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Innofactor Plc financial statement 2013 (IFRS)

Summary

	mo. 10–12 /2013	mo. 10–12/ 2012	Change	mo. 1–12 /2013	mo. 1–12/ 2012	Change
Net sales, EUR thousand	11,090	6,297	+76.1%	32,685	18,818	+73.7%
Growth of net sales	+76.1%	+22.6%		+73.7%	+9.4%	
Operating margin (EBITDA), EUR thousand	1,321	1,036	+27.6%	3,284	1,215	+170.3%
percentage of net sales*	11.9%	16.4%		10.0%	6.5%	
Operating profit/loss (EBIT), EUR thousand*	986	869	+13.4%	2,255	620	+263.7%
percentage of net sales*	8.9%	13.8%		6.9%	3.3%	
Earnings before taxes, EUR thousand**	1,025	860	+19.1%	1,863	591	+215.2%
percentage of net sales**	9.2%	13.7%		5.7%	3.1%	
Earnings, EUR thousand**	776	816	-5.0%	1,407	449	+213.4%
percentage of net sales**	7.0%	13.0%		4.3%	2.4%	
Net gearing	55.9%	5.4%		55.9%	5.4%	
Equity ratio	43.1%	66.1%		43.1%	66.1%	
Personnel on average during the review period	392	197	+98.9%	307	189	+62.4%
Earnings per share (EUR)	0.0216	0.0272	-20.7%	0.0432	0.0150	+187.1%

* The second quarter of 2013 included one-off costs related to the atBusiness Oy acquisition for about EUR 164 thousand, and also cost reserves related to the integration for about EUR 200 thousand, a total of about EUR 364 thousand. The last quarter of 2013 included one-off costs related to acquisitions for about EUR 182 thousand, and also costs and cost reserves related to the integration for about EUR 277 thousand, a total of about EUR 459 thousand. The last quarter of 2013 included a one-off profit of EUR 158 thousand.

** The second quarter of 2013 included one-off costs related to the atBusiness Oy acquisition for about EUR 370 thousand (of which EUR 206 thousand were costs related to organizing the loans), and also cost reserves related to the integration for about EUR 200 thousand, a total of about EUR 570 thousand. The last quarter of 2013 included one-off costs related to acquisitions for about EUR 662 thousand (of which the financial expenses for the additional purchase price related to the acquisition were EUR 480 thousand), and also costs and cost reserves related to the integration for about EUR 277 thousand, a total of about EUR 939 thousand. The last quarter of 2013 included one-off profit of EUR 158 thousand and also financial income of EUR 758 thousand for the additional purchase price related to the acquisition, a total of about EUR 916 thousand.

Innofactor's net sales in 2014 are expected to be about EUR 43–48 million (2013: EUR 32.7 million). The operating margin (EBITDA) in 2014 is expected to be about EUR 4–6 million (2013: EUR 3.3 million).

The annual figures in this financial statement have been audited. The figures include the acquired atBusiness Oy (current Innofactor Business Solutions Oy) as of June 1, 2013, and the acquired Enabling Group in the balance sheet of December 31, 2013. Further details about the acquisitions can be found in this report's section "Acquisitions and changes in the group structure."

Reporting

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

CEO Sami Ensio's review

In the last quarter of 2013, Innofactor continued profitable growth in accordance with its strategy. The growth of net sales was 76.1 percent and operating profit (EBITDA) was 11.9 percent of the net sales. Measured in net sales (EUR 11.0 million) and EBITDA (EUR 1.3 million), this was the best quarter ever in the company's history. This was the sixth successive best quarter compared to the corresponding quarters in previous years. This proves that on the last quarter of 2013, Innofactor has yet again been able to realize its selected growth strategy persistently and successfully.

For the entire year of 2013, the growth in net sales was 73.7 percent and the operating margin (EBITDA) was 10.0 percent of the net sales (without the one-off items, 12.1 percent) During 2013, Innofactor's share price rose 162.5 percent and the trading of the share in the stock exchange increased by 225.2 percent. It can be said that 2013 was a successful year for Innofactor. Also, Kauppalehti and Balancing Consulting selected Innofactor as the most successful company in the stock exchange in 2013, based on the growth in net sales, profitability and good share price development.

In 2013, Innofactor made several important business arrangements. In June 2013, Innofactor acquired the entire share capital of atBusiness Oy. atBusiness was one of Finland's leading providers of Microsoft-based solutions and it had an excellent customer base, good indications of rapid growth and a strategy that was almost identical with Innofactor. The net sales of atBusiness in 2012 were EUR 17.4 million and EBITDA was EUR 2.7 million (15.3 percent of the net sales). The acquisition provides Innofactor with improved conditions for implementing its growth strategy in the Nordic countries and for offering software products and services through its own channel.

In September, Innofactor acquired the Finnish company Dynamic Team and this expanded its offering into Microsoft Dynamics AX ERP systems. In December 2013, Innofactor acquired a Danish provider of SharePoint solutions, Enabling, and this acquisition expanded the company's size in Denmark significantly.

At the end of 2013, Innofactor's new head office gathered all the employees in the metropolitan area together into the new Innofactor Campus in Keilaniemi, Espoo. Designed by Aarne Ervi, the personal and unique 1950's environment with green areas and a seaside sauna will inspire our employees to further improve their performance.

Due to the acquisitions and centralizing of operations, we think that Innofactor has good prerequisites to continue growing its operations profitably in 2014. Innofactor's strategy supports well the change in the markets and we believe that we can also benefit from any future growth in the IT market.

Innofactor is still actively looking for new strategic partnerships in the Nordic countries. The group will seek growth, which can be organic or based on mergers or acquisitions.

Market outlook and business environment

Due to long-standing uncertainties in the economic situation, it is challenging to make a reliable estimate on the development of the IT market in the near future. According to research companies monitoring the IT market, the IT service markets grew globally about 2–3 percent in 2013 and the growth is expected to increase to about 4–5 percent in 2014. The growth in the business software market was estimated to be about 5 percent globally in 2013 and it is estimated to grow about 6–7 percent in 2014.

The IT market is changing. Four global mega trends can be observed. First, using information technology and information systems is increasingly transferring into the cloud. The cloud will connect people, data, services and hardware into one global whole. The benefits of the cloud are cost-efficiency and flexibility. It is estimated that 70% of companies either already use cloud solutions or are planning to start using them. In the future, customers increasingly want to buy flexible services fitting their needs at the time, not so much large one-off delivery projects.

Second, the growth in the importance of social media that started with consumers is transferring to companies. Information systems are more and more expected to enable flexible communications between people and different systems, between employees, customers and partners. Approximately 57 percent of large companies are planning to invest in social media solutions in 2014.

Third, mobile devices and convergence of devices change how people behave at work and in their leisure time. People want their preferred common and personal services and same usability regardless of time, place and device used. IT is consumerizing. An increasingly larger part of IT purchases in companies are made on the conditions of individuals, that is, consumer markets. It is estimated that the number of mobile workforce will increase to 1.3 billion by 2015, which is approximately 37 percent of the entire global workforce.

Fourth, the cloud, social media and mobile devices are estimated to increase the amount of data saved globally by about 30–50 percent every year. Analyzing this so-called Big Data will offer plenty of possibilities for developing the operations of companies and the public sector and also new business models.

Innofactor believes that Microsoft—and thus, companies operating in the Microsoft ecosystem—will have a strong position on the changing IT market. Microsoft has the leading position in consumer and business software, a competitive offering and strong proof of very rapid growth in cloud services. Additionally, the acquisition of the Nokia mobile device business will give Microsoft a strong position in device markets. To maintain its leading position, Microsoft invests in product development significantly more than its competitors. In calendar year 2013, Microsoft's investments in product development were about USD 11 billion, whereas the corresponding investments by Google were about USD 8 billion, IBM about USD 6 billion, and Apple about USD 5 billion.

Innofactor believes that this development will create markets with long term growth for companies like itself that are strongly committed to Microsoft.

As concerns Microsoft-based solutions, competition in the Nordic Countries is divided between different kinds of parties. The first group is formed by large companies that operate in all of the Nordic Countries, such as Tieto, CGI and Accenture (for Microsoft solutions, Accenture's subsidiary Avanade). Typically, these companies offer a wide range of IT solutions for companies and organizations, using several competing technologies of which Microsoft technology is one option.

The second group is formed by companies that focus on a narrower solution area in the Nordic level, for example, Affecto and Platon in the Business Intelligence area. These companies also offer IT solutions for companies and organizations using several competing technologies of which Microsoft technology is typically one option.

The third group is formed by companies operating in just one country. These small or medium-sized companies often focus on one solution area, partner and/or field. For example, in the association and parish sector, there are national software providers specialized in these fields. There are also specialized providers for these fields for the selected solutions, such as network services, case management and customer relationship management systems.

Innofactor has made a strategic choice by focusing on solutions implemented with and utilizing the Microsoft platforms and by selecting as its solution areas the ones in which Microsoft's growth, and thus its partners' and ecosystem's growth, has exceeded the general average growth of IT service and software markets many times over. Innofactor is primarily focused on large and medium-sized companies and public sector organizations, which have a high level of requirements for their IT solution acquisitions.

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Innofactor's competitive edge is based on a strategy, which differs from its competitors' strategies and which focuses on providing a wide range of Microsoft-based solutions for companies and organizations and also utilizing its own software and products. Innofactor has a leading position in and understanding of the Microsoft ecosystem in the Nordic countries. Innofactor has one of the largest solution, product and service offerings based on Microsoft platforms in Europe. Profound understanding and good reputation in several customer verticals in the private, public and third sectors makes it possible to develop business operations so that they will serve the customers even better. Innofactor considers itself able to provide solutions that are competitive when compared to its competitors.

Microsoft's partner network in the Nordic countries and also elsewhere in Europe is quite fragmented and mainly consists of a large number of small and medium-sized local providers typically focused on one solution area. For Innofactor, this provides interesting potential for consolidation and internationalization. Innofactor's good reputation, unique proofs of rapid and profitable growth and successful acquisitions together with its entrepreneurial business culture make it a very attractive partner when making reorganizations in the field in the Nordic countries.

Net sales

Innofactor’s net sales on October 1–December 31, 2013, were EUR 11,090 thousand (2012: 6,297), which shows an increase of 76.1 percent, and on January 1–December 31, 2013, the net sales were EUR 32,685 thousand (2012: 18,818), which shows an increase of 73.7 percent.

Result development

Innofactor's operating margin (EBITDA) on October 1–December 31, 2013, was EUR 1,321 thousand* (2012: 1,036), which shows an increase of 27.6 percent*. EBITDA accounted for 11.9 percent of the net sales* (2012: 16.4%). Innofactor's operating profit on October 1–December 31, 2013, was EUR 986 thousand* (2012: 869), which shows an increase of 13.4 percent*. Operating profit accounted for 8.9 percent of the net sales* (2012: 13.8%).

Innofactor's operating margin (EBITDA) on January 1–December 31, 2013, was EUR 3,284 thousand** (2012: 1,215), which shows an increase of 170.1 percent**. EBITDA accounted for 10.0 percent of the net sales** (2012: 6.5%). Innofactor operating profit on January 1–December 31, 2013, was EUR 2,255 thousand** (2012: 620), which shows an increase of 263.7 percent**. Operating profit accounted for 6.9 percent of the net sales** (2012: 3.3%).

* The last quarter of 2013 included one-off costs related to acquisitions for about EUR 182 thousand, and also costs and cost reserves related to the integration for about EUR 277 thousand, a total of about EUR 459 thousand. The last quarter of 2013 included a one-off profit of EUR 158 thousand.

** The year 2013 included one-off costs related to acquisitions for about EUR 346 thousand, and also costs and cost reserves related to the integration for about EUR 477 thousand, a total of about EUR 823 thousand. The year 2013 included a one-off profit of EUR 158 thousand.

Financing and investments

Innofactor's balance sheet total at the end of the review period was EUR 46,671 thousand (2012: 22,173). The group's liquid assets totaled EUR 991 thousand (2012: 656), consisting totally of cash funds.

The operating cash flow in the review period of January 1–December 31, 2013, was EUR 1,369 thousand (2012: 252). The investment cash flow was EUR -2,815 thousand (2012: -1,459).

The equity ratio at the end of the review period was 43.1 percent (2012: 66.1%) and net gearing was 55.9 percent (2012: 5.4%).

At the end of the review period, the company had EUR 1,920 thousand in current interest bearing liabilities (2012: 443) and EUR 10,035 thousand in long term interest bearing liabilities (2012: 950).

The return on investment on January 1–December 31, 2013, was 12.9 percent (2012: 4.5%).

The return on equity on January 1–December 31, 2013, was 8.4 percent (2012: 3.4%).

The non-current assets in Innofactor's balance sheet at the end of the review period were EUR 31,723 thousand in total and consisted of the following items:

- Tangible assets EUR 868 thousand
- Goodwill value EUR 19,335 thousand
- Other intangible assets EUR 3,916 thousand
- Deferred tax assets EUR 7,604 thousand

Innofactor's gross investments in tangible assets in the review period of January 1–December 31, 2013, were EUR 365 thousand (2012: 189), consisting of normal additional and replacement investments required by growth.

According to the impairment tests carried out, there are no impairments. The write-offs on intangible assets were EUR 712 thousand (2012: 335).

Research and product development

Innofactor's research and development costs recognized in the profit and loss statement for October 1–December 31, 2013, were EUR 498 thousand (2012: 548), which accounts for 4.5 percent of the net sales (2012: 8.7%).

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Innofactor's research and development costs recognized in the profit and loss statement for January 1–December 31, 2013, were EUR 2,067 thousand (2012: 2,488), which accounts for 6.3 percent of the net sales (2012: 13.2%).

Personnel

The average number of personnel at Innofactor during October 1–December 31, 2013, was 392 (2012: 197), an increase of 98.9%; during January 1–December 31, 2013, the average number was 307 (2012: 189), an increase of 62.4%.

At the end of the review period, the number of personnel was 416 (2012: 193), which shows an increase of 115.5 percent.

At the end of the review period, the average age among personnel was 38.5 years (2012: 37.9). Of the personnel, 41.7 percent (2012: 42.3%) had a Master's Degree, 27.1 percent (2012: 32.8%) had a Bachelor's Degree or were studying for a Master's Degree, and 31.2 percent (2012: 24.9%) had some other degree. Women accounted for 24 percent of the personnel and men for 76 percent (2012: 20% and 80%).

Business operations

Innofactor's business operations were focused on Finland and Denmark. On January 1–December 31, 2013, about 86 percent of the net sales came from Finland and about 14 percent from Denmark.

Of the net sales on January 1–December 30, 2013, about 50% came from commercial clients and about 50% from public and third sector clients.

Innofactor's net sales in the review period of January 1–December 31, 2013, came from the following sources:

- about 65% from system integrator services (including system delivery projects, consulting, and smaller changes and further development);
- about 9% from licenses, of which the share of licensing income to third parties was about 2%;
- about 26% from recurring service contracts (incl. maintenance agreements, SaaS, cloud and hosting services).

Innofactor’s ten largest clients accounted for about 23 percent of the net sales during the review period January 1–December 31, 2013.

Other events in the review period

On March 26, 2013, the Annual General Meeting of Innofactor Plc resolved to adopt the accounts and the group's financial statement for the financial period that ended on December 31, 2012, and granted the members of the Board of Directors and the Chief Executive Officer discharge from liability for the financial period that ended on December 31, 2012.

The General Meeting decided, in accordance with the proposal of the Board of Directors, that no dividend will be paid for the financial period January 1–December 31, 2012.

The General Meeting decided to change the Section 4 of the Articles of Association as follows:

"The company shall have a Board of Directors, which comprises at a minimum of four (4) and at a maximum of eight (8) members. The term of office of the members of the Board of Directors shall end at the close of the first Annual General Meeting following their election.

The company shall have a CEO who is elected by the Board of Directors."

The General Meeting decided that the Chairman of the Board of Directors shall be paid a fee totaling EUR 36,000 per year and the other members of the Board of Directors shall be paid a fee totaling EUR 24,000 per year. No separate fees for meetings shall be paid. Half of the fee (50%) shall be paid monthly in cash and the other half (50%) as shares of Innofactor Plc. The shares shall be handed over to the members of the Board of Directors and, if necessary, shall be acquired from public trading directly on behalf of the members within two weeks of publishing the interim report of Innofactor Plc for January 1–March 31, 2013. Innofactor Plc requires the members of the Board of Directors to keep the shares, which they have received as part of the fees, for the duration of their membership in the Board of Directors.

The General Meeting decided that the number of Board members is six. The following persons were elected as members of the Board of Directors: Sami Ensio, Juha Koponen, Pyry Lautsuo, Jukka Mäkinen, Ilari Nurmi, and Pekka Puolakka. At their organizing meeting held immediately after the General Meeting, the Board of Directors elected Pyry Lautsuo as the Chairman of the Board.

Ernst & Young Oy, an auditing firm authorized by the Central Chamber of Commerce, was elected as the auditor for the company. Ernst & Young Oy has stated that it will appoint Juha Hilmola, Authorized Public Accountant, as the auditor with principal responsibility. It was decided that the auditing fee shall be paid according to a reasonable invoice.

On May 21, 2013, Innofactor announced in a stock exchange release that it had been selected in a public procurement procedure to deliver a document and case management system to Senate Properties. The delivery includes a document and case management system based on an off-the-shelf software solution, as well as support and maintenance services. The estimated value of the contract is EUR 812,000. Senate Properties is a government owned enterprise responsible for

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providing services related to premises, primarily to customers which form part of the state administration. The basis of the services is formed by leasing premises, investments, and the administration and development of the property portfolio. Customers include, for example, government agencies, ministries, research and cultural institutions, prisons, and defense administration. This transaction strengthens Innofactor's position as a provider of document and case management systems in Finland.

On June 7, 2013, Innofactor announced in a stock exchange release that it had acquired the entire share capital of atBusiness Oy. More details about the matter can be found in the section "Acquisitions and changes in the group structure."

On June 7, 2013, Innofactor published a stock exchange release about re-evaluating the outlook on 2013 due to the acquisition of atBusiness Oy announced in an earlier stock exchange release. There were uncertainties related to the outlook for 2013 due to the integration of a major acquisition, so no detailed estimate of the outlook could be provided. Innofactor's net sales in 2013 were expected to be about EUR 34–37 million (2012: EUR 18.8 million). The operating margin (EBITDA) in 2013 was expected to be about EUR 3–5 million (2012: EUR 1.2 million). Innofactor's earlier estimate was that Innofactor's net sales in 2013 were expected to be about EUR 24 million (2012: EUR 18,818 thousand). The operating margin (EBITDA) in 2013 was expected to be about EUR 2 million (2012: EUR 1,215 thousand).

On June 18, 2013, Innofactor announced in a stock exchange release that the 4,978,279 new Innofactor Plc shares had been registered in the Trade Register on June 18, 2013. After the registration, the total number of Innofactor Plc shares was 35,144,179. The shares registered in the Trade Register were issued as part of the purchase price payment for the acquisition mentioned above.

On July 1, 2013, Innofactor published a stock exchange release about Innofactor's reorganizations as of July 1, 2013. The change in organization was related to the acquisition announced on June 7, 2013, in which Innofactor acquired the entire share capital and capital loans of the Finnish company atBusiness Oy.

On August 2, 2013, Innofactor published the prospectus concerning the submitting of the new shares into public trading, approved by the Financial Supervisory Authority of Finland on August 2, 2013.

On August 23, 2013, Innofactor announced in a stock exchange release that Innofactor was selected in a public procurement procedure to deliver centralized data warehouse maintenance and further development for Aalto University. The value of the contract is EUR 568,490.

On September 17, 2013, Innofactor announced in a stock exchange release that Innofactor Plc’s Board of Directors updated the Innofactor Group’s strategy as part of Innofactor’s annual strategy process.

On September 17, 2013, Innofactor's Extraordinary General Meeting accepted the Board of Directors' proposal to grant the Board an authorization to decide on acquisition of own shares with following presumptions:

The Extraordinary General Meeting authorized the Board of Directors to decide on acquiring of a maximum of 8,000,000 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). Shares will be acquired from the sellers of atBusiness according to the terms of the contract signed on June 6, 2013, concerning the acquisition of the atBusiness shares, and at the price agreed on in the contract, and/or on NASDAQ OMX Helsinki Ltd with the public trading on the market. The number of shares in the company's possession at a time may be, at the maximum, one tenth of the total number of shares in the company.

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 March 17, 2015.

Additionally, the Extraordinary General Meeting authorized the Board of Directors to decide on granting a maximum 15,000,000 shares and transferring a maximum of 1,000,000 shares in the company's possession in one or several parts. However, the total number of shares shall not exceed 45,000,000.

The authorization will be valid until June 30, 2015.

On September 17, 2013, Innofactor announced in a stock exchange release that Innofactor has decided to cancel 569,000 shares held by the company. The cancellation of shares had no effect on the amount of share capital of the company.

On September 17, 2013, Innofactor announced in a stock exchange release that in its meeting on September 17, 2013, the Board of Directors of Innofactor decided on a directed issue, which was to be used to pay the final part of the purchase price of the Danish company Bridgeconsulting A/S using company's new shares. In the directed issue, the company issued 1,015,372 new shares.

On September 30, 2013, Innofactor announced in a stock exchange release that the new Innofactor Plc shares and the cancellation of own shares had been registered in the Trade Register. After the registrations, the total number of Innofactor Plc shares was 35,590,551.

On October 11, 2013, Innofactor announced in a stock exchange release that Innofactor has won a public procurement tender for maintaining FICORA's (The Finnish Communications Regulatory Authority) eServices platform for a period of four years including the option of one additional year. The value of the contract according to the procurement decision is EUR 2,257,800. The procurement covers the maintenance and further development of FICORA's integration and services platform according to their eServices roadmap. Additionally, it includes the future development of the system platform, daily maintenance services as well as process automatization and digitalization for the authority.

On October 23, 2013, Innofactor re-evaluated the outlook on 2013, as the schedule of costs and synergy benefits related to the June 6, 2013, acquisition of atBusiness Oy had become more accurate.

On December 13, 2013, Innofactor announced in a stock exchange release that it had signed an agreement on acquiring the entire share capital of the Danish company Enabling Holding ApS and its subsidiaries Enabling ApS and Enabling Sweden AB (collectively Enabling Group) from the company's management. More details about the matter can be found in the section "Acquisitions and changes in the group structure."

On December 17, 2013, Innofactor published a stock exchange release about issuing a EUR 3.2 million hybrid bond, i.e. capital securities. The proceeds of the hybrid bond were used to buy back about 4.7 million Innofactor's own shares from the atBusiness Oy sellers before the end of 2013. The bond's annual coupon rate is 9.00%. The bond has no due date, but the company has the right to redeem it in February 2016. The issue was directed mainly at domestic professional investors and it was subscribed to in full. A hybrid bond is a loan that has a weaker standing than other debt obligations. The bondholder does not have the same rights as shareholders and the hybrid bond does not dilute the ownings of the current shareholders.

On December 27, 2013, Innofactor announced in a stock exchange release that Innofactor had decided to cancel 3,539,189 shares held by the company. The cancellation of shares had no effect on the amount of share capital of the company.

On December 30, 2013, Innofactor announced in a stock exchange release that Innofactor had decided to cancel 1,142,310 shares held by the company. The cancellation of shares had no effect on the amount of share capital of the company.

On December 30, 2013, Innofactor announced in a stock exchange release that the cancellation of own shares had been registered in the Trade Register. After the registrations, the total number of Innofactor Plc shares was 32,051,362.

On December 31, 2013, Innofactor announced in a stock exchange release that the cancellation of own shares had been registered in the Trade Register. After the registrations, the total number of Innofactor Plc shares was 30,909,052.

On December 31, 2013, Innofactor announced in a stock exchange release that the program for purchasing Innofactor Plc's own shares had ended. During the purchase program, Innofactor acquired a total of 569,000 shares at an average price of EUR 0.5365 per share. The closing price of the Innofactor share on December 30, 2013, was EUR 1.26. The acquired 569,000 own shares have been cancelled by a separate decision on September 17, 2013.

On December 31, 2013, Innofactor announced in a stock exchange release the closing of the acquisition of Enabling Holding ApS. More details about the matter can be found in the section "Acquisitions and changes in the group structure."

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 30,909,052. Innofactor Plc has one series of shares. Each share is entitled to one vote.

On October 1–December 31, 2013, the highest price of the company share was EUR 1.54 (2012: EUR 0.70), the lowest price was EUR 0.95 (2012: EUR 0.42), and the average* price was EUR 1.18 (2012: EUR 0.48).

On January 1–December 31, 2013, the highest price of the company share was EUR 1.83 (2012: EUR 0.70), the lowest price was EUR 0.46 (2012: EUR 0.38), and the average* price was EUR 1.05 (2012: EUR 0.50).

The closing price for the review period on December 30, 2013, was EUR 1.26 (2012: EUR 0.48).

* 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 calculating the average share price, trading outside the normal stock exchange trading and at deviating prices (Exchange Granted) that the company has been made aware of has not been taken into consideration.

In public trading on October 1–December 31, 2013, a total of 2,750,346* shares were traded (2012: 1,689,176 shares*), which corresponds to 7.7 percent (2012: 5.6%) of the average number of shares on the said period. On October 1–December 31, 2013, there were 35,501,196** shares on the average (2012: 29,971,458**. The share trade increased by 62.8 percent compared to the corresponding period in 2012.

In public trading on January 1–December 31, 2013, a total of 11,609,606* shares were traded (2012: 3,569,716 shares*), which corresponds to 35.6 percent (2012: 11.9%) of the average number of shares on the said period. On January 1–December 31, 2013, there were 32,589,585** shares on the average (2012: 29,894,264). The share trade increased by 225.2 percent compared to the corresponding period in 2012.

* In calculating the share trading, trading outside the normal stock exchange trading and at deviating prices (Exchange Granted) that the company has been made aware of has not been taken into consideration.

** The average number of shares does not include shares in the company's possession.

The market value of the share capital at the closing price of the review period, EUR 1.26, on December 30, 2013, was EUR 38,945 thousand (2012: 14,480), which shows an increase of 171.5 percent.

On December 31, 2013, the company had 11,961 shareowners (2012: 11,838) including the administrative registers (8 registers). The share of nominee registered ownership was 3.3 percent of the total number of shares. Of the owners, 3.7 percent were companies operating in Finland, 0.0 percent financing and insurance companies, 91.6 percent Finnish households, and 1.4 percent foreign owners.

The Board of Directors has the following authorizations:

- Until June 30, 2015, 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 in the General Meeting of September 17, 2013); based on which 1,015,372 new shares were issued on September 17, 2013, and 1,244,685 new shares were issued on December 31, 2013, leaving the number of shares remaining in the authorization at 12,739,943.
- Until June 30, 2015, to decide on a transfer of a maximum of 1,000,000 company shares in the company's possession (decided by the General Meeting of September 17, 2013); the authorization has not been used .

During the financial period, Innofactor Plc has submitted five flagging notices:

- June 7, 2013: Sentica Kasvurahasto II Ky’s ownership of Innofactor Plc votes and shares exceeded one tenth (10%) when the shares issued in the directed issue in accordance with the resolution of the Board of Directors of Innofactor Plc on June 6, 2013, had been registered in the Trade Register (which took place on June 18, 2013).
- September 17, 2013: Sentica Kasvurahasto II Ky’s ownership of Innofactor Plc votes and shares fell under one tenth (10%) when the directed share issue in accordance with the resolution of the Board of Directors of Innofactor Plc on September 17, 2013, and the cancellation of shares held by the company, based on the decision of the Board of Directors on September 17, 2013, had been registered in the Trade Register (which took place on September 30, 2013); Sentica Kasvurahasto II Ky owned 3,539,189 shares (September 30, 2013).
- December 23, 2013: Sentica Kasvurahasto II Ky’s ownership of Innofactor Plc votes and shares was 0.0 percent after Innofactor Plc had bought back 3,539,189 of its own shares in relation to the atBusiness Oy acquisition; Sentica Kasvurahasto II Ky owned 0 shares.
- December 23, 2013: After Innofactor Plc had bought back 3,539,189 of its own shares in relation to the atBusiness Oy acquisition, the company’s ownership of Innofactor Plc votes and shares rose to over one twentieth (5%); Innofactor Plc owned 3,539,189 shares.

- December 27, 2013: After Innofactor Plc had cancelled 3,539,189 of its own shares, the company's ownership of Innofactor Plc votes and shares decreased to under one twentieth (5%). Innofactor Plc owned 0 shares.

Share owning by the Board of Directors:

- Pyry Lautsuo, 80,094 shares, 0.26%
- Sami Ensio, 7,422,087 shares, 24.01%
    - Sami Ensio, 5,248,327 shares, 16.98 %
    - minor under guardianship, 724,588 shares, 2.34%
    - minor under guardianship, 724,586 shares, 2.34%
    - minor under guardianship, 724,586 shares, 2.34%
- Juha Koponen, 53,396 shares, 0.17%
- Jukka Mäkinen, 50,270 shares, 0.16%
- Ilari Nurmi, 30,107 shares, 0.10%
- Pekka Puolakka, 159,066 shares, 0.51%
    - Hillside Ou, 105,670 shares, 0.34%
    - Pekka Puolakka, 53,396 shares, 0.17%

Share owning by the CEO:

- Sami Ensio, 7,422,087 shares, 24.01%
    - Sami Ensio, 5,248,327 shares, 16.98 %
    - minor under guardianship, 724,588 shares, 2.34%
    - minor under guardianship, 724,586 shares, 2.34%
    - minor under guardianship, 724,586 shares, 2.34%

Share owning by other members of the Executive Board:

- Christian Andersen 253,843 shares, 0.82%
    - CHRA Holding ApS, 253,843 shares, 0.82%
- Heikki Jekunen, 0 shares, 0.0%
- Elina Jokinen 0 shares, 0.0%
- Mikko Karvinen, 100,000 shares, 0.32%
- Mikko Lampi, 1,045,543 shares, 3.38%
- Janne Martola, 100,000 shares, 0.32%
- Ingrid Peura, 0 shares, 0.0 %
- Juha Rokkanen, 103,873 shares, 0.34%

Share owning by auditors:

- Juha Hilmola, 0 shares, 0.0%

Own shares

The General Meeting of September 17, 2013, authorized the Board of Directors to decide on acquiring of a maximum of 8,000,000 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). Shares will be acquired from the sellers of atBusiness according to the terms of the contract signed on June 6, 2013, concerning the acquisition of the atBusiness shares, and at the price agreed on in the contract, and/or on NASDAQ OMX Helsinki Ltd with the public trading on the market. The number of shares in the company's possession at a time may be, at the maximum, one tenth of the total number of shares in the company. The shares may be used to develop the capital structure, to widen the ownership base, in making a payment for an acquisition, or when the company buys property related to its business operations or as part of the incentive compensation plan, or to be otherwise invalidated or conveyed. 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 March 17, 2015. On the basis of the authorization, Innofactor Plc acquired its own shares during the review period as follows: on December 23, 2013, and December 27, 2013, a total of 4,681,499 shares. After this, the authorization is valid for 3,318,501 shares.

On September 17, 2013, Innofactor announced in a stock exchange release that it had decided to cancel 569,000 shares held by the company, which had been acquired based on earlier authorizations.

On December 27, 2013, Innofactor announced in a stock exchange release that it had decided to cancel 3,539,189 of its own shares in its possession.

On December 30, 2013, Innofactor announced in a stock exchange release that it had decided to cancel 1,142,310 of its own shares in its possession.

On December 31, 2013, Innofactor did not have any of its own shares in its possession.

Management of the company

Innofactor Plc complies with the recommendations of the Corporate Governance Code 2010 for Finnish listed companies, published by the Securities Market Association.

At the General Meeting on March 26, 2013, the number of the members of the Board of Directors was confirmed to be six. The General Meeting decided to approve the proposal to re-elect Sami Ensio, Juha Koponen, Pyry Lautsuo, Jukka Mäkinen, and Pekka Puolakka as members of the Board of Directors and to elect Ilari Nurmi as a new member. The Board of Directors elected Pyry Lautsuo to continue as their Chairman.

The General Meeting approved the proposal to re-appoint Ernst & Young Oy, an auditing firm authorized by the Central Chamber of Commerce, as the auditor for the company, with Juha Hilmola, APA, as the main responsible auditor.

Innofactor has drawn up a separate Corporate Governance Statement for the financial period of 2013.

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

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

Risks related to operations

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

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

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

Increase in personnel costs: The main part of Innofactor's costs consists of personnel costs and other employee benefits (in 2013, about 69%). Of Innofactor's own employees, currently most work in Finland and Denmark and some in Russia, whereas some competitors rely heavily on workforce in countries with cheap labor. If the personnel costs continue rising in Finland and Denmark at the same rate as before, it will create a risk for Innofactor, if the prices paid for IT services will not rise correspondingly. Innofactor is monitoring the situation and aims at increasing the share of work done by subcontractors and abroad.

Competition: Innofactor's main competitors are companies offering traditional information technology services and software in the Nordic countries. Some competitors have larger financial resources, wider product selection, cheaper workforce and larger existing customer base than Innofactor does, and they can use these when competing with Innofactor for the same deliveries. The price competition on the field is expected to remain tough. If the competition becomes tougher, it may have an adverse effect on Innofactor's business, operating result and financial position. Innofactor continuously strives to improve its competitiveness.

Research and product development: In Innofactor's operation, research and product development play a central role. In 2013, about 6.3% of the net sales was used for it. Each research and product development project carries the risk that the end results are not as successful financially as planned and that the investment in the project does not pay itself back. In organizing its operations, Innofactor aims at minimizing the risks inherent in research and product development.

Internationalization: In accordance with its strategy, Innofactor is seeking more growth also in the global markets, especially in the Nordic countries. International operations typically always involve higher risks than operation at home. Innofactor strives to make sure that the investments in becoming a international player will not be so great that it would jeopardize the group's ability to make profit and to grow.

Risks related to operating on developing markets: Innofactor operates in Russia through its unit in St. Petersburg. Markets and judicial practices in Russia are still undeveloped compared to the ones in the Nordic countries and include higher risks than in developed markets, including possible changes in laws and regulations. Also, the operating practices and interpretations of the local and national officials may be different and difficult to foresee, which, combined with the possibly high authority of these officials, may lead to changes in judicial interpretations and implementation of regulations and rules that may be difficult to foresee. In its operation, Innofactor strives to actively monitor and minimize the probability that these risks will realize and the possible consequences.

Changes in technology: Fast technological development is characteristic for Innofactor's field of business. There can be quick changes in the customers' requirements and choices concerning software technology. An important change under way is the transfer of software to cloud technologies. If Innofactor cannot respond to technology demands, it may have an adverse effect on Innofactor's business, operating result and financial position. Innofactor strives to actively invest in new technologies.

Reaching the growth goals: Realizing the desired organic growth requires a growth rate that is clearly faster than the growth in the general IT market. This creates a risk that it cannot be realized in the future, although it has been done before. Although estimates for 2014 forecast better market development than in the previous year, it is possible that, due to the general financial situation in Europe, the growth of the IT market in 2014 will not be good. Ensuring growth plays a central part in planning Innofactor's operations and setting its goals. Innofactor strives to lessen this operational risk by focusing on the growing Microsoft solution areas, which grow faster than the IT market in general, and by focusing on sales to keep the order book on a sufficient level as regards the business operations.

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

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

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

Financial risks

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

Financing risks: In its normal business operations, the Innofactor group is susceptible to normal financing risks. Innofactor took a loan package totaling EUR 12.5 million in order to purchase the share capital of atBusiness Oy and to rearrange an old loan of about EUR 1.0 million, related to the acquisition in Denmark in 2012. This has increased Innofactor's financing risks. Innofactor has committed itself to the following covenants: equity ratio calculated every 6 months is at least 37 percent on December 31, 2013, and June 30, 2014, and at least 40 percent on December 31, 2014, and on every 6-month check point after that. Additionally, interest bearing liabilities calculated every 6 months divided by the 12-month operating margin (EBITDA) is a maximum of 3.5 in the financial statement of December 31, 2013, a maximum of 3.0 in the following three review periods (June 30, 2014, December 31, 2014, and June 30, 2015), and a maximum of 2.5 in the financial statement of December 31, 2015, and on each 6-month review period after that. The goal of managing the financing risks is to minimize the negative effects of the changes in the financial markets to the result of the group. Risk management has been centralized to the CFO, who is responsible for the group's financing and regularly reports to the company's Executive Board, CEO, and Board of Directors. It is possible that, in the future, the group will not get the financing it needs and this will have a negative effect on the group's business and its development, especially on making acquisitions.

Risks related to the cash position: The Innofactor group handles management of liquid assets with the help of centralized payments and cash management. The group strives for continuous monitoring and assessment of the needed business financing in order to ensure that the group has enough liquid assets in its use. Additionally, the group's subsidiaries have in their use checking accounts with an overdraft limit of about EUR 2.9 million in total in order to cover any seasonal variations in liquid assets. Excess cash balance is placed on savings accounts or funds with capital guarantee.

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

Deferred tax asset risk: Innofactor's balance sheet includes a significant amount of deferred tax assets that are based on previous financial periods. If the group's internal factors or outside factors independent of the group's operation change significantly, it is possible that the group can’t utilize in full the receivables currently activated in the balance sheet. The assessment of these receivables and the related internal and external factors are being monitored actively by financial periods and, if necessary, these receivables will be re-assessed.

Risks related to shares

The number of Innofactor Plc shares traded on January 1–December 31, 2013, increased by 225.2% compared to the same period in the previous year. In 2013, share trading was 35.6% of the share capital. In the Helsinki stock exchange, companies' average trade on 2013 was 66.5% of the share capital. Continuing lower than average share trading may result in a liquidity risk for the share and its price formation. Innofactor strives to improve the liquidity of the share and decrease the related liquidity risk by its strategy of increasing value for the shareowners and by its active investor communications.

Acquisitions and changes in the group structure

On June 6, 2013, Innofactor acquired the entire share capital (the part giving 100% full control) and all capital loans of atBusiness Oy.

The sellers were the acting management of atBusiness (20.0%), Sentica Kasvurahasto II Ky managed by Sentica Partners Oy (60.1%), and Trainers’ House Kasvusysteemiosakeyhtiö, a subsidiary of Trainers House Oyj, (19.9%). The purchase price in total is about EUR 6.3-7.6 million and the Enterprise Value (EV) about EUR 14.4–15.7 million. Of the purchase price, at least 45% will be paid in cash and 55% at the most in Innofactor shares. Innofactor took bank loans of EUR 11.5 million in total for paying the cash portion of the purchase price and for rearranging the target company's loans of about EUR 8.7 million. At the same time, atBusiness' existing checking account with an overdraft limit of EUR 1.5 million was replaced with a new limit of an equal size.

Along with Innofactor, atBusiness was one of Finland's leading providers of Microsoft technology solutions to commercial and public sector clients. The net sales of atBusiness in 2012 was EUR 17.4 million and it had been operating profitably. In 2012, the operating margin (EBITDA) was EUR 2.7 million (15.3 percent of the net sales).

The new size will give Innofactor improved conditions to operate as a public limited company, implement its growth strategy in the Nordic countries and to offer its own software products and services to its customers through its own channel. The arrangement will bring significant growth in 2014 and will create an excellent base for growth also in the future. The arrangement is believed to result in synergy benefits. Innofactor estimates that it will gain increased profitability and higher earnings per share (EPS) in the future.

The purchase price will be determined (as concerns the acquired shares) by the realized operating margin (EBITDA) of the Innofactor group for the 12 months following the acquisition (June 1, 2013–May 31, 2014). Of the purchase price, at least 45% will be paid in cash and 55% at the most in Innofactor shares. The purchase price in total is about EUR 6.3 million at the minimum and about EUR 7.6 million at the maximum. Enterprise Value (EV) is EUR 14.4–15.7 million. Innofactor estimates that the purchase price will be about EUR 6.8 million.

About a total of EUR 6.3 million of the purchase price was paid at the time of closing the deal. Of this, about EUR 2.9 million was paid in cash and about EUR 3.4 million in new Innofactor shares in accordance with the authorizations granted to the Board of Directors. The capital loans (about EUR 5.1 million) were paid in total at the time of closing the deal. The subscription price of the shares was the volume weighted average price of the Innofactor share on the period of January 2, 2013–June 5, 2013, which is about EUR 0.6739 per share. In order to pay the purchase price, about 4,978,279 new shares were issued.

Innofactor had the right, but not the obligation, to buy back about 4.7 million new shares from the sellers of atBusiness at the subscription price, EUR 0.6739 per share, before December 31, 2013, and at a 3.0 percent higher share price, EUR 0.6941, before March 31, 2014. Innofactor used this possibility at the end of December 2013 and purchased back all of the about 4.7 million shares from the sellers of atBusiness. These shares were then cancelled in two parts, on December 27, 2013, and December 31, 2013. For the purchase, Innofactor issued a EUR 3.2 million hybrid bond, i.e. capital securities, described in more detail in the section "Other events in the review period."

The rest of the purchase price, EUR 0–1.3 million, (as concerns the acquired shares) will be determined by the realized operating margin (EBITDA) of the Innofactor group during the 12 months following the closing of the deal (June 1, 2013–May 30, 2014). Of the rest of the purchase price, 45% is intended to be paid in cash and 55% in Innofactor shares. The subscription price of the shares will be the volume weighted average price of the Innofactor share on April 30–May 30, 2014. The number of new shares will depend on the average price of the share and the trading volume of the share on the said period. The company may also pay these shares in cash, either entirely or partially, if it so chooses.

Based on the contract signed on September 30, 2013, Innofactor acquired the Microsoft Dynamics AX business of the Dynamic Team (Lainetar Oy) located in Tampere. It was immediately transferred as a part of Innofactor's Business Solutions unit. Dynamic Team is a four-person IT service company founded in 2009, and it has focused on ERP deliveries based on the Microsoft Dynamics AX product.

On December 13, 2013, Innofactor Plc signed an agreement on acquiring the entire share capital of Enabling Holding ApS and its subsidiaries Enabling ApS and Enabling Sweden AB (collectively Enabling Group) from the company's management. Enabling is one of the leading Microsoft partners providing consultancy services, development and implementation of SharePoint-based solutions in Denmark. The acquisition strengthened Innofactor's vision to become the largest provider of Microsoft-based solutions in the Nordic countries and increases the efficiency of operations in Denmark. Innofactor has over 50 employees in Denmark and a total of over 400 employees in the Nordic countries.

Combining the operations of Enabling and Innofactor A/S started at the beginning of January 2014 and the goal is to implement the most important parts during the first quarter of 2014. In the future, Enabling’s services will be offered under the Innofactor brand.

Enabling offers IT consulting services and solutions in the field of SharePoint and other Microsoft-based products. The company delivers full solutions: from consulting, requirements specification and user interaction to implementation, embedding and maintenance. Enabling’s customers comprise large Danish companies, both in the public and private sector including companies like

DONG Energy, Royal Copenhagen, Lundbeck, Danish Defence, RUC and Region Skåne. Recently, Enabling was nominated as one of the most innovative Microsoft partners in Denmark. The unaudited net sales of Enabling Group for the past 12 months (from November 2012 to October 2013) was about EUR 3.0 million and EBITDA was about EUR 0.3 million (the EBITDA margin was about 9.7%). The company has about 20 employees in Copenhagen, Denmark, and Malmö, Sweden. The management and employees of Enabling Group are transferred into Innofactor Group as existing employees. Enabling Group and its financials will be consolidated into Innofactor Group as of January 1, 2014.

The purchase price will be defined based on Enabling Group’s realized EBITDA in 2014. The purchase price will be paid mainly in Innofactor Plc shares and a minority in Danish kroner. The purchase price is about EUR 1.6 million at the minimum and that was paid when the deal was closed (Closing date, December 31, 2013). About EUR 0.04 million of the minimum price was paid in cash as the deal was closed and the rest was paid in Innofactor shares in January 2014. As the value of the Innofactor shares used for paying the first part of the purchase price, the closing price of the share on December 30, 2013, EUR 1.26, was used. The maximum purchase price is approximately EUR 4.0 million. The rest of the purchase price is intended to be paid with Innofactor shares during the first half of 2015. The company estimates that the purchase price according to IFRS will be about EUR 3.1 million. All Innofactor shares used as payment in this transaction are subject to transfer restrictions, which will be gradually released during 2014–2017.

As the value of the Innofactor shares used for paying the rest of the purchase price will be used the share's weighted average price in NASDAQ OMX Helsinki trading during 60 trading days before paying the rest of the purchase price.

Innofactor's management in Denmark will now consist of the following persons: Managing Director Christian Andersen, Business Unit Director (Business Intelligence) Peter Kyvsgaard and Business Unit Director (SharePoint) Staffan Arbring.

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

Corporate responsibility

Innofactor's operations are guided by the company's strategy, values, corporate governance, quality system, personnel policy, general principles of corporate responsibility, environmental policy, and legislation.

The group is committed to operating profitably and increasing its net sales while taking into account the societal 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. Innofactor invests in developing its personnel through training, learning by doing and job rotation.

In its operations, 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 contributed to the sustainable development of the society. Innofactor delivers electronic solutions and web services that decrease the environmental effects of its customers' operations.

Innofactor strives to establish long-term cooperation with its clients and partners and thereby create networks in which complementary expertise produces innovative solutions.

Strategy

Innofactor strengthens its customers' competitiveness by providing outstanding IT solutions, products and services. Innofactor focuses on Microsoft-based solutions and Microsoft's ecosystem. Innofactor's clients comprise of private and public sector organizations. Innofactor currently operates in Finland, Denmark, Sweden and Russia. Innofactor's strategy is to actively expand its operations in the Nordic countries, which may happen either organically or through acquisitions.

Innofactor's Mission: We strengthen our customers' competitiveness with outstanding IT solutions, products and services.

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

Innofactor's strategy is to build competitive advantage as the leading provider focused on Microsoft-based solutions and Microsoft's ecosystem. The most important strategic choices related to this objective are the following:

- private and public sector customers
- comprehensive IT solution offering
- state-of-the-art products and services
- high-level customer service
- long-term customer partnerships
- fast and profitable growth

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

- by achieving over 10 percent operating margin (EBITDA) every year in 2014–2017
- by achieving an average annual growth of 25–35 percent in 2014–2017 through organic growth as well as acquisitions
- by keeping the cash flow positive and by securing solid financial standing in all situations

Implementation of the strategy during the review period

The growth of Innofactor's net sales during the review period, 73.7 percent, exceeded the annual growth of 30–40 percent stated in the previous strategy and also the annual growth of 25–35 percent stated in the new strategy. Also, Innofactor's operating margin (EBITDA) in relation to net sales was 10.0 percent, and without one-off costs it was 12.1 percent. According to the strategy, the annual EBITDA must be over 10 percent. Innofactor's cash flow in the review period was positive (cash flow from operating activities was EUR 1.4 million) and the financial standing was secure (Net Gearing 55.9 percent).

In the review period, Innofactor realized the acquisition of atBusiness Oy, which complemented Innofactor's Microsoft-based offering and Innofactor's position as Finland's leading provider of Microsoft solutions, as stated in the strategy; acquisition of the small Microsoft AX solutions business, which complemented the solution offering; and acquisition of the Danish Enabling Group, which had a significant effect in developing the operations in Denmark.

Events after the review period

On January 9, 2014, Innofactor announced in a stock exchange release that the new Innofactor Plc shares had been registered in the Trade Register. After the registrations, the total number of Innofactor Plc shares is 32,153,737.

On January 24, 2014, Innofactor announced in a stock exchange release that Innofactor Plc's CFO Mikko Karvinen had resigned from the company at his own request on January 23, 2014. Karvinen will continue in his role until April 30, 2014.

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

Future outlook

Innofactor's net sales in 2014 are expected to be about EUR 43-48 million (2013: EUR 32.7 million). The operating margin (EBITDA) in 2014 is expected to be about EUR 4-6 million (2013: EUR 3.3 million).

Board of Directors' proposal on the dividend

Innofactor is a growing company and intends to use its operating profit on actions promoting growth, for example, on realizing mergers. Innofactor has defined a dividend distribution policy according to which the aim of the Board of Directors is to provide an opportunity for the shareholders to distribute, from the part of the operating margin (EBITDA) that exceeds 10 percent, the maximum dividend allowed by the state of the business. For 2013, EBITDA was 10.0 percent. In making the proposal on the dividend, the Board of Directors takes into account the company's financial situation, profitability and near-term outlook.

At the end of the financial period of 2013, the distributable assets of the group's parent company were EUR 32,722,231.76.

The Board of Directors proposes that Innofactor Plc should not pay any dividend for the financial period of 2013.

Espoo, February 25, 2014

INNOFACTOR PLC

Board of Directors

Additional information:

CEO Sami Ensio, Innofactor Plc
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sami.ensio@innofactor.com

Briefings concerning the financial statement of 2013

On February 25, 2013, at 9:00 Finnish time, Innofactor will hold a briefing concerning the financial statement in Finnish for the media, investors and analysts at the company's premises at Keilaranta

9, Espoo. The report will be presented by CEO Sami Ensio and CFO Mikko Karvinen. The presentations of the briefing will be available on Innofactor's web site after the briefing.

We ask you to register for the briefing beforehand either by sending email to ir@innofactor.com or by phoning to +358 40 733 6740 (Noora Kirjavainen).

Innofactor will also hold a conference call in English for analysts, media and investors on February 25, 2014, at 16:00 Finnish time. Registrations to ir@innofactor.com at least one hour before the event.

Financial releases in 2014

The annual report for 2013 will be published on the company's web site on February 27, 2014. The Annual General Meeting will be held on March 20, 2014, at 9:00 Finnish time.

The schedule for financial releases in 2014 is as follows:

April 9–April 22, 2014: Silent period

April 23, 2014: Interim report January–March

July 8–July 21, 2014: Silent period

July 22, 2014: Interim report January–June

October 7–October 20, 2014: Silent period

October 21, 2014: Interim report January–September

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

Financial statement summary and appendixes January 1–December 31, 2013 (IFRS)

Drafting principles

This financial statement has been drafted in accordance with the IAS 34 Interim financial reporting standard. The financial 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 an appendix to the financial statement. The figures for the acquired Innofactor Business Solutions Oy (former atBusiness Oy) have been included as of June 1, 2013, and the acquired Enabling Group has been included in the balance sheet of December 31, 2013.

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 held at the time of drafting the statement, they contain risks and uncertainty factors. The actual figures may deviate from the estimates and presuppositions. The figures of the profit and loss statement and the balance sheet are figures for the group. The figures of the statement have been rounded, so the sum of individual figures may differ from the sum presented.

The financial statement figures in this financial statement have been audited.

Consolidated Profit and Loss Statement, IFRS

EUR thousand	Oct 1–Dec 31, 2013	Oct 1–Dec 31, 2012	Jan 1–Dec 31, 2013	Jan 1–Dec 31, 2012
Net sales	11,090	6,297	32,685	18,818
Other operating income	226	26	321	33
Materials (–)	-885	-459	-2,542	-1,691
Employee benefits/expenses (–)	-7,606	-3,959	-22,576	-12,835
Depreciations (–)	-335	-166	-1,029	-595
Other operating expenses (–)	-1,504	-870	-4,604	-3,110
Operating profit/loss	**986**	**869**	**2,255**	**620**
Financial income	762	5	769	12
Financial expenses (–)	-723	-14	-1,161	-41
Profit/loss before taxes	**1,025**	**860**	**1,863**	**591**
Income taxes	-249	-44	-456	-142
Profit/loss for the period	**776**	**816**	**1,407**	**449**
Items that may be later transferred into the profit and loss statement:				
Exchange differences	-3	0	-3	0
Total comprehensive income	**773**	**816**	**1,404**	**449**

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

Basic earnings per share (EUR)	0.0216	0.0272	0.0432	0.0150
Diluted earnings per share (EUR)	*	*		

* The dilution effect has not been calculated, because the remaining Innofactor SW Oy warrant programs have no financial value after the business operations of the company have been sold.

Consolidated Balance Sheet, IFRS

ASSETS

EUR thousand	Dec 31, 2013	Dec 31, 2012
Non-current assets		
Tangible assets	868	451
Goodwill	19,335	2,834
Other intangible assets	3,916	1,695
Deferred tax assets	7,604	7,767
Non-current assets	**31,723**	**12,747**
Current assets		
Trade and other receivables	13,957	8,770
Cash and cash equivalents	991	656
Current assets	**14,948**	**9,426**
TOTAL ASSETS	**46,671**	**22,173**

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR thousand	Dec 31, 2013	Dec 31, 2012
Shareholders' equity		
Share capital	2,100	2,100
Share premium reserve	72	72
Other reserves (+/–)	59	59
Fund for invested unrestricted equity	13,427	8,834
Fund for other shareholders' equity	3,200	0
Own shares	0	-129
Retained earnings	767	2,824
Total shareholders' equity	**19,626**	**13,760**
Long term liabilities		
Loans from financial institutions	10,035	950
Deferred tax liabilities	887	510
Long term liabilities total	**10,922**	**1,460**
Current liabilities		
Loans from financial institutions	1,920	443
Tax liabilities based on the taxable profit for the financial period	82	31
Trade and other payables	14,121	6,479
Current liabilities total	**16,123**	**6,953**
Liabilities total	**27,045**	**8,413**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**46,671**	**22,173**

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Statement of change in shareholders' equity, IFRS

EUR thousand	Share capital	Share premium reserve	Other reserves	Fund for invested unrestricted equity	Own shares	Retained earnings	Taking out a loan equivalent to own capital	Total shareholders' equity
Shareholders' equity Jan 1, 2013	**2,100**	**72**	**59**	**8,834**	**-129**	**2,824**	**0**	**13,760**
Comprehensive income								
Profit for the financial period						1,407		1,407
Other items of comprehensive income:								
Exchange differences						-3		-3
Total comprehensive income	0	0	0	0	0	1,404		1,404
Share issue				4,593				4,593
Purchase of own shares					-3,331			-3,331
Cancellation of own shares					3,460	-3,460		0
Transactions with owners in total				4,593	129	-3,460		1,262
Taking out a loan equivalent to own capital							3,200	3,200
Shareholders' equity Dec 31, 2013	**2,100**	**72**	**59**	**13,427**	**0**	**768**	**3,200**	**19,626**

Shareholders' equity Jan 1, 2012	**2,100**	**72**	**59**	**8,344**	**0**	**2,330**	**12,905**
Comprehensive income							
Profit for the financial period						449	449
Other items of comprehensive income:							
Exchange differences						2	2
Total comprehensive income	0	0	0	0	0	451	451
Share issue				490		43	533
Purchase of own shares					-129		-129
Transactions with owners in total				490	-129	43	404
Shareholders' equity Dec 31, 2012	**2,100**	**72**	**59**	**8,834**	**-129**	**2,824**	**13,760**

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Consolidated Cash Flow Statement, IFRS

EUR thousand	Jan1– Dec 31, 2013	Jan 1– Dec 31, 2012
Cash flow from operating activities		
Operating profit	2,255	620
Amendments:		
Depreciations	1,029	595
Non-cash transactions	-278	43
Change in working capital:		
Change in trade or other receivables (+/–)	-1,495	-905
Change in trade and other payables (+/–)	529	-72
Interests paid (–)	-681	-41
Interests received	10	12
Cash flow from operating activities, total	**1,369**	**252**
Cash flow/investments		
Investment in subsidiaries	-2,450	-1,260
Investments in intangible and tangible assets (–)	-365	-199
Cash flow/investments total	**-2,815**	**-1,459**
Cash flow/financing		
Payments received from share issue	0	161
Loans withdrawn	4,554	1,325
Taking out a loan equivalent to own capital	3,200	0
Loans paid	-2,642	-190
Purchase of own shares (–)	-3,331	-129
Cash flow/financing total	**1,781**	**1,167**
Change in liquid funds (+/–)	**335**	**-40**
Liquid funds, opening balance	656	696
Liquid funds, closing balance	991	656

Consolidated Profit and Loss Statement by Quarter, IFRS

EUR thousand	Jan 1–Mar 31 2013	Apr 1–Jun 30 2013	Jul 1–Sep 30 2013	Oct 1–Dec 31 2013	Jan 1–Mar 31 2012	Apr 1–Jun 30 2012	Jul 1–Sep 30 2012	Oct 1–Dec 31 2012
Net sales	**5,541**	**7,737**	**8,317**	**11,090**	**3,972**	**3,982**	**4,567**	**6,297**
Other operating income	12	55	28	226	0	0	7	26
Materials (–)	-359	-670	-628	-885	-429	-473	-330	-459
Employee benefits/expenses (–)	-3,853	-5,102	-6,015	-7,606	-3,142	-2,813	-2,921	-3,959
Depreciations (–)	-160	-223	-311	-335	-138	-143	-147	-166
Other operating expenses (–)	-757	-1,355	-988	-1,504	-609	-803	-828	-870
Operating profit/loss	**424**	**442**	**403**	**986**	**-347**	**-251**	**348**	**869**
Financial income	2	3	2	762	2	3	2	5
Financial expenses (–)	-14	-289	-135	-723	-2	-3	-22	-14
Profit/loss before taxes	**412**	**156**	**270**	**1,025**	**-347**	**-251**	**328**	**860**
Income taxes	-102	-39	-66	-249	3	3	-104	-44
Profit/loss for the period	**310**	**117**	**204**	**776**	**-344**	**-248**	**224**	**816**

Commitments and contingent liabilities

EUR thousand	Dec 31, 2013	Dec 31, 2012
Collateral given for own commitments		
Rental guarantees	490	201
Business mortgages	16,250	2,250
Bank guarantees	283	18
Other own guarantees		
Lease liabilities		
Current lease liabilities	393	104
Lease liabilities maturing in 1-5 years	313	34
Total	**706**	**138**
Rental liabilities		
Current rental liabilities	1,608	662
Rental liabilities maturing in 1-5 years	4,702	348
Total	**6,310**	**1,010**
Other own guarantees total	**7,016**	**1,148**

Key Figures of the Group, IFRS

	mo. 10–12 /2013	mo. 10–12 /2012	Change	mo. 1–12 /2013	mo. 1–12 /2012	Change
Net sales, EUR thousand	11,090	6,297	+76.1%	32,685	18,818	+73.7%
Growth of net sales	+76.1%	+22.6%		+73.7%	+9.4%	
Operating margin (EBITDA), EUR thousand*	1,321	1,036	+27.6%	3,284	1,215	+170.3%
percentage of net sales*	11.9%	16.4%		10.0%	6.5%	
Operating profit/loss (EBIT), EUR thousand*	986	869	+13.4%	2,255	620	+263.7%
percentage of net sales*	8.9%	13.8%		6.9%	3.3%	
Earnings before taxes, EUR thousand**	1,025	860	+19.1%	1,863	591	+215.2%
percentage of net sales**	9.2%	13.7%		5.7%	3.1%	
Earnings, EUR thousand**	776	816	-5.0%	1,407	449	+213.4%
percentage of net sales**	7.0%	13.0%		4.3%	2.4%	
Shareholders' equity, EUR thousand	19,626	13,760	+42.6%	19,626	13,760	+42.6%
Interest bearing liabilities, EUR thousand	11,955	1,393	+758.2%	11,955	1,393	+758.2%
Cash and cash equivalents, EUR thousand	991	656	+51.1%	991	656	+51.1%
Deferred tax assets, EUR thousand	7,604	7,767	-2.1%	7,604	7,767	-2.1%
Return on equity***	18.6%	6.1%		8.4%	3.4%	
Return on investment***	30.1%	5.9%		12.9%	4.5%	
Net gearing	55.9%	5.4%		55.9%	5.4%	
Equity ratio	43.1%	66.1%		43.1%	66.1%	
Balance sheet total, EUR thousand	46,671	22,173	+110.5%	46,671	22,173	+110.5%
Research and development, EUR thousand	498	548	-9.1%	2,067	2,488	-16.9%
percentage of net sales	4.5%	8.7%		6.3%	13.2%	
Personnel on average during the review period	392	197	+98.9%	307	189	+62.4%
Personnel at the end of the review period	416	193	+115.5%	416	193	+115.5%
Number of shares at the end of the review period	30,909,052	30,165,900	+2.5%	30,909,052	30,165,900	+2.5%
Earnings per share (EUR)	0.0216	0.0272	-20.7%	0.0432	0.0150	+187.1%
Shareholders' equity per share (EUR)	0.635	0.460	+37.9%	0.635	0.460	+37.9%

* The second quarter of 2013 included one-off costs related to the atBusiness Oy acquisition for about EUR 164 thousand, and also cost reserves related to the integration for about EUR 200 thousand, a total of about EUR 364 thousand. The last quarter of 2013 included one-off costs related to acquisitions for about EUR 182 thousand, and also costs and cost reserves related to the integration for about EUR 277 thousand, a total of about EUR 459 thousand. The last quarter of 2013 included a one-off profit of EUR 158 thousand.

** The second quarter of 2013 included one-off costs related to the atBusiness Oy acquisition for about EUR 370 thousand (of which EUR 206 thousand were costs related to organizing the loans), and also cost reserves related to the integration for about EUR 200 thousand, a total of about EUR 570 thousand. The last quarter of 2013 included one-off costs related to acquisitions for about EUR 662 thousand (of which the financial expenses for the additional purchase price related to the acquisition were EUR 480 thousand), and also costs and cost reserves related to the integration for about EUR 277 thousand, a total of about EUR 939 thousand. The last quarter of 2013 included one-off profit of EUR 158 thousand and also financial income of EUR 758 thousand for the additional purchase price related to the acquisition, a total of about EUR 916 thousand.

*** 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 preliminary acquisition cost calculation for Enabling Aps (current Innofactor Business Solutions Aps)

On December 13, 2013, Innofactor Plc signed an agreement on acquiring the entire share capital of Enabling Holding ApS and its subsidiaries Enabling ApS and Enabling Sweden AB (collectively Enabling Group) from the company's management. According to the agreement published by the company on December 13, 2013, the purchase price will be defined based on Enabling Group’s realized EBITDA in 2014. The minimum purchase price is about EUR 1.6 million and the maximum about EUR 4.0 million. The purchase price will be paid mainly in Innofactor Plc shares and a minority in cash. The name of Enabling Aps has been changed to Innofactor Business Solutions Aps.

The closing of the deal took place on December 31, 2013, and the figures for Innofactor Business Solutions Aps have been consolidated in the Innofactor group's balance sheet on that same date. As the value of the Innofactor shares used for paying the first part of the purchase price, the closing price of the share on December 30, 2013, EUR 1.26, was used.

The rest of the purchase price is intended to be paid with Innofactor shares during the first half of 2015. All Innofactor shares used as payment in this transaction are subject to transfer restrictions, which will be gradually released during 2014–2017.

The acquisition price according to IFRS is the estimated purchase price of the shares, which in the preliminary acquisition cost calculation is EUR 3,134 thousand, and has been presented in more detail in the following calculation. The acquisition cost calculation is preliminary.

	Values registered for consolidation (EUR thousand)
Tangible assets	17
Intangible assets	220
Trade and other receivables	638
Cash and cash equivalents	127
Total assets	1,002
Financing liabilities at market value	421
Other liabilities	233 (includes a deferred tax liability of 44)
Liabilities total	654
Net assets	348 (total assets - total debts)
Acquisition cost	3,134 (cash 40, new shares 1,569, conditional compensation 1,526)
Goodwill	2,785 (acquisition cost - net assets)
Acquisition price paid in cash	40
Cash funds of the acquired subsidiary	127
Effect on cash flow	+87

The value of the customer contracts and the related customer relationships included in the intangible assets (EUR 220 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 acquisition created business value of EUR 2,785 thousand. The business value is based on the expected synergy benefits arising from the acquisition of Innofactor Business Solutions Aps and on making use of the common sales and marketing network in the group and expanding customer relationships.

The preliminary acquisition cost calculation for atBusiness Oy (current Innofactor Business Solutions)

On June 6, 2013, Innofactor acquired the entire share capital (the part giving 100% full control) and all capital loans of atBusiness Oy. The purchase price in total is about EUR 6.3-7.6 million and the Enterprise Value (EV) about EUR 14.4–15.7 million.

Of the purchase price, about EUR 6,257 thousand was paid at the time of closing the deal. The capital loan was paid in total and it was EUR 5,057 thousand (EUR 2,702 thousand in cash and EUR 2,355 thousand in Innofactor shares). The shares were paid for the part of the fixed price, which was EUR 1,200 thousand (EUR 200 thousand in cash and EUR 1,000 thousand in Innofactor shares). The shares were new Innofactor Plc shares and they were issued in accordance with the authorizations granted to the Board of Directors. In both transactions, the subscription price of the shares was the volume weighted average price of the Innofactor share on the period of January 2, 2013–June 5, 2013, which was EUR 0.6739 per share. In order to pay the purchase price, a total of 4,978,279 new shares were issued.

The final purchase price of atBusiness Oy shares will be determined by the realized operating margin (EBITDA) of the Innofactor group for the 12 months following the acquisition (June 1, 2013–May 31, 2014). The minimum purchase price of the shares is the EUR 1,200 thousand already paid and the maximum is EUR 2,500 thousand. Of the rest of the purchase price, EUR 0–1,300 thousand, 45% is intended to be paid in cash and 55% in Innofactor shares. Innofactor estimates that the rest of the purchase price will be about EUR 540 thousand. The subscription price of the shares will be the volume weighted average price of the Innofactor share on April 30–May 30, 2014. The company may also pay these shares in cash, either entirely or partially, if it so chooses.

Along with Innofactor, atBusiness Oy has been one of the Finland's leading providers of solutions based on Microsoft technologies for commercial and public sector clients. atBusiness Oy's strategy was almost the same as Innofactor's strategy. The acquisition made Innofactor one of the five largest Nordic providers focused on Microsoft technologies. The new size will give Innofactor improved conditions to operate as a public limited company, implement its growth strategy in the Nordic countries and to offer its own software products and services to its customers through its own channel. The arrangement is believed to result in significant synergy benefits.

The figures of Innofactor Business Solutions Oy have been consolidated into the Innofactor group as of June 1, 2013.In June 1–June 30, 2013, the unaudited net sales of Innofactor Business Solutions Oy were EUR 1,537 thousand, and result was EUR -2 thousand (IFRS), which included EUR 140 thousand in one-off costs related to business arrangements. If Innofactor Business

Solutions Oy had been part of the Innofactor group as of January 1, 2013, the unaudited, pro forma net sales of the Innofactor group in January 1–June 30, 2013, would have been EUR 20,497 thousand and result EUR 876 thousand.

The acquisition price according to IFRS is EUR 2,500 thousand (the estimated purchase price of the shares) and has been presented in more detail in the following preliminary calculation.

	Values registered for consolidation (EUR thousand)
Tangible assets	16
Intangible assets	2,458 (of which technology 310 and customer relationships 2,144)
Deferred tax assets	348
Trade and other receivables	3,054
Cash and cash equivalents	365
Total assets	6,241
Financing liabilities at market value	13,707 (includes a capital loan of 5,057 at cost price)
Other liabilities	3,538 (includes a deferred tax liability of 601)
Liabilities total	17,245
Net assets	-11,004 (total assets - total debts)
Acquisition cost	2,500 (cash 2,902; instruments equivalent to own capital 3,355; conditional compensation 1,300; capital loan -5,057)
Amendment of the additional purchase price	758
Goodwill	13,504 (acquisition cost - net assets)
Acquisition price paid in cash	2,902
Cash funds of the acquired subsidiary	365
Effect on cash flow	-2,537

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In the acquisition, the value of atBusiness Oy customer relationships and software has been set to EUR 2,454 thousand. These intangible assets are included in the other intangible assets in the group balance sheet.

According to IFRS 3, the purchasing party registers, if necessary, some assets and liabilities that the target of the acquisition has not previously registered as assets and liabilities in its financial statement. For example, the purchasing party registers acquired intangible assets that can be identified individually, such as brand, patent or customer relationship, which the target has not registered as assets in its financial statement, because it has created them internally and has registered the related costs as expenses.

In the acquired company, the customer relationships and technology as well as deferred tax assets have been identified as such assets. A separate value definition has defined the market value of the customer relationships and software at the time of acquisition to be EUR 2,454 thousand. Defining the value is based on a MEEM calculation (Multi Period Excess Earnings Method). The value of the customer relationships and software will be depreciated according to the plan during 9 years. The deferred tax assets are EUR 348 thousand.

According to IFRS 3.32, the purchasing party must register a business value at the time of acquisition and it is defined as the difference of the following:

a) compensation handed over and

b) the net amount of the acquired individually identifiable assets and the taken liabilities at the time of acquisition, valued in accordance with the IFRS 3 standard.

The business value of the acquisition, after taking into account the imputed taxes, is EUR 13,504 thousand. The business value is based on synergy benefits expected from the acquisition of Innofactor Business Solutions Oy, utilizing the common sales and marketing network, expanding customer relationships in the group, and the transferred personnel.

atBusiness Oy's confirmed losses have been taken into account in the preliminary acquisition cost calculation. The amendment of the additional purchase price related to the acquisition, EUR 758 thousand, has been taken into account in the calculation due to the updated estimate of the final purchase price. The acquisition cost calculation is preliminary.

The final acquisition cost calculation for Bridgeconsulting A/S (current Innofactor A/S)

On June 25, 2012, Innofactor Plc signed an agreement on acquiring the entire share capital of the Danish company Bridgeconsulting A/S from the company's management (3% of shares were purchased directly and 97% indirectly by acquiring the entire share capital of Bridgeconsulting Holding Aps). The name of Bridgeconsulting A/S has been changed to Innofactor A/S.

The acquisition price depended on the target company's realized EBITDA of the 12 months following the acquisition (July 1, 2012–June 30, 2013). The final purchase price is about EUR 2.5 million in total. About EUR 1.26 million of the purchase price was paid in cash at the beginning of July 2012.

The figures of Innofactor A/S have been consolidated into the Innofactor group as of July 1, 2012.

The acquisition price according to IFRS is the estimated acquisition price of the shares, which was EUR 2,018 thousand in the preliminary acquisition cost calculation and is EUR 2,498 in the final acquisition cost calculation. It is presented in more detail below. The difference between the preliminary and final acquisition costs, EUR 480 thousand, has been presented in part "Amendment of the additional purchase price" of the calculation and as a financial expense in the consolidated profit and loss statement.

	Values registered for consolidation (EUR thousand)
Tangible assets	63
Intangible assets	435 (customer relationships)
Trade and other receivables	873
Total assets	1,371
Financing liabilities at market value	258
Other liabilities	530
Liabilities total	788
Net assets	583 (total assets - total debts)
Acquisition cost	2,018 (cash 1,260, conditional compensation 758)
Amendment of the additional purchase price	480
Goodwill	1,435 (acquisition cost - net assets)
Acquisition price paid in cash	1,260
Cash funds of the acquired subsidiary	0
Effect on cash flow	-1,260

The value of the customer contracts and the related customer relationships included in the intangible assets (EUR 435 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 acquisition created goodwill value of EUR 1,435 thousand. The goodwill value is based on the expected synergy benefits arising from the acquisition of Innofactor A/S and on making use of the common sales and marketing network in the group and expanding customer relationships.

Largest shareholders

According to the share register maintained by Euroclear Finland Oy, the share ownership of the 20 largest Innofactor Plc shareowners at the end of the review period on December 31, 2013, was as follows:

Name		Number of shares	% of share capital
1.	Ensio Sami	7,422,087	24.01%
	Ensio Sami	*5,248,327*	*16.98%*
	minor under guardianship	*724,588*	*2.34%*
	minor under guardianship	*724,586*	*2.34%*
	minor under guardianship	*724,586*	*2.34%*
2.	Tilman Tuomo Tapani	2,924,442	9.46%
	Tilman Tuomo Tapani	*2,747,492*	*8.89%*
	Mpire Capital Oy	*176,950*	*0.57%*
3.	Salminen Jyrki Kalle Tapio	2,747,492	8.89%
4.	Laiho Rami Tapani	1,438,391	4.65%
5.	Linturi Kaija and Risto	1,296,911	4.20%
	R. Linturi Oyj	*529,607*	*1.71%*
	Linturi Kaija	*430,000*	*1.39%*
	Linturi Risto	*337,304*	*1.09%*
6.	Lampi Mikko Olavi	1,045,543	3.38%
7.	Ärje Matias Juhanpoika	946,278	3.06%
8.	Mäki Antti-Jussi	930,201	3.01%
9.	Luostarinen Juha Markku T	929,438	3.01%
10.	Muukkonen Teemu Heikki	507,468	1.64%
11.	Kukkonen Heikki-Harri	355,021	1.15%
12.	Järvenpää Janne-Olli	322,804	1.04%
13.	Jokinen Klaus Antero	300,001	0.97%
14	Laiho Jari Olavi	270,000	0.87%
15.	Ementor Norge As	269,299	0.87%
16.	Nurmi Mika Tapio	135,553	0.44%
17.	Muurinen Hannu Olavi	125,750	0.41%
18.	Tiirikainen Vesa Martti	125,750	0.41%
19.	Tanskanen Pekka Matti Santeri	107,881	0.35%
20.	Mattila Aleksi Mikael	105,804	0.34%

Formulas for calculating the key figures

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 financing 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:

Shareholders' equity attributable to equity holders of the parent
Undiluted number of shares on the date of the financial statement