offering its employees and partners an innovative and supportive environment in which they can continue their development.

## **Strategy**

Innofactor published its renewed strategy on January 10, 2011, in a separate stock exchange release. In accordance with its strategy, the group strives to continue its growth as the Finland's largest software provider focused on Microsoft solutions. Additionally, Innofactor is trying to seek growth in areas near Finland and in global cloud applications.

Innofactor's mission is

- to help its customers to offer their customers even better services and to improve their own operations;
- to import and modify global Microsoft solutions into a whole that fits its customers' needs;
- to develop new innovative and globally competitive software and components for the Microsoft cloud;
- to offer its employees and partners an innovative and supportive environment in which they can continue their development.

Innofactor's vision is

- to try to continually operate on markets whose size does not set restrictions to Innofactor's growth;
- to grow both organically and through acquisitions as Microsoft's most important integrator in Finland and, in the future, also in the surrounding areas in such a manner that Innofactor will be clearly larger in 2015 than it is now;
- to utilize the radical change offered by the cloud technology in such a way that Innofactor can implement for the Microsoft cloud globally competitive software and components, which will help to create significant business for Innofactor in the global markets by 2015.

Innofactor's strategy is to be a leading Microsoft solution provider and the most important strategic choices related to this are

- maintaining in the markets the best ability to innovate new solutions;
- operating with intense customer-orientation;
- offering the customers a leading, comprehensive Microsoft solution from a single provider;
- operating in a cost-effective manner, for example, utilizing modifiable product lines and available resources in an optimized way.

Innofactor's goal is to grow profitably

- to achieve in 2011-2015 the annual growth of 30% on average through both organic growth and acquisitions;
- to achieve in 2011-2015 an annual business profit of 15% on average in relation to the net sales;
- to keep the cash flow positive and secure good financial standing in all situations.

## Events after the review period

Innofactor Plc acquired 987 pcs of its own shares in public trading on April 4, 2011, for the total price of EUR 78.96. Voiding the acquired shares was registered in the Trade Register on April 15, 2011. Voiding the shares made the number of shares divisible in order to implement the share consolidation decided by the General Meeting on April 28, 2011.

On April 21, 2011, the companies of the Innofactor group made a decision on reorganization in which all the business operations of the current Innofactor Software Oy, Innofactor Visual Management Oy and Innofactor Customer Solutions Oy were to be transferred to Innofactor Documenta Oy on May 1, 2011. At the same time, they also agreed on changing the name of Innofactor Documenta Oy to Innofactor Software Oy. After the arrangement, the group's actual business operations are centralized into this company. The purpose of the reorganization is to change the group structure to better suit Innofactor's current strategy and operative functions. The arrangement also strives for savings in general costs and costs related to the financial management. Innofactor's goal is to try to maintain a group structure in which there is the parent company and, under it in each country, only one company with business operations. In the arrangement, the employees were transferred to former Innofactor Documenta Oy as old employees and the arrangement has no negative effects for the employees or customer relationships.

The Annual General Meeting of Innofactor Plc on April 28, 2011, selected a new Board of Directors. Innofactor Plc's CEO Sami Ensio (M.Sc.) and Pekka Puolakka (LL.M.) continue to serve in the Board of Directors. New members of the Board of Directors are Juha Koponen (D.Sc. (Tech.)) and Pyry Lautsuo (M.Sc.). In the regrouping meeting of the Board of Directors, which took place immediately after the General Meeting, Pyry Lautsuo was selected as the Chairman of the Board. Ernst & Young Oy, an auditing firm authorized by the Central Chamber of Commerce, continues as the auditor, with Juha Hilmola (CA) as the main responsible auditor.

The Annual General Meeting of Innofactor Plc on April 28, 2011, accepted the Board of Directors' proposal to decrease the company's number of shares without lowering the share capital by consolidating twenty (20) old shares into one (1) new share in the intention decreed in the Chapter 15, Section 9 of the Finnish Companies act and by complying with the procedures of the provision, on May 6, 2011. The purpose of the share consolidation is to improve the reliability of share price formation. At the same time, it was decided that the Board of Directors' authorization to decide on a share issue and granting of special rights entitling to shares and to repurchase the company's shares be decreased in a corresponding ratio.

Innofactor Plc's shares were consolidated in accordance with the decision on May 6, 2011, and the voiding of shares related to the consolidation was registered in the Trade Register

on May 7, 2011. Public trading with the new number of shares–29,261,800–started on May 9, 2011.

Innofactor's order book has developed positively also in April 2011 and this predicts that the group can fulfill the goals set for 2011.

### **Future outlook**

Innofactor's future outlook remains the same. The group's net sales in 2011 are estimated to be about EUR 17 million, which is an increase of 70% compared to 2010. The earnings before interest, taxes, depreciation and amortization (EBITDA) both in euro and in percentage are estimated to be better than in 2010 (2010: EUR 979 thousand and 9.9 percent).

### **Financial statement summary and appendixes**

Innofactor Plc's financial statement summary and appendixes are presented in their entirety in a separate appendix to this release.

Espoo, May 10, 2011

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**Financial releases in 2011**

The interim reports of Innofactor Plc in 2011 will be published as follows:

- Interim report January–June on August 9, 2011, at 8:30 Finnish time
- Interim report January–September on November 1, 2011, at 8:30 Finnish time

The minutes of meeting for the Annual General Meeting on April 28, 2011, were published on May 5, 2011.

## **Financial statement summary and appendixes January 1–March 31, 2011 (IFRS)**

### Drafting principles

This interim report has been drafted in accordance with the IAS 34 Interim financial reporting standard. The interim report adheres to the same drafting principles and calculation methods as the last annual financial statement. The principles for calculating the key figures and the calculation formulas have not been changed and they have been presented in the financial report 2010.

Drafting a financial statement in accordance with the IFRS standards requires the management of Innofactor to use estimates and presuppositions, which affect the amounts of assets and debts at the time of drafting the balance sheet and the amounts of earnings and costs for the review period. Additionally, deliberation is needed in applying the drafting principles for a financial statement. As estimates and presuppositions are based on the views at the time of drafting the interim report, they contain risks and uncertainty factors. The actual figures may deviate from the estimates and presuppositions. The figures of the profit and loss statement and the balance sheet are figures for the group. The figures of the statement have been rounded, so the sum of individual figures may differ from the sum presented. The figures in the interim report have not been audited.

The preliminary acquisition cost calculation for the acquisition of Westend ICT Plc has been updated (appendix Acquired businesses, page 26). The changes corresponding to the update have been noted retroactively in the balance sheet of December 31, 2010, that is presented in this interim report.



**Consolidated profit and loss statement**

EUR thousand	Jan 1–Mar 31, 2011	Jan 1–Mar 31, 2010	Jan 1–Dec 31, 2010
Net sales	3,943	2,210	9,862
Other operating income	10	0	4
Materials (-)	-231	-122	-557
Employee benefits expenses (-)	-2,704	-1,289	-6,230
Depreciations (-)	-131	-69	-278
Other operating expenses (-)	-868	-451	-2,099
<b>Operating profit</b>	<b>19</b>	<b>279</b>	<b>702</b>
Financial income	1	0	17
Financial expenses (-)	-4	-1	-22
<b>Profit before taxes</b>	<b>16</b>	<b>278</b>	<b>696</b>
Income taxes	-3	-76	-191
<b>Profit for the period</b>	<b>13</b>	<b>202</b>	<b>505</b>
<b>Total comprehensive income</b>	<b>13</b>	<b>202</b>	<b>505</b>

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

Earnings per share (undiluted) (EUR)	0.0000	0.0006	0.0014
Earnings per share (diluted) (EUR)	*)	*)	*)

\* ) Diluted earnings per share have not been calculated, because it has been agreed that a stock option program related to Innofactor Software Oy will be compensated in connection with the Westend ICT acquisition.

**Consolidated balance sheet**

**ASSETS**

EUR thousand	Mar 31, 2011	Mar 31, 2010	Dec 31, 2010
<b>Non-current assets</b>			
Tangible assets	524	360	472
Goodwill	1,207	240	1,322
Other capitalized expenditure	1,766	190	1,840
Deferred tax assets	8,128	300	8,132
<b>Non-current assets</b>	<b>11,625</b>	<b>1,090</b>	<b>11,766</b>
<b>Current assets</b>			
Trade receivables	5,394	2,684	6,037
Cash and cash equivalent	1,222	1,672	1,714
<b>Current assets</b>	<b>6,616</b>	<b>4,356</b>	<b>7,751</b>
<b>TOTAL ASSETS</b>	<b>18,241</b>	<b>5,446</b>	<b>19,517</b>

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR thousand	Mar 31, 2011	Mar 31, 2010	Dec 31, 2010
<b>Equity attributable to equity holders of the parent</b>			
Share capital	2,100	12	2,100
Share premium reserve	72	72	72
Other reserves (+/-)	59	59	59
Fund for invested unrestricted equity	8,344	275	8,344
Retained earnings	1,716	2,381	1,703
<b>Total shareholders' equity</b>	<b>12,291</b>	<b>2,799</b>	<b>12,278</b>
<b>Long-term liabilities</b>			
Deferred tax liabilities	455	28	459
<b>Long term liabilities total</b>	<b>455</b>	<b>28</b>	<b>459</b>
<b>Current liabilities</b>			
Trade payables	5,495	2,619	6,781
<b>Current liabilities total</b>	<b>5,495</b>	<b>2,619</b>	<b>6,781</b>
<b>Liabilities total</b>	<b>5,950</b>	<b>2,647</b>	<b>7,240</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>18,241</b>	<b>5,446</b>	<b>19,517</b>

**Statement of change in shareholders' equity**

EUR thousand	Share capital	Share premium	Other reserve	Fund for invested unrestricted equity	Own shares	Retained earnings	Total shareholders' equity
<b>Shareholders' equity Jan 1, 2011</b>	<b>2,100</b>	<b>72</b>	<b>59</b>	<b>8,344</b>	<b>-20</b>	<b>1,723</b>	<b>12,278</b>
Comprehensive income							
Profit for the period						13	13
Comprehensive income total	0	0	0	0	0	13	13
<b>Shareholders' equity Mar 31, 2011</b>	<b>2,100</b>	<b>72</b>	<b>59</b>	<b>8,344</b>	<b>-20</b>	<b>1,736</b>	<b>12,291</b>
<b>Shareholders' equity Jan 1, 2010</b>	<b>12</b>	<b>72</b>	<b>59</b>	<b>275</b>	<b>0</b>	<b>2,179</b>	<b>2,597</b>
Comprehensive income							
Profit for the period					202	202	
Comprehensive income total	0	0	0	0	0	202	202
<b>Shareholders' equity Mar 31, 2010</b>	<b>12</b>	<b>72</b>	<b>59</b>	<b>275</b>	<b>0</b>	<b>2,381</b>	<b>2,799</b>

**Consolidated cash flow statement**

EUR thousand	Jan 1–Mar 31, 2011	Jan 1–Mar 31, 2010	Jan 1–Dec 31, 2010
<b>Cash flow from operating activities</b>			
Operating profit	20	279	702
Amendments:			
Depreciations	131	69	278
Change in working capital:			
Change in trade or other receivables (+/-)	715	-123	-1,242
Change in trade and other payables (+/-)	-1,171	-102	626
Interests paid (-)	-4	-1	-22
Interests received	1	0	17
Taxes paid (-)	-75	-76	-191
<b>Cash flow from operating activities total</b>	<b>-383</b>	<b>46</b>	<b>167</b>
<b>Cash flow/investments</b>			
Investment in daughter companies	0	0	558
Investments in intangible and tangible assets (-)	-109	-24	-458
<b>Cash flow/investments total</b>	<b>-109</b>	<b>-24</b>	<b>100</b>
<b>Cash flow/financing</b>			
Payments received from share issue	0	0	441
Purchase of own shares (-)	0	0	-20
Paid dividends (-)	0	0	-623
<b>Cash flow/financing total</b>	<b>0</b>	<b>0</b>	<b>-202</b>
<b>Change in liquid funds (+/-)</b>	<b>-492</b>	<b>22</b>	<b>65</b>
Liquid funds opening balance	1,714	1,650	1,650
Liquid funds closing balance	1,222	1,672	1,714

**Profit and loss statement by quarter**

EUR thousand	Jan 1– Mar 31, 2011	Jan 1– Mar 31, 2010	Apr 1– June 30, 2010	July 1– Sep 30, 2010	Oct 1–Dec 31, 2010
<b>Net sales</b>	<b>3,943</b>	<b>2,210</b>	<b>2,148</b>	<b>2,192</b>	<b>3,312</b>
Other operating income	10	0	3	0	0
Materials (–)	-231	-122	-137	-112	-187
Employee benefits expenses (–)	-2,704	-1,289	-1,374	-1,540	-2,027
Depreciations (–)	-131	-69	-70	-70	-69
Other operating expenses (–)	-868	-451	-562	-447	-638
<b>Operating profit</b>	<b>19</b>	<b>279</b>	<b>8</b>	<b>23</b>	<b>391</b>
Financial income	1	0	0	1	16
Financial expenses (–)	-4	-1	-1	-1	-20
<b>Profit before taxes</b>	<b>16</b>	<b>278</b>	<b>7</b>	<b>24</b>	<b>387</b>
<b>Income taxes</b>	<b>-3</b>	<b>-76</b>	<b>-2</b>	<b>-6</b>	<b>-106</b>
<b>Profit for the period</b>	<b>13</b>	<b>202</b>	<b>5</b>	<b>17</b>	<b>281</b>

**Commitments and contingent liabilities**

EUR thousand	Mar 31, 2011	Mar 31, 2010	Dec 31, 2010
<b>Own guarantees</b>			
Rental guarantees	185	106	123
Business mortgages of own debts	300	0	300
Bank guarantees	18	18	18
<b>Other own guarantees</b>			
Lease liabilities			
Current lease liabilities	106	24	108
Lease liabilities maturing in 1-5 years	160	30	184
<b>Total</b>	<b>266</b>	<b>54</b>	<b>292</b>
<b>Rental liabilities</b>			
Current rental liabilities	514	290	551
Rental liabilities maturing in 1-5 years	589	493	649
<b>Total</b>	<b>1,103</b>	<b>783</b>	<b>1,200</b>
<b>Other own guarantees total</b>	<b>1,369</b>	<b>837</b>	<b>1,492</b>

**Key figures**

	mo. 1–3 /2011	mo. 1–3 /2010	Change	mo 1–12 /2010
Net sales, EUR thousand	3,943	2,210	+78.4%	9,862
Earnings before interest, taxes, depreciation and amortization (EBITDA), EUR thousand*	150	348	-56.9%	979
percentage of net sales*	3.8%	15.7%		9.9%
Earnings before interest and taxes (EBIT), EUR thousand*	19	279	-93.2%	702
percentage of net sales*	0.5%	12.6%		7.1%
Earnings before taxes, EUR thousand	16	278	-94.2%	696
percentage of net sales	0.4%	12.6%		7.1%
Earnings, EUR thousand	13	202	-93.6%	505
percentage of net sales	0.3%	9.1%		
Equity, EUR thousand	12,291	2,799	+339.1%	12,278
Return on equity**	0.4%	29.9%		6.8%
Return on investment**	0.7%	41.4%		9.7%
Net gearing	-9.9%	-59.7%		-14.0%
Equity ratio	74.8%	55.7%		68,6%
Balance sheet total, EUR thousand	18,241	5,446	+234.9%	19,517
Research and development, EUR thousand***	592			1,173
percentage of net sales***	15.0%			11.9%
Personnel on average during the review period	174	87	+100.0%	108
Personnel at the end of the review period	177	96	+84.4%	171
Number of shares at the end of the review period****	585,236,987	335,133,294	+74.6%	585,236,987
Earnings per share (EUR)****	0.000022	0.000603	-96.3%	0.0014
Shareholders' equity per share (EUR)****	0.021	0.008	+151.5%	0.021
Number of shares on May 10, 2011	29,261,800			
Earnings per share for the number of shares on May 10, 2011 (EUR)****	0.000444			



Shareholders' equity per share for the number of shares on May 10, 2011 (EUR)\*\*\*\* 0.420

\* The figures include one-off costs related to the relisting for about EUR 200 thousand.

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

\*\*\* There are no comparison data for the corresponding review period in 2010 as Innofactor did not draft comparable interim reports in 2010 due to the reverse acquisition in accordance with IFRS 3.

\*\*\*\* In accordance with the decision of the Innofactor Plc's Annual General Meeting on April 28, 2011, twenty old shares were consolidated into one new share (registered in the Trade Register on May 7, 2011) and due to this, the total number of shares decreased to 1/20 of the previous number.

## Acquired businesses

EUR thousand	Preliminary	Updated	Change
Tangible assets	95	95	0
Customer relationships	3,168	530	-2,638
Technology	2,970	692	-2,278
Other capitalized expenditure	25	25	0
Deferred tax assets	0	7,925	+7,925
Trade receivables	1,987	1,987	0
Cash and cash equivalent	371	371	0
<b>Total assets</b>	<b>8,616</b>	<b>11,625</b>	<b>+3,009</b>
Deferred tax liabilities	-1,596	-318	+1,278
Received advances	-1,064	-1,064	0
Trade payables	-1,730	-1,730	0
<b>Liabilities total</b>	<b>-4,390</b>	<b>-3,112</b>	<b>+1,278</b>
<b>Net assets</b>	<b>4,226</b>	<b>8,513</b>	<b>+4,287</b>
Acquisition cost	9,340	9,340	0
Goodwill	5,114	827	-4,287

The change in the valuation of the acquired customer relationships and technology is due to the company's more detailed analyses of the time of the acquisition, which show that there are uncertainties related to the permanence of the customer relationships, decreasing their probability of being permanent, and that the duration of customer relationships is shorter than anticipated. It was also detected that the life span of technology is shorter than anticipated.

In the adjusted acquisition cost calculation, EUR 7,925 thousand was allocated to the deferred tax assets based on the positive preliminary notice received from the tax authorities concerning the use of confirmed losses from previous financial periods.

The change in deferred tax liabilities is due to the change in the value allocated for the customer relationships and technology.

## Largest shareholders

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

- Sami Ensio 147,109,255 shares, 25.14%
  - Sami Ensio 103,633,960 shares, 17.71%
  - underaged minor under guardianship 14,491,765 shares, 2.48%
  - underaged minor under guardianship 14,491,765 shares, 2.48%
  - underaged minor under guardianship 14,491,765 shares, 2.48%
- Tuomo Tilman 57,735,570 shares, 9.87%
  - Tuomo Tilman 54,949,855 shares, 9.39%
  - Mpire Capital Oy 2,785,715 shares, 0.48%
- Jyrki Salminen 54,949,856 shares, 9.39%
- Rami Laiho 29,502,755 shares, 5.04%
- Risto Linturi 28,032,137 shares, 4.79%
  - Risto Linturi 546,081 shares, 0.09%
  - R. Linturi Oyj 27,486,056 shares, 4.70%
- Antti-Jussi Mäki 26,278,830 shares, 4.49%
- Tuomas Riski 20,716,743 shares, 3.54%
- Mikko Lampi 20,716,687 shares, 3.54%
- Juha Luostarinen 18,588,773 shares, 3.18%
- Matias Ärje 17,931,807 shares, 3.06%
- Klaus Jokinen 17,538,773 shares, 3.00%
- Teemu Muukkonen 10,179,928 shares, 1.74%
- Janne-Olli Järvenpää 7,980,361 shares, 1.36%
- Heikki-Harri Kukkonen 7,269,887 shares, 1.24%
- Ementor Norge As 5,385,998 shares, 0.92%
- Jari Laiho 5,337,028 shares, 0.91%
- Lasse Tolvanen 4,058,682 shares, 0.69%
- Timo Kallioniemi 3,618,163 shares, 0.62%
- Petri Salminen 3,618,163 shares, 0.62%
- Aleks Mattila 2,912,430 shares, 0.50%