

Innofactor Plc Interim Report July 30, 2013, at 8:30 Finnish time

Innofactor Plc's interim report for January 1–June 30, 2013 (IFRS)

Summary

	mo. 4–6 /2013	mo. 4–6/ 2012	Change	mo. 1–6 /2013	mo. 1– 6/ 2012	Change	mo. 1–12 /2012
Net sales, EUR thousand	7,737	3,982	+94.3%	13,278	7,954	+66.9%	18,818
Growth of net sales	+94.3%	-8.7%		+66.9%	-4.2%		+9.4%
Operating profit before depreciation and amortization (EBITDA), EUR thousand*	665	-108	+715.7%	1,249	-316	+495.3%	1,215
percentage of net sales*	8.6%	-2.7%		9.4%	-4.0%		6.5%
Operating profit/loss (EBIT), EUR thousand*	442	-251	+276.2%	866	-598	+244.7%	620
percentage of net sales*	5.7%	-6.3%		6.5%	-7.5%		3.3%
Earnings before taxes, EUR thousand**	156	-251	+162.2%	568	-598	+194.9%	591
percentage of net sales**	2.0%	-6.3%		4.3%	-7.5%		3.1%
Earnings, EUR thousand**	117	-248	+147.2%	427	-592	+172.1%	449
percentage of net sales**	1.5%	-6.2%		3.2%	-7.4%		2.4%
Net gearing	61.2%	-7.9%		61.2%	-7.9%		5.4%
Equity ratio	41.3%	76.8%		41.3%	76.8%		66.1%
Personnel on average during the review period	261	178	+46.6%	229	181	+26.5%	189
Earnings per share (EUR)	0.0039	-0.0082	+147.6%	0.0142	-0.0199	+171.1%	0.0150

* 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 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.

There are uncertainties related to the outlook for 2013 due to the integration of a major acquisition, so no detailed estimate of the outlook can be provided. Innofactor's net sales in 2013 are expected to be about EUR 34–37 million (2012: EUR 18.8 million). Operating profit before depreciation and amortization (EBITDA) in 2013 is expected to be about EUR 3–5 million (2012: EUR 1.2 million).

The figures in this interim report have not been audited. The figures include the acquired atBusiness Oy (current Innofactor Business Solutions Oy) as of June 1, 2013. Further details about the acquisition can be found in this interim 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

The most notable single event in the review period was the acquisition on June 6, 2013, in which Innofactor acquired the entire share capital of atBusiness Oy. The net sales of atBusiness Oy in 2012 were EUR 17.4 million and profit margin (EBITDA) was EUR 2.7 million (15.3% of the net sales). Along with Innofactor, it 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 arrangement is a major step in the story of Innofactor's growth.

The arrangement finalized during the reporting period with atBusiness will bring significant growth in 2013 and 2014 and will create an excellent base for growth also in the future. In the second quarter, Innofactor continued profitable growth in accordance with its strategy. The growth of net sales was at 94.3 percent and profit margin (EBITDA) was 8.6 percent. Measured in net sales (EUR 7.7 million) and EBITDA (EUR 0.7 million), this was the best second quarter in the company's history. Without the one-off costs related to the acquisition, the profitability would have been even better: EBITDA would have been about EUR 1.0 million, which would have been 13.3 percent of the net sales.

Innofactor expects 2013 to be a year of profitable growth due to the acquisition of atBusiness and due to other business as well. Our personnel is committed and motivated to work even harder for our customers, which can also be seen in the personnel satisfaction, which improved significantly during the review period. The integration of atBusiness and Innofactor has progressed as planned. However, Innofactor has prepared for the possible challenges presented by the integration, for example, by ensuring a high utilization rate of sales and personnel, by trying to utilize quickly the new possibilities of cross-selling among the clientele of both companies, and by ensuring successful communication in all stages of the integration.

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 1–2 percent in 2012 and they are expected to grow about 3–5 percent in 2013. The growth of software market in 2012–2013 is estimated to be about one percentage point faster, that is, 4–6 percent in 2013.

The IT market is experiencing a clear turning point. One of the major trends is the consumerization of information technology: an increasingly larger share of the IT purchases made by companies is based on the requirements of individuals, that is, the consumer market. Commercial clients tend to purchase software that can be used in phones, tablets and computers. Another trend is the ability of public clouds to offer software in a scalable and global form to a wide range of end users and for all devices, including mobile phones.

Innofactor has made a strategic choice by focusing on solutions that use Microsoft technology. Innofactor believes that Microsoft is a strong player in the IT market change: it holds the leading position in the business software market, a significant position in the consumer software market, and invests heavily in mobile devices and cloud technologies.

Innofactor has selected as its application areas those areas where Microsoft's growth and, correspondingly, its partners' growth has exceeded manifold the growth of general global IT service and software markets. For example, in 2012, Microsoft repeatedly reported annual growth figures of over 30 percent in the sales of Dynamics CRM solutions and Microsoft SQL Server Premium servers (used in Microsoft-based BI solutions), and annual growth figures of over 10 percent in the sales of SharePoint, Lync and Exchange solutions. The above-mentioned Microsoft solution areas, which are growing significantly faster than other IT markets, form a significant part of Innofactor's business operations.

Additionally, the publishing of the Windows 8 operating system in October 2012 is significant for the Microsoft ecosystem and it is believed to strengthen Microsoft's competitiveness.

The company feels that for companies like Innofactor, which is strongly committed to Microsoft, this development creates growing global markets in the long term, both as a traditional system integrator locally in the Nordic Countries and as a provider of cloud and mobile solutions globally.

Companies strongly committed to Microsoft in the Nordic Countries are mainly small companies. Innofactor believes that size gives a competitive edge for a company also in the Microsoft ecosystem, making mergers of small companies focused on Microsoft solutions probable. This gives Innofactor opportunities to grow.

Net sales

Innofactor's net sales on April 1–June 30, 2013, were EUR 7,737 thousand (2012: 3,982), which shows an increase of 94.3 percent, and on January 1–June 30, 2013, the net sales were EUR 13,278 thousand (2012: 7,954), which shows an increase of 66.9 percent.

Result development

Innofactor's operating profit before depreciation and amortization (EBITDA) on April 1–June 30, 2013, was EUR 665 thousand* (2012: -108), which shows an increase of 715.7 percent*. EBITDA accounted for 8.6 percent of the net sales* (2012: -2.7%). Innofactor business profit on April 1–June 30, 2013, was EUR 442* thousand (2012: -251), which shows an increase of 276.2 percent. Operating profit accounted for 5.7 percent* of the net sales (2012: -6.3%).

Innofactor's operating profit before depreciation and amortization (EBITDA) on January 1–June 30, 2013, was EUR 1,249 thousand* (2012: -316), which shows an increase of 495.3 percent*. EBITDA accounted for 9.4 percent of the net sales* (2012: -4.0%). Innofactor business profit on January 1–June 30, 2013, was EUR 866 thousand* (2012: -598), which shows an increase of 244.7 percent*. Operating profit accounted for 6.5 percent* of the net sales (2012: -7.5%).

* 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.

Financing and investments

Innofactor's balance sheet total at the end of the review period was EUR 43,726 thousand (2012: 18,430). The group's liquid assets totaled EUR 1,971 thousand (2012: 1,013), consisting totally of cash funds.

The operating cash flow in the review period of January 1–June 30, 2013, was EUR 1,596 thousand (2012: 303). The investment cash flow was EUR -2,664 thousand (2012: -114).

The equity ratio at the end of the review period was 41.3 percent (2012: 76.8%) and net gearing was 61.2 percent (2012: -7.9%).

At the end of the review period, the company had EUR 1,112 thousand in current interest bearing liabilities (2012: 0) and EUR 11,490 thousand in long term interest bearing liabilities (2012: 0).

The return on investment on January 1–June 30, 2013, was 7.7 percent (2012: -9.2%).

The return on equity on January 1–June 30, 2013, was 5.5 percent (2012: -9.2%).

The non-current assets in Innofactor's balance sheet at the end of the review period were EUR 29,959 thousand in total and consisted of the following items:

- Tangible assets EUR 992 thousand
- Goodwill value EUR 17,275 thousand
- Other intangible assets EUR 4,002 thousand
- Deferred tax assets EUR 7,690 thousand

Innofactor's gross investments in tangible assets in the review period of January 1–June 30, 2013, were EUR 127 thousand (2012: 114), 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 223 thousand (2012: 163).

Research and product development

Innofactor's research and development costs recognized in the profit and loss statement for April 1–June 30, 2013, were EUR 529 thousand (2012: 655), which accounts for 6.8 percent of the net sales (2012: 16.4%).

Innofactor's research and development costs recognized in the profit and loss statement for January 1–June 30, 2013, were EUR 1,041 thousand (2012: 1,347), which accounts for 7.8 percent of the net sales (2012: 16.9%).

Personnel

The number of personnel at Innofactor during April 1–June 30, 2013, was 261 (2012: 178), an increase of 46.6%; during January 1–June 30, 2013, the average number was 229 (2012: 181), an increase of 26.5%.

At the end of the review period, the number of personnel was 384 (2012: 181), which shows an increase of 112.2 percent.

At the end of the review period, the average age among personnel was 38.0 years (2012: 36.9). Of the personnel, 40.9 percent (2012: 38.5%) had a Master's Degree, 31.1 percent (2012: 36.2%) had a Bachelor's Degree or were studying for a Master's Degree, and 28.0 percent (2012: 25.3%) had some other degree. Women accounted for 24 percent of the personnel and men for 76 percent (2012: 24% and 76%).

Business operations

Innofactor's business operations were focused on Finland and Denmark. On January 1–June 30, 2013, about 82 percent of the net sales came from Finland and about 18 percent from Denmark.

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

Innofactor's net sales on the review period of January 1–June 30, 2013, came from the following sources:

- about 64% from systems 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 27% from recurring service contracts (incl. maintenance agreements, SaaS, cloud and hosting services).

Innofactor's 10 largest clients accounted for about 23 percent of the net sales during the review period January 1–June 30, 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 document and case management system to Senate Properties. The delivery includes document and case management system based on 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 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, 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 are uncertainties related to the outlook for 2013 due to the integration of a major acquisition, so no detailed estimate of the outlook can be provided. Innofactor's net sales in 2013 are expected to be about EUR 34–37 million (2012: EUR 18.8 million). Operating profit before depreciation and amortization (EBITDA) in 2013 is 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). Operating profit before depreciation and amortization (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 is 35,144,179. The shares registered in the Trade Register were issued as part of the purchase price payment for the acquisition mentioned above.

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 35,144,179, of which 569,000 shares were in the company's possession. Innofactor Plc has one series of shares. Each share is entitled to one vote.

On April 1–June 30, 2013, the highest price of the company share was EUR 1.00 (2012: EUR 0.60), the lowest price was EUR 0.46 (2012: EUR 0.41), and the average* price was EUR 0.74 (2012: EUR 0.50).

On January 1–June 30, 2013, the highest price of the company share was EUR 1.00 (2012: EUR 0.65), the lowest price was EUR 0.46 (2012: EUR 0.41), and the average* price was EUR 0.69 (2012: EUR 0.56).

The closing price for the review period on June 30, 2013, was EUR 0.75 (2012: EUR 0.46).

* The average share price was calculated by taking the total value of share trading in the stock exchange on the said period and dividing this by the number of shares traded in the stock exchange on the said period.

In public trading on April 1–June 30, 2013, a total of 2,944,527 shares were traded (2012: 470,162 shares), which corresponds to 9.7 percent (2012: 1.6%) of the average number of shares on the said period. On January 1–June 30, 2013, there were 30,377,061* shares on the average (2012: 30,165,900). The share trade increased by 526.3 percent compared to the corresponding period in 2012.

In public trading on January 1–June 30, 2013, a total of 3,727,725 shares were traded (2012: 894,808 shares), which corresponds to 12.4 percent (2012: 3.0%) of the average number of shares on the said period. On January 1–June 30, 2013, there were 30,094,787* shares on the average (2012: 29,723,785). The share trade increased by 316.6 percent compared to the corresponding period in 2012.

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

The market value of the share capital, excluding the shares in the company's possession, on June 30, 2013, at the closing price of the review period, EUR 0.75, was EUR 25,931 thousand (2012: 13,876), which shows an increase of 86.9 percent.

On June 30, 2013, the company had 11,737 shareowners (2012: 12,085), including administrative registers.

The Board of Directors has the following authorizations:

- Until June 30, 2014, on a share issue and granting of special rights entitling to shares, concerning a maximum of 8,000,000 new shares (decided by the General Meetings of March 27, 2012, and August 27, 2012); the authorization has been used for 4,978,279 shares in connection with the acquisition of atBusiness Oy, and the shares have been registered in the Trade Register on June 18, 2013.
- Until June 30, 2014, on a transfer of company shares in the company's possession, concerning a maximum of 1,000,000 shares (decided by General Meetings of March 27, 2012, and August 27, 2012); the authorization has not been used .

During the financial period, Innofactor Plc submitted one flagging notice.

- June 7, 2013: Sentica Kasvurahasto II Ky's ownership of Innofactor Plc votes and shares will exceed 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, have been registered in the Trade Register (which took place on June 18, 2013); Sentica Kasvurahasto II Ky owns 3,539,189 shares (June 30, 2013).

Board of Directors:

- Pyry Lautsuo, 80,094 shares, 0.23%
- Sami Ensio, 7,422,087 shares, 21.12%
 - Sami Ensio, 5,248,327 shares, 14.93%
 - minor under guardianship, 724,588 shares, 2.06%
 - minor under guardianship, 724,586 shares, 2.06%
 - minor under guardianship, 724,586 shares, 2.06%
- Juha Koponen, 53,396 shares, 0.15%
- Jukka Mäkinen, 50,270 shares, 0.14%
- Ilari Nurmi, 30,107 shares, 0.09%
- Pekka Puolakka, 159,066 shares, 0.45%
 - Hillside Ou, 105,670 shares, 0.30%
 - Pekka Puolakka, 53,396 shares, 0.15%

CEO:

- Sami Ensio, 7,422,087 shares, 21.12%
 - Sami Ensio, 5,248,327 shares, 14.93%
 - minor under guardianship, 724,588 shares, 2.06%
 - minor under guardianship, 724,586 shares, 2.06%

- minor under guardianship, 724,586 shares, 2.06%

Executive Board:

- Christian Andersen 0 shares, 0.0%
- Heikki Jekunen, 0 shares, 0.0%
- Elina Jokinen 0 shares, 0.0%
- Mikko Karvinen, 100,000 shares, 0.28%
- Mikko Lampi, 1,045,543 shares, 2.98%
- Janne Martola, 100,000 shares, 0.28%
- Juha Rokkanen, 103,873 shares, 0.30%

Auditors:

- Juha Hilmola, 0 shares, 0.0%

Own shares

The Extraordinary General Meeting of Innofactor Plc on August 27, 2012, 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 3,000,000 shares in one or several parts with the company's own capital. The authorization entitles the Board to deviate from the shareholders' proportional shareholdings (directed acquisition). Shares will be acquired on the Nasdaq OMX Helsinki Ltd with the public trading on the market. The number of shares in the company's possession 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 June 30, 2014.

At its meeting on August 27, 2012, the Board of Directors of Innofactor Plc decided to start the acquisition of the company's own shares. A maximum of 1,500,000 shares will be acquired, equaling approximately 4.97% of the total number of the company's shares. The decision is based on the authorization, given to the Board by the Extraordinary General Meeting on August 27, 2012, to acquire a maximum of 3,000,000 shares. The acquisition of own shares will start at the earliest on September 4, 2012, and will end on December 31, 2013, at the latest. 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. The shares will be acquired by using company's unrestricted equity, at the market price on the time of purchase, in the public trading maintained by NASDAQ OMX Helsinki Ltd, and in accordance with the NASDAQ OMX Helsinki Ltd and Euroclear Oy regulations and guidelines for acquisition of own shares.

On June 30, 2013, Innofactor Plc had in its possession 569,000 of its own shares that had been purchased at the average price of EUR 0.54 per share. The ownership of the company's share capital is 1.62%, which does not have a significant effect on the distribution of ownership or votes.

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 2012.

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 in their entirety are published in the financial statement and the interim reports only introduce changes in the short term risks.

Risks related to operations

Risks related to operating on developing markets: Through the acquisition of atBusiness Oy, Innofactor has business operations in St. Petersburg, Russia. 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.

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. The acquisition of atBusiness Oy, which was almost the size of Innofactor, significantly increases the risks related to integration. Innofactor invests in the integration process.

Success of the 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. The integration of atBusiness Oy includes an organization change. Innofactor strives to pay attention to controlling organization changes and to prepare for them also financially.

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

Financial risks

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 acquire 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 profit 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.

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

Risks related to shares

Trade on Innofactor Plc's share increased by 70% in 2012 and 317% on the first quarter of 2013, compared to the previous year, but is still relatively low. In 2012, the trade was 11.9% of the share capital and on the first quarter of 2013 alone it was more than in the previous year, that is, 12.4% of the share capital. In the Helsinki stock exchange, companies average trade on 2012 was 80% of the share capital. Low volume in trading typically results in a liquidity risk for the share and its price formation. Innofactor Plc strives to improve the liquidity of the share and decrease the related liquidity risk by its strategy of increasing the value for the shareowners and by its active investor communications.

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

Acquisitions and changes in the group structure

On June 6, 2013, Innofactor acquired the entire share capital (100% portion gaining 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 very 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 2013 and 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 profit 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 7.6 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 has the right, but 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 percent higher share price, EUR 0.6941, before March 31, 2014.

The rest of the purchase price, EUR 0–1.3 million, (as concerns the acquired shares) will be determined by the realized profit margin (EBITDA) of the Innofactor group during the 12 months following the closing of the deal (June 1, 2013–May 31, 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 share price 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.

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

Corporate environmental and social responsibility

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

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

In its 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. Electronic case and document management solutions and eService solutions are examples of Innofactor's solutions that reduce adverse effects on the environment. The emissions trading systems provided for several European countries also contribute to the efforts to curb the climate change.

Innofactor strives to establish long-term cooperation with its clients and partners and thereby create networks in which complementary expertise produces new kinds of solutions. In accordance with its mission, the Group aims at offering its employees and partners an innovative and supportive environment in which they can continue to develop themselves.

Strategy

Innofactor provides its clients with software, systems and related services. Innofactor focuses on the supply of solutions for the Microsoft environment. Innofactor's clients consist of commercial and public organizations. Innofactor operates in Finland, Denmark and in smaller scale in Russia, targeting the Nordic markets, and offers its solutions from these countries also to other countries. Innofactor strives to actively expand its operations in the Nordic Countries, which may happen either organically or through acquisitions. Additionally, Innofactor offers value-added components for Microsoft business solutions for global markets, utilizing several distribution channels.

Innofactor's mission is

- to help our clients offer their customers increasingly better services and improve their operations, and
- to provide our personnel and partners with an innovative and supportive environment in which they can continue to develop themselves.

Innofactor's vision is to become

- #1 provider of Microsoft solutions for commercial and public organizations in the Nordic Countries, and
- #1 provider of value-added components for Microsoft's business platforms globally.

Innofactor's strategy is to differentiate itself from the competitors as the leading provider focused in Microsoft solutions, and the most important strategic choices related to this are the following:

- Unique combination of Microsoft software product and system integrator businesses
- Focusing on the most important corporate clients and organizations in the target market
- Unique offering, containing critical Microsoft business solutions
- Providing value for customers' money by ensuring that the best people are delivering the best products and services
- Focusing on continuous service and long-term partnerships with clients
- Growing in the system integrator business in the Nordic Countries and globally in the software product business

Innofactor's goal is to grow profitably:

- Achieve an average annual growth of 30–40% in 2011–2015 through both organic growth and company acquisitions.
- Achieve an average annual operating profit of 10–15% before depreciation and amortization (EBITDA) in relation to the net sales in 2011–2015.
- Keep the cash flow positive and secure good financial standing in all situations.

Implementation of the strategy during the review period

The growth of 66.9% in Innofactor's net sales in the review period exceeded the 30–40% annual growth stated in the strategy. Also the Innofactor's operating profit before depreciation and amortization (EBITDA) in relation to the net sales, 9.4%, was almost on the range of 10–15 percent stated in the strategy, and without the one-off costs, it would have been 12.1 percent, which would have been on the range stated in the strategy. Innofactor's cash flow in the review period was positive (cash flow was EUR 1.3 million) and the financial standing was secure (Net Gearing 61.2%).

In the review period, Innofactor acquired atBusiness Oy, which complemented the Microsoft-based offering of Innofactor stated in the strategy and improved Innofactor's position as the Finland's leading provider of Microsoft-based solutions.

Events after the review period

On July 1, 2013, Innofactor announced in a stock exchange release that it will renew its organization and management. In its meeting late on June 30, 2013, the Innofactor Board of Directors decided on the Innofactor organization change, effective from July 1, 2013. The change in organization is related to the acquisition announced on June 7, 2013, where Innofactor acquired the entire share capital and capital loans of the Finnish company atBusiness Oy. As announced earlier, Juha Rokkanen will lead the Finnish system integration activities and act as the Managing Director of Innofactor Business Solutions Oy. His deputy will be Mikko Lampi. The members of the Executive Board of the unit include Juha Rokkanen (chairman), Mikko Lampi, Harri Taro, Vesa Kauppila, Mika Nurmi, Mikko Mylly, Tommi Flemming, Teemu Muukkonen, Perttu Monthan, and Ville Kujansuu. The Executive Board of the Innofactor Group consists of President and CEO Sami Ensio (chairman), Mikko Karvinen, Janne Martola, Elina Jokinen, Ingrid Peura (as of August 12, 2013), Heikki Jekunen, Juha Rokkanen, Mikko Lampi, and Christian Andersen. CFO Mikko Karvinen will act as the deputy for the CEO. The organization change does not include redundancies or similar personnel arrangements.

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

Future outlook

There are uncertainties related to the outlook for 2013 due to the integration of a major acquisition, so no detailed estimate of the outlook can be provided. Innofactor's net sales in 2013 are expected to be about EUR 34–37 million (2012: EUR 18.8 million). Operating profit before depreciation and amortization (EBITDA) in 2013 is expected to be about EUR 3–5 million (2012: EUR 1.2 million).

Espoo, July 30, 2013

INNOFACTOR PLC

Board of Directors

Additional information:

CEO Sami Ensio, Innofactor Plc
Tel. +358 50 584 2029
sami.ensio@innofactor.com

Briefings concerning the interim report January 1–June 30, 2013

On July 30, 2013, at 9:00 Finnish time, Innofactor will hold a briefing concerning the Interim Report in Finnish for the media, investors and analysts at the company's premises at Keilaranta 19, 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 50 554 3832 / Salla Tähtinen.

Innofactor will also hold a conference call in English for analysts, media and investors on July 30, 2013, at 16:00 Finnish time. Registrations to ir@innofactor.com at least one hour before the event.

Financial releases in 2013

The schedule for financial releases in 2013 is as follows:

October 15–October 28, 2013: Silent period

October 29, 2013, at 8:30 Finnish time: Interim Report for January–September

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

Financial statement summary and appendixes January 1–June 30, 2013 (IFRS)

Drafting principles

This interim report has been drafted in accordance with the IAS 34 Interim financial reporting standard. The interim report adheres to the same drafting principles and calculation methods as the last annual financial statement. The principles for calculating the key figures and the calculation formulas have not been changed and they have been presented in the financial report 2012. The figures for the acquired Innofactor Business Solutions Oy (former atBusiness Oy) have been included as of June 1, 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 figures in the interim report have not been audited.

Consolidated Profit and Loss Statement, IFRS

EUR thousand	Apr 1–Jun 30, 2013	Apr 1– Jun 30, 2012	Jan 1–Jun 30, 2013	Jan1– Jun 30, 2012	Jan 1–Dec 31, 2012
Net sales	7,737	3,982	13,278	7,954	18,818
Other operating income	55	0	67	0	33
Materials (–)	-670	-473	-1,029	-902	-1,691
Employee benefits/expenses (–)	-5,102	-2,813	-8,955	-5,955	-12,835
Depreciations (–)	-223	-143	-383	-282	-595
Other operating expenses (–)	-1,355	-803	-2,112	-1,413	-3,110
Operating profit/loss	442	-251	866	-598	620
Financial income	3	3	5	5	12
Financial expenses (–)	-289	-3	-303	-5	-41
Profit/loss before taxes	156	-251	568	-598	591
Income taxes	-39	3	-141	6	-142
Profit/loss for the period	117	-248	427	-592	449
Total comprehensive income	117	-248	427	-592	449

Earnings per share calculated from the result of parent company shareholders:

Basic earnings per share (EUR)	0.0039	-0.0082	0.0142	-0.0199	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	June 30, 2013	June 30, 2012	December 31, 2012
Non-current assets			
Tangible assets	992	446	451
Goodwill	17,275	1,207	2,834
Other intangible assets	4,002	1,379	1,695
Deferred tax assets	7,690	7,895	7,767
Non-current assets	29,959	10,927	12,747
Current assets			
Trade and other receivables	11,796	6,490	8,770
Cash and cash equivalents	1,971	1,013	656
Current assets	13,767	7,503	9,426
TOTAL ASSETS	43,726	18,430	22,173

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR thousand	June 30, 2013	June 30, 2012	December 31, 2012
Shareholders' equity			
Share capital	2,100	2,100	2,100
Share premium reserve	72	72	72
Other reserves (+/-)	59	59	59
Own shares	-305	0	-129
Fund for invested unrestricted equity	12,189	8,834	8,834
Retained earnings	3,249	1,781	2,824
Total shareholders' equity	17,364	12,846	13,760
Long term liabilities			
Loans from financial institutions	11,490	0	950
Deferred tax liabilities	1,092	415	510
Long term liabilities total	12,582	415	1,460
Current liabilities			
Loans from financial institutions	1,112	0	443
Trade and other payables	12,668	5,170	6,510
Current liabilities total	13,780	5,170	6,953
Liabilities total	26,362	5,585	8,413
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	43,726	18,430	22,173

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	Total shareholders' equity
Shareholders' equity Jan 1, 2013	2,100	72	59	8,834	-129	2,824	13,760
Comprehensive income							
Profit for the financial period						427	427
Other items of comprehensive income:							
Exchange differences						-2	-2
Total comprehensive income	0	0	0	0	0	425	425
Share issue				3,355			3,355
Purchase of own shares					-176		-176
Transactions with owners in total				3,355	-176		3,179
Shareholders' equity June 30, 2013	2,100	72	59	12,189	-305	3,249	17,364
Shareholders' equity Jan 1, 2012	2,100	72	59	8,344	0	2,330	12,905
Comprehensive income							
Profit for the financial period						-592	-592
Total comprehensive income	0	0	0	0	0	-592	-592
Share issue				490		43	533
Transactions with owners in total				490		43	533
Shareholders' equity Jun 30, 2012	2,100	72	59	8,834	0	1,781	12,846

Consolidated Cash Flow Statement, IFRS

EUR thousand	Jan 1– Jun 30, 2013	Jan1– Jun 30, 2012	Jan 1– Dec 31, 2012
Cash flow from operating activities			
Operating profit	866	-598	620
Amendments:			
Depreciations	383	282	595
Non-cash transactions	0	43	43
Change in working capital:			
Change in trade or other receivables (+/-)	27	406	-905
Change in trade and other payables (+/-)	618	170	-72
Interests paid (-)	-303	-5	-41
Interests received	5	5	12
Cash flow from operating activities, total	1,596	303	252
Cash flow/investments			
Investment in subsidiaries	-2,537	0	-1,260
Investments in intangible and tangible assets (-)	-127	-114	-199
Cash flow/investments total	-2,664	-114	-1,459
Cash flow/financing			
Payments received from share issue	0	128	161
Loans withdrawn	3,952	0	1,325
Loans paid	-1,393	0	-190
Purchase of own shares (-)	-176	0	-129
Cash flow/financing total	2,383	128	1,167
Change in liquid funds (+/-)	1,315	317	-40
Liquid funds, opening balance	656	696	696
Liquid funds closing balance	1,971	1,013	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			3,972	3,982	4,567	6,297
Other operating income	12	55			0	0	7	26
Materials (–)	-359	-670			-429	-473	-330	-459
Employee benefits/expenses (–)	-3,853	-5,102			-3,142	-2,813	-2,921	-3,959
Depreciations (–)	-160	-223			-138	-143	-147	-166
Other operating expenses (–)	-757	-1,355			-609	-803	-828	-870
Operating profit/loss	424	442			-347	-251	348	869
Financial income	2	3			2	3	2	5
Financial expenses (–)	-14	-289			-2	-3	-22	-14
Profit/loss before taxes	412	156			-347	-251	328	860
Income taxes	-102	-39			3	3	-104	-44
Profit/loss for the period	310	117			-344	-248	224	816

Commitments and contingent liabilities

EUR thousand	June 30, 2013	June 30, 2012	December 31, 2012
Collateral given for own commitments			
Rental guarantees	221	155	201
Business mortgages	16,250	1,000	2,250
Bank guarantees	18	18	18
Other own guarantees			
Lease liabilities			
Current lease liabilities	466	81	104
Lease liabilities maturing in 1–5 years	346	78	34
Total	812	159	138
Rental liabilities			
Current rental liabilities	924	594	662
Rental liabilities maturing in 1–5 years	85	580	348
Total	1,009	1,174	1,010
Other own guarantees total	1,821	1,333	1,148

Key Figures of the Group, IFRS

	mo. 4–6 /2013	mo. 4–6 /2012	Change	mo. 1–6 /2013	mo. 1–6 /2012	Change	mo. 1–12 /2012
Net sales, EUR thousand	7,737	3,982	+94.3%	13,278	7,954	+66.9%	18,818
Growth of net sales	+94.3%	-8.7%		+66.9%	-4.2%		+9.4%
Earnings before interest, taxes, depreciation and amortization (EBITDA), EUR thousand*	665	-108	+715.7%	1,249	-316	+495.3%	1,215
percentage of net sales*	8.6%	-2.7%		9.4%	-4.0%		6.5%
Operating profit/loss (EBIT), EUR thousand*	442	-251	+276.2%	866	-598	+244.7%	620
percentage of net sales*	5.7%	-6.3%		6.5%	-7.5%		3.3%
Earnings before taxes, EUR thousand**	156	-251	162.2%	568	-598	194.9%	591
percentage of net sales**	2.0%	-6.3%		4.3%	-7.5%		3.1%
Earnings, EUR thousand**	117	-248	+147.2%	427	-592	+172.1%	449
percentage of net sales**	1.5%	-6.2%		3.2%	-7.4%		2.4%
Shareholders' equity, EUR thousand	17,364	12,846	+35.2%	17,364	12,846	+35.2%	13,760
Return on equity***	3.0%	-7.6%		5.5%	-9.2%		3.4%
Return on investment****	7.9%	-7.6%		7.7%	-9.2%		4.5%
Net gearing	61.2%	-7.9%		61.2%	-7.9%		5.4%
Equity ratio	41.3%	76.8%		41.3%	76.8%		66.1%
Balance sheet total, EUR thousand	43,726	18,430	+137.3%	43,726	18,430	+137.3%	22,173
Research and development, EUR thousand	529	655	-19.2%	1,041	1,347	-22.7%	2,488
percentage of net sales	6.8%	16.4%		7.8%	16.9%		13.2%
Personnel on average during the review period	261	178	+46.6%	229	181	+26.5%	189
Personnel at the end of the review period	384	181	+112.2%	384	181	+112.2%	193
Number of shares at the end of the review period	35,144,179	30,165,900	+16.5%	35,144,179	30,165,900	+16.5%	30,165,900
Earnings per share (EUR)	0.0039	-0.0082	+147.6%	0.0142	-0.0199	+171.1%	0.0150
Shareholders' equity per share (EUR)	0.502	0.426	+17.8%	0.502	0.426	+17.8%	0.460

* 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 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 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 atBusiness Oy (current Innofactor Business Solutions)

On June 6, 2013, Innofactor acquired the entire share capital (100% portion gaining full control) and capital all 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, a total of 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 profit 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. The subscription price of the shares will be the volume weighted average share price 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, it 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. Innofactor Business Solutions Oy June 1-June 30, 2013 unaudited net sales was EUR 1,537 thousand and loss for the period was EUR -2 thousand (IFRS), which includes one-off costs related to the acquisition for about EUR 140 thousand. If Innofactor Business Solutions Oy had been part of Innofactor group as of January 1, 2013 would Innofactor group unaudited Pro Forma net sales January 1-June 30, 2013 have been EUR 20,497 thousand and profit EUR 336 thousand.

The acquisition price according to IFRS is the estimated purchase price of the shares, EUR 2,500 thousand, and it 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)
Trade and other receivables	3,054
Cash and cash equivalents	365
Total assets	5,893
Financing liabilities at market value	13,707 (includes a capital loan of 5,057 at cost price)
Other liabilities	3,648 (includes a deferred tax liability of 601)
Liabilities total	17,355
Net assets	-11,462 (total assets – liabilities total)
Acquisition cost	2,500 (cash 2,902; instruments equivalent to own capital 3,355; conditional compensation 1,300; capital loan -5,057)
Goodwill	13,962 (acquisition cost – net assets)
Acquisition price paid in cash	2,902
Cash funds of the acquired subsidiary	365
Effect on cash flow	-2,537

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 has 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 depreciated according to the plan during 9 years.

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 13,962 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 not been taken into account in the acquisition cost calculation, because there is some uncertainty about their transfer. If the transfer of losses is confirmed during the 12 months following the acquisition, the acquisition cost calculation will be modified on the relevant parts. Thus, 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 depends on the target company's realized EBITDA of the 12 months following the acquisition (July 1, 2012–June 30, 2013). The acquisition price will be paid in Danish kroner and in Innofactor Plc shares and the total price is estimated to be approximately EUR 2.5 million. It was agreed that the minimum purchase price shall be approximately EUR 1.6 million and the maximum purchase price approximately EUR 3.0 million. Approximately EUR 1.26 million of the acquisition

price was paid in cash at the beginning of July 2012 and the rest will be paid with Innofactor Plc's shares during the second half of 2013.

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 purchase price of the shares, which was at the preliminary acquisition cost calculation EUR 2,018 thousand and is at the final acquisition cost calculation EUR 2,489 thousand, and it has been presented in more detail in the following calculation. The values of the acquired assets and liabilities on the acquisition date were as follows:

	Values registered for consolidation (EUR thousand)
Tangible assets	63
Intangible assets	435
Trade and other receivables	873
Total assets	1,371
Financing liabilities	258
Other liabilities	530
Liabilities total	788
Net assets	583
Acquisition cost	2,489
Goodwill	1,906
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 business value of EUR 1,906 thousand. The business 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 June 30, 2013, was as follows: Additionally, on June 30, 2013, Innofactor Plc had a total of 569,000 Innofactor shares in its possession.

Name	Number of shares	% of share capital
1. Ensio Sami	7,422,087	21.12%
<i>Ensio Sami</i>	5,248,327	14.93%
<i>minor under guardianship</i>	724,588	2.06%
<i>minor under guardianship</i>	724,586	2.06%
<i>minor under guardianship</i>	724,586	2.06%
2. Sentica Kasvurahasto II Ky	3,539,189	10.07%
3. Tilman Tuomo Tapani	2,922,442	8.32%
<i>Tilman Tuomo Tapani</i>	2,747,492	7.82%
<i>Mpire Capital Oy</i>	174,950	0.50%
4. Salminen Jyrki Kalle Tapio	2,747,492	7.82%
5. Laiho Rami Tapani	1,489,888	4.24%
6. Linturi Kaija and Risto	1,356,911	3.86%
<i>R. Linturi Oyj</i>	529,607	1.51%
<i>Linturi Kaija</i>	440,000	1.25%
<i>Linturi Risto</i>	387,304	1.10%
7. Trainer's House Kasvusysteemiosakeyhtiö	1,142,310	3.25%
8. Lampi Mikko Olavi	1,045,543	2.98%
9. Mäki Antti-Jussi	1,012,501	2.88%
10. Ärje Matias Juhanoika	946,278	2.69%
11. Luostarinen Juha Markku T	929,438	2.64%
12. Jokinen Klaus Antero	543,111	1.55%
13. Muukkonen Teemu Heikki	507,468	1.44%
14. Riski Tuomas Mikael	417,652	1.19%
15. Järvenpää Janne-Olli	372,804	1.06%
16. Kukkonen Heikki-Harri	367,021	1.04%
17. Laiho Jari Olavi	270,000	0.77%
18. Ementor Norge As	269,299	0.77%
19. Myllys Mikko Juhani	176,981	0.50%
20. Karelsaimaa Oy	158,642	0.45%