

Innofactor Plc Financial Statement March 1, 2016, at 8:30 Finnish time

Innofactor Plc Financial Statement 2015 (IFRS)

Summary

Quarter 10–12/2015:

- Growth of net sales was 2.9%, which we estimate to exceed the market growth.
- Operating margin (EBITDA) was on a good level, 13.8% of the net sales.
- Innofactor received several significant orders, which improved the order book.
- In December 2015, Innofactor signed a deal on acquiring the Swedish company Cinteros AB (net sales in 2015 approximately EUR 11 million, over 100 employees), which strengthens significantly Innofactor's Nordic growth strategy.
- We think, based on the last quarter, that Innofactor has good prerequisites for growing its business operations profitably in 2016 in accordance with its strategy.

Year 1–12/2015:

- Growth of net sales was 1.4%, which we estimate to only slightly exceed the market growth.
- Operating margin (EBITDA) was 8.3% of the net sales, which is slightly less than last year and did not reach the goal.
- The figures of 2015 were affected essentially by costs related to reorganizations, write-offs for periods preceding the financial period and related to individual customers and projects, and project assessment errors found in September 2015 in connection with terminating the employment of the Country Manager in Denmark.

	Oct 1–Dec 31 2015	Oct 1–Dec 31 2014***	Change	Jan 1–Dec 31 2015***	Jan 1–Dec 31 2014***	Change
Net sales, EUR thousand	12,590	12,231	2.9%	44,452	43,834	1.4%
Growth of net sales	2.9%	10.3%		1.4%	34.1%	
Operating profit before depreciation and amortization (EBITDA), EUR thousand*	1,742	1,480	17.7%	3,705	3,794	-2.3%
percentage of net sales*	13.8%	12.1%		8.3%	8.7%	
Operating profit/loss (EBIT), EUR thousand*	1,470	1,135	29.5%	2,542	2,407	5.6%
percentage of net sales*	11.7%	9.3%		5.7%	5.5%	
Earnings before taxes, EUR thousand**	1,395	900	55.0%	1,935	1,946	-0.6%
percentage of net sales**	11.1%	7.4%		4.4%	4.4%	
Earnings, EUR thousand**	1,116	721	54.8%	1,548	1,556	-0.5%
percentage of net sales**	8.9%	5.9%		3.5%	3.5%	
Net gearing	34.1%	42.9%		34.1%	42.9%	
Equity ratio	56.9%	48.7%		56.9%	48.7%	
Personnel on average during the review period	434	415	4.6%	427	421	1.4%
Earnings per share (EUR)	0.0334	0.0224	49.2%	0.0475	0.0485	-2.0%

*) The third quarter of 2014 included a one-off cost reserve related to the closing of the St. Petersburg office for approximately EUR 59 thousand. The second quarter of 2014 included a one-off cancellation of a cost reserve related to the integration, amounting to approximately EUR 135 thousand.

**) The third quarter of 2014 included a one-off cost reserve related to the closing of the St. Petersburg office for approximately EUR 59 thousand and a financing cost reserve related to the Enabling acquisition for approximately EUR 400 thousand, a total of approximately EUR 459 thousand. The second quarter of 2014 included a one-off cancellation of a cost reserve related to the integration, amounting to approximately EUR 135 thousand, and financial income of EUR 216 thousand from the additional purchase price related to the acquisition, a total of approximately EUR 351 thousand.

***) During the third quarter, an error in the assessment of projects was detected in the Group company concerning the period of January 1–June 30, 2015, in the financial period that has just ended as well as the previous financial periods. The assessment error was corrected for the above-mentioned periods in accordance with IAS 8: 41–42. The total effect of the error was a decrease of approximately EUR 552 thousand in the operating margin (EBITDA). Adjustments and their effects on the Group figures are described in more detail in the attachment to the interim report for January 1–September 30, 2015, which was published on October 20, 2015.

Innofactor's net sales and operating margin (EBITDA) in 2016 are estimated to increase significantly from 2015, during which the net sales were EUR 44.5 million and operating margin (EBITDA) was EUR 3.7 million.

The annual figures in this financial statement have been audited.

Reporting

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

CEO Sami Ensio's review

In the last quarter of 2015, Innofactor continued profitable growth in accordance with its strategy. The growth of net sales was 2.9 percent (net sales EUR 12.6 million) and operating margin (EBITDA) was EUR 1.7 million (13.8 percent of the net sales).

The year 2015 posed some challenges to Innofactor's business operations. We could not reach the business operation goals we had set for 2015. For the entire year 2015, the growth of net sales was 1.4 percent and operating margin (EBITDA) was 8.3 percent of the net sales. The situation was affected essentially by costs related to reorganizations, write-offs for periods preceding the financial period and related to individual customers and projects, and project assessment errors found in September 2015 in connection with terminating the employment of the Country Manager in Denmark.

Despite these challenges, we were able to improve our profitability significantly on the second half of 2015 when the relative operating margin (EBITDA) was almost double that of the first half of the year (11.4 percent of the net sales). During the last quarter, Innofactor's order book grew significantly. For example, we got a project for delivering a Microsoft Dynamics NAV-based textile business solution for a Finnish textile manufacturer, valued at approximately EUR 0.5 million, and the project for delivering an electronic services, case management and CRM system for the Population Register Centre, valued at approximately EUR 0.85 million.

Innofactor continued its expansion in the Nordic Countries in December 2015 by signing an agreement for acquiring the entire share capital of the Swedish company Cinteros AB from the company's management. The acquisition was completed in January 8, 2016. The acquisition gave Innofactor a significant share in the Swedish IT market, offering based on the leading Microsoft Dynamics CRM product, strong customer base, and over 100 very skillful employees in Stockholm, Göteborg and Malmö. Cinteros' net sales in 2015 were approximately EUR 11 million (approximately SEK 100 million) and operating margin (EBITDA) approximately 9%. Soon after the acquisition was published, at the end of December, Cinteros announced a significant deal with one of the Sweden's largest trade unions, valued at approximately EUR 1.6 million. It has been great to see how cooperation and integration have started. We have already started the first customer project in Sweden that also utilizes Innofactor consultants from Finland and Denmark.

After the challenges of 2015, we think that Innofactor has good prerequisites for growing its business operations profitably in 2016 in accordance with its strategy.

Innofactor will continue to actively seek for potential new strategic partnerships in the Nordic Countries. The Group's goal is to grow both organically and through acquisitions.

Market outlook and business environment

Main forces affecting the markets are the transfer of software into the cloud, increased significance of social media, mobile devices and Internet of Things, data analytics and machine learning, and data security and protection. A clear change in the purchase habits of customers has been observed as these business changes are taking place. The customers expect the IT provider to focus more on business benefits instead of technology benefits. The customers want the providers to have solutions that are ready for use without a need to make changes, and they want to be able to buy more continuous services instead of large one-off projects.

Innofactor estimates that the IT service market in the Nordic Countries grew by approximately 1–2% in 2015. In Finland, the growth was slower than in the other Nordic Countries. Innofactor estimates that the IT service market in the Nordic Countries in 2016 will gain some speed and reach the level of approximately 2–3%. The estimate is based on research institutes' forecasts and Innofactor's own outlook on markets.

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. 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. These companies also offer IT solutions for companies and organizations using several competing technologies of which Microsoft technology is typically just 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, client and/or field.

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 offering, 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 Nordic large and medium-sized companies and government organizations, which have high standards in their IT solution acquisitions. Innofactor develops solutions, products and services suitable for this group by itself and in cooperation with its partners. Innofactor's strategy supports well the change in the markets. Innofactor believes it can gain market share from its competitors and utilize possible IT market growth in the future.

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. For Innofactor, this provides interesting potential for consolidation and globalization. Innofactor's good reputation concerning the Microsoft ecosystem, unique proofs of rapid and profitable growth and successful acquisitions together with business culture with entrepreneurial spirit make Innofactor 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, 2015, were EUR 12,590 thousand (2014*: 12,231), which shows an increase of 2.9%, and on January 1–December 31, 2015, the net sales were EUR 44,452 thousand (2014*: 43,834), which shows an increase of 1.4 percent.

*) During the third quarter, an error in the assessment of projects was detected in the Group company concerning the period of January 1–June 30, 2015, in the financial period that has just ended as well as the previous financial periods. The assessment error was corrected for the above-mentioned periods in accordance with IAS 8: 41–42. The total effect of the error on the net sales for October 1–December 31, 2015, was a decrease of approximately EUR -285 thousand, and on the net sales for January 1–June 30, 2015, a decrease of approximately EUR -238 thousand. Adjustments and their effects on the Group figures are described in more detail in the attachment to the interim report for January 1–September 30, 2015, which was published on October 20, 2015.

Financial performance

Innofactor's operating margin (EBITDA) on October 1–December 31, 2015, was EUR 1,742 thousand (2014: 1,480*), which shows an increase of 17.7%. EBITDA accounted for 13.8 percent of the net sales (2014: 12.1%*). Innofactor's operating profit on October 1–December 31, 2015, was EUR 1,470 thousand (2014: 1,135*), which shows an increase of 29.5%. Operating profit accounted for 11.7 percent of the net sales (2014: 9.3%*).

Innofactor's operating margin (EBITDA) on January 1–December 31, 2015, was EUR 3,705 thousand** (2014: 3,794**), which shows a decrease of 2.3 percent. EBITDA accounted for 8.3 percent of the net sales** (2014: 8.7%**). Innofactor's operating profit on January 1–December 31, 2015, was EUR 2,542 thousand** (2014: 2,407**), which shows an increase of 5.6%. Operating profit accounted for 5.7 percent of the net sales** (2014: 5.5%**).

*) During the third quarter, an error in the assessment of projects was detected in the Group company concerning the period of January 1–June 30, 2015, in the financial period that has just ended as well as the previous financial periods. The assessment error was corrected for the above-mentioned periods in accordance with IAS 8: 41–42. The total effect of the error on the operating margin (EBITDA) and net sales for October 1–December 31, 2015, was a decrease of approximately EUR -314 thousand, and on the operating margin (EBITDA) and net sales for January 1–June 30, 2015, a decrease of approximately EUR -238 thousand. Adjustments and their effects on the Group figures are described in more detail in the attachment to the interim report for January 1–September 30, 2015, which was published on October 20, 2015.

**) The year 2014 included a one-off cost reserve related to the closing of the St. Petersburg office for approximately EUR 59 thousand. The year 2014 included a one-off cancellation of a cost reserve related to the integration, amounting to approximately EUR 135 thousand. During the third quarter, an error in the assessment of projects was detected in the Group company concerning the period of January 1–June 30, 2015, in the financial period that has just ended as well as the previous financial periods. The assessment error was corrected for the above-mentioned periods in accordance with IAS 8: 41–42. The total effect of the error on the operating margin (EBITDA) and net sales for October 1–December 31, 2015, was a decrease of approximately EUR -314 thousand, and on the operating margin (EBITDA) and net sales for January 1–June 30, 2015, a decrease of approximately EUR -238 thousand. Adjustments and their effects on the Group figures are described in more detail in the attachment to the interim report for January 1–September 30, 2015, which was published on October 20, 2015.

Financing and investments

Innofactor's balance sheet total at the end of the review period was EUR 43,983 thousand (2014: 47,413). The significant decrease in the balance sheet total was mainly due to paying off bank loans and a decrease in sales receivables and other receivables from customers, which had a positive effect on the cash flow. The Group's liquid assets totaled EUR 843 thousand (2014: 997), consisting totally of cash funds.

The operating cash flow in the review period of January 1–December 31, 2015, was EUR 3,943 thousand (2014: 2,301). The investment cash flow was EUR -2,162 thousand (2014: -690).

The equity ratio at the end of the review period was 56.9 percent (2014: 48.7%) and net gearing was 34.1 percent (2014: 42.9%).

At the end of the review period, the company had EUR 4,428 thousand in current interest bearing liabilities (2014: 2,933) and EUR 4,791 thousand in non-current interest bearing liabilities (2014: 7,705), the total amount of interest bearing liabilities being EUR 9,219 thousand (2014: 10,638).

The return on investment on January 1–December 31, 2015, was 7.6 percent (2014: 9.1%).

The return on investment on January 1–December 31, 2015, was 6.6 percent (2014: 7.4%).

The non-current assets in Innofactor's balance sheet at the end of the review period were EUR 30,488 thousand in total and consisted of the following items:

- Tangible assets EUR 541 thousand
- Goodwill EUR 19,584 thousand
- Other intangible assets EUR 2,934 thousand
- Shares and holdings EUR 62 thousand
- Receivables EUR 663 thousand
- Deferred tax assets EUR 6,704 thousand

Innofactor's gross investments in tangible assets in the review period of January 1–December 31, 2015, were EUR 447 thousand (2014: 597), 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 587 thousand (2014: 712).

Research and product development

Innofactor's research and development costs recognized in profit or loss for October 1–December 31, 2015, were EUR 886 thousand (2014: 457), which accounts for 7.0 percent of the net sales (2014: 3.7%).

Innofactor's research and development costs recognized in profit or loss for January 1–December 31, 2015, were EUR 2,495 thousand (2014: 1,981), which accounts for 5.6 percent of the net sales (2014: 4.5%).

Personnel

The Innofactor group monitors both the total number of personnel and the number of active personnel. The number of active personnel does not include employees who are on a leave of over 3 months.

The total number of personnel at Innofactor during October 1–December 31, 2015, was on the average 434 (2014: 415), which shows an increase of 4.6 percent, and on January 1–December 31, 2015, on the average 427 (2014: 421), which shows an increase of 1.4 percent.

The number of active personnel on October 1–December 31, 2015, was on the average 416 and on January 1–December 31, 2015, on the average 409.

At the end of the review period, the total number of personnel was 432 (2014: 411) of whom 415 were in active employment. The total number of personnel grew by 5.1 percent.

At the end of the review period, the average age among personnel was 40.1 years (2014: 39.1). Women accounted for 28 percent of the personnel and men for 72 percent (2014: 23% and 77%).

Business operations

In 2015, Innofactor's business operations were focused on Finland and Denmark. On January 1–December 31, 2015, approximately 82 percent of the net sales came from Finland and approximately 18 percent from Denmark.

Of the net sales on January 1–December 31, 2015, approximately 47% came from commercial clients and approximately 53% from government and third sector clients.

Innofactor's net sales in the review period of January 1–December 31, 2015, came from the following sources:

- approximately 72% (2014: 68%) from system integrator services (including system delivery projects, consulting, and smaller changes and further development);

- approximately 4% (2014: 9%) from licenses, of which the share of licensing income to third parties was approximately 2% (2014: 3%);
- approximately 24% (2014: 23%) from recurring service contracts (incl. maintenance agreements, SaaS, cloud and hosting services).

Innofactor's 10 largest clients accounted for approximately 23 percent of the net sales during the review period January 1–December 31, 2015, (2014: 21%).

Other events in the review period

On February 24, 2015, Innofactor announced in a stock exchange release that the Legal Register Centre has selected Innofactor in a public procurement competition as the provider of the customer information system project for the Criminal Sanctions Agency. The project includes the first stage of the system delivery, maintenance related to the stage, and the necessary software licenses. The system delivery is planned to be implemented during 2015 and 2016. The comparison price (excluding VAT) of the procurement for the contract period is EUR 4,771,024.

On March 11, 2015, Innofactor announced in a stock exchange release that the Population Register Centre has selected Innofactor in a public tendering process as the provider of a Service Design team for implementing service views. The implementation will be done during years 2015–2017. The customer has announced that the value of the final contract would be EUR 630,000–720,000. However, the final value of the deal during the contract period cannot be stated for certain at this point.

On March 24, 2015, 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, 2014; 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, 2014; decided, in accordance with the proposal of the Board of Directors, that no dividend will be paid; decided on the fees to be paid to the Board members; selected the Board of Directors and the auditor; and authorized the Board of Directors to decide on purchase of treasure shares and granting of special rights entitling to shares.

On April 29, 2015, Innofactor announced in a stock exchange release that the Finnish Large Taxpayers' Office had provided Innofactor a positive decision according to which the Tax Authority will not carry out the adjustment presented in the tax inspection report for 2014. Due to the decision, Innofactor's risk related to tax receivables has been reduced materially.

On May 28, 2015, Innofactor published a stock exchange release about the payment of the remaining purchase price of Enabling Holding 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 was defined based on Enabling Group's realized EBITDA in 2014. The final purchase price was approximately EUR 3.8 million, of which approximately EUR 2.2 million was paid in June 2015. Out of this sum, approximately EUR 1.7 was paid in cash and approximately EUR 0.5 million in company shares. Based on the authorization granted by the General Meeting, Innofactor's Board of Directors decided on a directed share issue of new shares in connection with the adjustment payment of the deal. In the directed issue, Innofactor issued 500,000 new shares. The new 500,000 shares of Innofactor Plc were registered in the Trade Register on June 1, 2015. After the registrations, the total number of Innofactor Plc shares is 32,653,737. The trading of the new shares in the Helsinki Stock Exchange (NASDAQ OMX) started in June 2015. The shares are subject to transfer restrictions, which will be gradually released by 2017.

On June 30, 2015, Innofactor announced in a stock exchange release that the Board of Directors of Innofactor Plc has decided on a new share-based incentive plan for all Innofactor group's personnel ("Personnel Issue") in order to commit the personnel to the company and its goals. In the Personnel Issue, a maximum total of 800,000 new shares ("Personnel Shares") of the company will be issued to the Innofactor group personnel, deviating from the shareholders' pre-emptive subscription rights. At the time of the decision on June 29, 2015, Innofactor Plc has a total of 32,653,737 shares outstanding. If all the offered Personnel Shares were subscribed for in the Personnel Issue, the number of shares outstanding would increase to a maximum of 33,453,737 shares, out of which a maximum of 800,000 Personnel Shares would account for a maximum of 2.39 percent of the total post-issue number of shares and votes. The purpose of the directed Personnel Issue is to increase the personnel's commitment to the Company, and therefore a weighty financial reason as per the Finnish Companies Act exists for waiving the pre-emptive rights of shareholders. The subscription price for the Personnel Shares will be based on the weighted average price for the Innofactor Plc shares in public trading during the month following the publishing of the next interim report of Innofactor Plc, July 21–August 20, 2015, the subscription price for the Personnel Shares being approximately 10% lower than the weighted average share price in the said period. The subscription price in total will be recognized as an increase in the company's fund for invested unrestricted equity. Innofactor will grant a loan for its personnel to cover the subscription price. The loan term will be 10 years. The loan will be granted as part of the distributable funds of the company. The interest rate of the loan will be the 12 month Euribor rate at the time of the subscription period and will be adjusted annually. The loan repayments and interests will be deducted from the employees' monthly net salaries. The subscription of the Personnel Shares and the loans will take place during September 7–September 11, 2015. The trading with the issued Personnel Shares on the Helsinki Stock Exchange (NASDAQ OMX) is estimated to start on October 1, 2015. However, the Personnel Shares are subject to a sale and transfer restriction for 12 months starting from the date of the registration of the new shares subscribed in the Personnel issue in the Trade Register. The Company will publish the final results of the Personnel Issue as a stock exchange release on around September 30, 2015.

On August 28, 2015, Innofactor announced in a stock exchange release that at its meeting on August 24, 2015, the Board of Directors of Innofactor Plc decided to start the acquisition of the company's own shares. A maximum of 800,000 shares will be acquired, equaling approximately 2.45% of the total number of the company's shares. The decision is based on the authorization, given to the Board by the General Meeting on March 24, 2015, to acquire a maximum of 8,000,000 shares. The acquisition of own shares will end on June 30, 2016, at the latest.

On September 22, 2015, Innofactor announced in a stock exchange release that the Board of Directors of Innofactor Plc has accepted subscriptions of 800,000 new shares in the company's Personnel Issue. Subscription undertakings were submitted for 963,356 shares in total, which exceeded the offered 800,000 shares by 20.42 percent. As a result of the Personnel Issue, the number of Innofactor's shares increases by 800,000 shares to a total of 33,453,737 shares. The new shares correspond to 2.39 percent of Innofactor Plc's post-issue share capital and votes. The subscription price was EUR 0.783 per share. The subscription price in total will be recognized as an increase in the company's fund for invested unrestricted equity.

On September 22, 2015, Innofactor announced in a stock exchange release that the Board of Directors of Innofactor Plc has decided, in the meeting held on September 21, 2015, to update Innofactor's strategy. The key points of Innofactor's updated strategy are presented in the strategy section of this report.

On October 7, 2015, Innofactor announced in a stock exchange release that it had signed an agreement that enables the company to take a 6-year bank loan (senior bank loan) of EUR 3.2 million in order to redeem the hybrid bond of EUR 3.2 million. The hybrid bond has no due date, but the company has the right to redeem it in February 2016, before the rate increases to 12%. The bank loan will decrease Innofactor's financing costs significantly compared to the current hybrid bond. The hybrid bond was redeemed in its totality on February 29, 2016.

On November 26, 2015, Innofactor announced in a stock exchange release that Helsinki City Transport selected Innofactor as the provider of the system that provides situational information on the Metro's total security. As stated by the customer, the procurement price (excluding VAT) for the period of four years is EUR 2,909,000. The system delivery is planned to be implemented during 2016 and 2017. The delivery includes the planning, realization and implementation of the system, operating, support and maintenance services for it, plus further development of the system. The framework arrangement of the procurement will remain in effect for a maximum of 15 years. For this total time, Innofactor has stated that the total price according to the tender will be EUR 7,025,500.

On November 30, 2015, Innofactor announced in a stock exchange release that Innofactor Plc will deliver to a Finnish clothing manufacturer a modern TRIMIT textile industry solution based on the Microsoft Dynamics NAV product. The value of the agreed on first phase of the project is approximately EUR 0.5 million, which includes implementation work in Finland. The contract includes an option for expanding implementation to Russia during 2016.

On December 11, 2015, Innofactor announced in a stock exchange release that The Finnish Population Register Centre has selected Innofactor in a public procurement competition as the provider of a large service package. The system delivery is planned to be implemented during 2016. The value of the contract is approximately EUR 850,000. The contract includes the system delivery, system maintenance for four years and necessary software licenses. The Population Register Centre has an option to continue the maintenance contract by 1–4 years.

On December 18, 2015, Innofactor announced in a stock exchange release that a total of 66,739 Innofactor Plc shares have been conveyed to a key member of corporate management as a part of the compensation. The price for the conveyed shares is approximately EUR 0.75 per share. The shares are subject to sale and transfer restriction for 12 months. The conveyance is based on the decision of the Board of Directors, which was made on the basis of the authorization given by the Annual General Meeting on March 24, 2015.

On December 22, 2015, Innofactor announced in a stock exchange release that it will acquire the Swedish company Cinteros AB. More details about this can be found in the section "Acquisitions and changes in the group structure."

On December 22, 2015, Innofactor announced in a stock exchange release that Innofactor's operating profit before depreciation and amortization (EBITDA) was expected to remain lower than in 2014, when the operating profit was EUR 3.8 million. Innofactor's net sales forecast for 2015 will not be changed. Innofactor's net sales and operating margin (EBITDA) in 2015 was earlier estimated to increase from 2014, during which the net sales were EUR 43.8 million and operating margin (EBITDA) was EUR 3.8 million.

On December 28, 2015, Innofactor announced in a stock exchange release that Cinteros AB, whose financial figures will be consolidated into Innofactor Group as of January 1, 2016, has signed an agreement for delivering a membership system based on Microsoft Dynamics CRM to one of the largest trade unions in Sweden. The delivery includes full scale support for the management of memberships, courses and accounts ledger, a portal for employers and trustees, and the implementation of migration and integration. The value of the agreed on delivery is approximately EUR 1.6 million (approximately SEK 15 million). The project is planned to be implemented during 2016.

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 33,453,737 of which the company was holding 413,638 shares. Innofactor Plc has one series of shares. Each share is entitled to one vote.

On October 1–December 31, 2015, the highest price of the company share was EUR 1.01 (2014: EUR 0.97), the lowest price was EUR 0.76 (2014: EUR 0.75), and the average* price was EUR 0.84 (2014: EUR 0.85).

On January 1–December 31, 2015, the highest price of the company share was EUR 1.20 (2014: EUR 1.59), the lowest price was EUR 0.76 (2014: EUR 0.75), and the average* price was EUR 0.96 (2014**: EUR 1.22).

The closing price for the review period on December 31, 2015, was EUR 0.98 (2014: EUR 0.77).

* 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 October 1–December 31, 2015, a total of 1,741,268 shares were traded (2014: 1,108,377 shares), which corresponds to 5.2 percent (2014: 3.4%) of the average number of shares on the said period. On October 1–December 31, 2015, there were 33,186,668 shares* on the average (2014: 32,153,737). The share trading increased by 57.1 percent compared to the corresponding period in 2014.

In public trading on January 1–December 31, 2015, a total of 7,118,343 shares were traded (2014: 6,449,837 shares), which corresponds to 21.8 percent (2014: 20.1%) of the average number of shares on the said period. On January 1–December 31, 2015, there were 32,579,614 shares* on the average (2014: 32,126,456). The share trading increased by 10.4 percent compared to the corresponding period in 2014.

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

The market value of the share capital at the closing price of the review period, EUR 0.98, on December 31, 2015, was EUR 32,758 thousand (2014: 24,758), which shows an increase of 32.4 percent.

On December 31, 2015, the company had 10,771 shareowners (2014: 11,287) including the administrative registers (8 registers). The share of nominee registered ownership was 8.2 percent (2014: 8.5%) of the total number of shares. Of the owners, 4.6 percent (2014: 3.2%) were companies operating in Finland, 0.5 percent (2014: 0.5%) financing and insurance companies, 85.4 percent (2014: 86.5%) Finnish households, and 1.3 percent (2014: 1.3%) foreign owners.

The Board of Directors has been given the following authorizations:

- Until June 30, 2016, to decide on a share issue and granting of special rights entitling to shares for a maximum of 15,000,000 new shares with the total number of shares not exceeding 45,000,000 (decided by the General Meeting of March 24, 2015); based on which 500,000 new shares were issued on June 1, 2015, and 800,000 new shares were

issued on September 22, 2015, leaving the number of shares remaining in the authorization at 13,700,000.

- Until June 30, 2016, to decide on a transfer of a maximum of 1,000,000 treasury shares (decided by the General Meeting of March 24, 2015); based on which 66,793 shares were transferred on December 18, 2015, and 83,044 shares were transferred after the financial period on January 5, 2016, leaving the number of shares remaining in the authorization at 850,163.

Innofactor Plc issued no flagging announcements during the review period.

Share owning by the Board of Directors:

- Ari Rahkonen, 30,000 shares, 0.09% (as of March 24, 2015)
- J.T. Bergqvist, 350,000 shares, 1.05%
- Sami Ensio, 7,448,017 shares, 22.26%
 - Sami Ensio, 5,274,257 shares, 15.77%
 - minor under guardianship, 724,588 shares, 2.17%
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- Jukka Mäkinen, 70,793 shares, 0.21%
- Ilari Nurmi, 50,630 shares, 0.15%
- Pekka Puolakka, 181,705 shares, 0.54% (as of March 24, 2015)
 - Hillside Ou, 105,670 shares, 0.32%
 - Pekka Puolakka, 76,035 shares, 0.23%

Share owning by the CEO:

- Sami Ensio, 7,448,017 shares, 22.26%
 - Sami Ensio, 5,274,257 shares, 15.77%
 - minor under guardianship, 724,588 shares, 2.17%
 - minor under guardianship, 724,586 shares, 2.17%
 - minor under guardianship, 724,586 shares, 2.17%

Share owning by other members of the Executive Board:

- Anthony Gyursanszky, 83,044 shares, 0.25% (as of August 10, 2015)
- Janne Heikkinen, 83,044 shares, 0.25% (as of September 1, 2015)
- Elina Jokinen, 53,979 shares, 0.16%
- Janne Martola, 183,044 shares, 0.55%

Treasury shares

The General Meeting of March 24, 2015, authorized the Board of Directors to decide on acquiring of a maximum of 8,000,000 treasury 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). Treasury shares may be acquired at the purchase price formed for them in public trading at the day of purchase or at another market price. The number of treasury shares at a time may be, at the maximum, one tenth of the total number of shares in the company. Shares may be purchased to be used in company acquisitions or implementing other arrangements relating to the company's business operations, improving the company's capital or financing structure, as a part of the company's incentive system, or otherwise to be handed over or voided. In connection with the share repurchase, ordinary derivative, stock lending and other agreements may be made in the market in accordance with the laws and regulations. The authorization includes the right of the Board of Directors to decide on all other matters related to the acquisition of shares. The authorization will be valid until June 30, 2016. This authorization replaces the Board's earlier authorizations concerning share repurchase. On the basis of the authorization, Innofactor Plc purchased a total of 413,638 of its own shares during the review period. After the purchases made during the review period, the authorization remains valid for 7,586,362 shares.

On December 31, 2015, Innofactor Plc had 408,893 treasury shares. Innofactor Plc had acquired additional 4,745 treasury shares on December 30, 2015, but these had not yet been registered in the company's book-entry account by December 31, 2015.

The Board of Directors of Innofactor Plc decided on a new share-based incentive plan for all Innofactor group's personnel in order to commit the personnel to the company and its goals. On the basis of the plan, a total of 800,000 new company shares were issued in a directed issue for the company's personnel, deviating from the pre-emptive rights of shareholders. The subscription of the personnel shares took place on September 7–11, 2015, and the trading of the new shares in the Helsinki Stock Exchange (NASDAQ OMX) started on September 30, 2015. The Personnel Shares are subject to a sale and transfer restriction for 12 months starting from the date of the registration of the new shares subscribed in the Personnel Issue in the Trade Register.

Management of the company

During the financial period that ended on December 31, 2015, Innofactor Plc complied with the recommendations of the Corporate Governance Code 2010 for Finnish listed companies, published by the Securities Market Association. As of January 1, 2016, Innofactor Plc will comply with the Corporate Governance Code 2015 for Finnish listed companies, published by the Securities Market Association.

The General Meeting of March 24, 2015, decided that the number of Board members is six. Of the current members of the Board of Directors, J.T. Bergqvist, Sami Ensio, Jukka Mäkinen and Ilari Nurmi were re-elected. Ari Rahkonen and Pekka Puolakka were elected as new members. In their organizing meeting held immediately after the General Meeting, the Board of Directors elected Ari Rahkonen as the Chairman of the Board.

The General Meeting approved the proposal to 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 2015.

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.

Skilled personnel and its availability: The development of Innofactor's operations and deliveries depend greatly on the Group having skilled 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 salaries and other personnel costs (in 2015, about 69% of the net sales). Currently, all of Innofactor's own employees work in the Nordic Countries, whereas some competitors rely heavily on workforce in countries with cheap labor. If the personnel costs continue rising in the Nordic Countries 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 constantly and aims at increasing the share of work done by subcontractors and abroad, when it makes sense from the point of view of business operations, for example, in large product development projects.

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.

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 2015, about 5.6% 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.

Changes in the technology and field of business: 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. Important changes under way include, for example, the transfer of software into cloud technologies, digitalization, and Internet of Things (IoT). If Innofactor cannot react to these changes, it may have an adverse effect on Innofactor's business, operating result and financial position. Innofactor strives to actively invest in new technologies and central areas of know-how.

Reaching the growth goals: Realizing the desired organic growth requires a growth rate that is clearly faster than the growth in the IT market in general. This creates a risk that it cannot be realized in the future, although it has been done before. It is possible that the IT market in Innofactor's market area will not grow or may even shrink in 2016. Ensuring growth has 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.

Globalization: In accordance with its strategy, Innofactor is seeking for more growth also in the global markets, especially in the Nordic Countries. Global operations typically always involve higher risks than operation at home. Innofactor strives to make sure that the investments in becoming a global player will not be so great that it would jeopardize the Group's ability to make profit and to grow. Additionally, the company strives to create a management model, common processes and information systems supporting these that will decrease the risks in global 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 at 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 the organizational changes: Rapid growth may occasionally require making significant 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 timing of purchases.

Financing risks: In its normal business operations, the Innofactor Group is susceptible to normal financing risks. In June 2013, 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 increased Innofactor's financing risks compared to previous years. At the end of 2015, a total of EUR 7.2 million of this loan remains unpaid. In total at the end of 2015, Innofactor had EUR 9.2 million in interest bearing debts and also EUR 3.2 million in the hybrid bond. Additionally, in January 2016, Innofactor took a bank loan package totaling approximately EUR 4.1 million for the Cinteros AB acquisition. In total, Innofactor's financing risk is estimated to be lower than in 2014 due to the improved cash flow and redeeming the hybrid bond on February 29, 2016.

Innofactor has committed itself to the following covenants: equity ratio calculated every 6 months is at least 40% on December 31, 2015, 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), including the pro forma effect of acquisitions, is a maximum of 2.5 in the review point of December 31, 2015, and a maximum of 3.0 in two review periods (June 30, 2016, and December 31, 2016), and a maximum of 2.5 in the review point of June 30, 2017, 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.

Interest risk: Interest risks are mainly due to the Group's short-term and long-term loans and the derivatives used for protecting them. Loans with fluctuating rates pose an interest risk to the Group's cash flow. This risk is decreased, for example, by using interest rate swap agreements.

Exchange rate risk: Innofactor group operates internationally and is susceptible to risks related to the currencies of the countries in which it operates. Changes in exchange rates, especially the rate of Swedish krona, affect the Group's net sales and profitability. After the Cinteros acquisition, Innofactor has significant business operations based on Swedish krona. Cinteros' net sales in the closed financial period of 2015 is estimated to be approximately SEK 100 million (approximately EUR 11 million) and operating margin (EBITDA) approximately 9%. The exchange rate risk is mainly due to the assets and liabilities registered in the balance sheet, the net investments made in the subsidiaries abroad and the potential additional purchase price payments related to M&A agreements. Also the business contracts made by subsidiaries pose an exchange rate risk, although these contracts are mainly made in the currency the unit uses in its operation. The management of exchange rate risks in the Group aims at minimizing the uncertainty that changes in exchange rates cause in the result through cash flows and assessment of receivables and liabilities.

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 3.2 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.

Risks related to receivables from projects: A large part of Innofactor's net sales comes from project business. A significant part of projects consists of long-term projects in which scheduled payments and their terms are typically agreed on with the customer beforehand. When Innofactor performs work in customer projects, which is scheduled to be invoiced afterwards, project receivables are accrued. Especially in public administration projects, scheduled payments often take place nearer to the end of the project, which means increased project receivables and related risks. In customer negotiations, Innofactor pays special attention to scheduling the payments and the size of payments, and in customer projects, to project management and steering in accordance with the scheduled payments. Project receivables are monitored regularly.

Credit risk: Credit decisions related to sales receivables are monitored centrally by the Group's management. 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, and the Group has not suffered any significant credit losses. Should credit risks realize, it would weaken the Group's financial standing and liquidity. Sales receivables are monitored regularly.

Risks related to deferred tax assets: Innofactor's balance sheet includes a significant amount of deferred tax assets that are based on previous financial periods. Should the company's profitability decrease significantly in the long run, it is possible that the Group would not be able to utilize in full the receivables currently activated in the balance sheet.

Risks related to shares

The number of Innofactor Plc shares traded on January 1–December 31, 2015, increased by 10.4% compared to the same period in the previous year. In 2015, share trading was 21.8% of the share capital. In the Helsinki stock exchange, companies' average trade in 2015 was 70.2% of the share capital. 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 the value for the shareowners and by its active investor communications. Additionally, Innofactor has a market maker agreement that has been valid since May 24, 2012. According to the agreement, FIM Bank Ltd (S-Pankki Ltd as of March 1, 2016) will quote bids and offers for Innofactor Plc's share so that the spread of the bid and offer prices is a maximum of 4% calculated on the bid price. The bids and offers quoted must be for an amount of shares corresponding to the minimum of EUR 4,000.

Acquisitions and changes in the group structure

On December 22, 2015, Innofactor announced in a stock exchange release that Innofactor will acquire the entire share capital of the Swedish company Cinteros AB from the company's management. Cinteros is one of Sweden's leading IT service companies focused on offering Microsoft Dynamics CRM-based solutions. The company has over 100 employees. The acquisition follows Innofactor's growth strategy and strengthens Innofactor's position as one of the leading IT service providers focused on the Microsoft ecosystem in the Nordic Countries. Cinteros' net sales in the last audited financial period (January 1–December 31, 2014) was approximately EUR 7.9 million (approximately SEK 73 million), which shows an increase of 43% from 2013. The operating margin (EBITDA) was approximately EUR 0.7 million (approximately SEK 6.9 million), which was approximately 9% of the net sales. The net sales for the financial period of 2015 were estimated to be approximately EUR 11 million (approximately SEK 100 million) and operating margin (EBITDA) approximately 9%. The company has over 100 employees in Stockholm, Göteborg and Malmö. Cinteros and its financial figures will be consolidated into the Innofactor Group as of January 1, 2016.

The purchase price will be determined by Cinteros' realized operating margin (EBITDA) in 2016 and growth of sales in 2017. The Enterprise Value (EV) is a minimum of approximately SEK 25 million (approximately EUR 2.7 million) and it was paid in SEK as the agreement was signed on January 8, 2016, and all of Cinteros AB shares were transferred to the ownership of Innofactor. The rest of the Enterprise Value, which is a maximum of SEK 49 million (at the exchange rate of the time of publishing the deal, a maximum of EUR 5.3 million), is intended to be paid mainly in Innofactor shares during 2017 and 2018. The Enterprise Value (EV) is a maximum of SEK 74 million (at the exchange rate of the time of publishing the deal, a maximum of EUR 8.0 million). In connection with signing the agreement, the sellers were paid approximately SEK 28 million in cash (approximately EUR 3.1 million). The payment in its entirety was financed with a new bank loan. The part of the purchase price to be paid in shares includes a transfer restriction, which will be gradually released during a period of 36 months and which concerns 75 percent of the shares.

All four sellers belonged to the Cinteros' acting management and will continue in the Innofactor's Executive Board in Sweden. Cinteros CEO Robert Erlandsson will continue as the CEO of Innofactor's Swedish company and he became the Innofactor Group's Country Manager in Sweden and a new member in the Innofactor Executive Board. Cinteros AB's name will be changed to Innofactor AB around the middle of 2016, after which the Cinteros services will be offered under the Innofactor brand. The integration of Cinteros and Innofactor operations started immediately, and the goal is to implement the main parts of it before the end of 2016.

In December 2015, Innofactor sold its HR business to the Finnish company Arc Technology Oy, which is specialized in HR systems. The deal made Innofactor a minority owner in Arc Technology with an ownership share of approximately 19.9%. 6 employees and about 25 customer relationships were transferred to the company. After the deal, Arc Technology has about 30

employees, 100 customers, and a net sales of approximately EUR 3 million. The deal was published in a press release on December 22, 2015.

During the review period, the subsidiary Oy Soloplus Ab, 100% owned by Innofactor Plc, was merged into Innofactor Plc by means of a subsidiary merger (Finnish Companies Act (624/2006), Chapter 16, Section 2, subsection 2). Additionally, subsidiaries Innofactor VM Ltd and Venenum Ltd, 100% owned by the Innofactor Group company Innofactor SW Ltd, were merged into Innofactor SW Ltd by means of a subsidiary merger (Finnish Companies Act (624/2006), Chapter 16, Section 2, subsection 2). The merged companies had no business operations during the review period. During the review period, all shares of the Danish subsidiary Enabling Holding ApS, 100% owned by Innofactor Plc, were sold to the Danish subsidiary Innofactor Holding ApS, 100% owned by Innofactor Plc. The goal of these arrangements is to simplify the structure of the Innofactor Group. The long term goal is to achieve a group structure in which there is one company with business operations, and possibly one holding company, in each of the Nordic Countries.

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 while working, and work 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 digital 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 the Microsoft ecosystem. Innofactor's clients comprise of private and public sector organizations. Innofactor currently operates in Finland, Denmark and Sweden. 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 empower organizations and people to make a difference in the digital world.

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 the Microsoft ecosystem. Innofactor's strategy is to differentiate itself from the competitors in the following ways:

- Deep understanding of companies, public sector and third sector organizations in the Nordic Countries
- The best Nordic professionals in the Microsoft ecosystem
- Comprehensive Microsoft-based offering, products and services
- Fast delivery and value-adding customer support

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 1.4 percent in Innofactor's net sales in the review period was significantly lower than the 25–35 percent annual growth goal stated in the strategy. The realized annual growth of approximately 35.1 percent for five years in 2011–2015 complied with the strategy goal (25–35%). The acquisition of Cinteros AB, published in December 2015, creates prerequisites for a significant growth in net sales for 2016.

Innofactor's operating margin (EBITDA) in relation to net sales was 8.3 percent, which did not fulfill the strategy goal. According to the strategy, the annual EBITDA must be over 10 percent. The profitability was negatively affected, for example, by write-offs of receivables from individual customers at the beginning of 2015.

Innofactor's operating cash flow in the review period was EUR 3.9 million positive and grew approximately 71.4% from the corresponding figure for 2014 (2014: EUR 2.3 million). Innofactor's financial stability is good. Net gearing at the end of the year was 34.1% (2014: 42.9 percent). The redemption of the hybrid bond on February 29, 2016, and the bank loans related to the acquisition of Cinteros AB will affect the figures of 2016.

During the review period, Innofactor published its acquisition of the Swedish company Cinteros AB, which gave Innofactor a strategically important position in the Swedish IT service market, complemented Innofactor's Microsoft-based offering and strengthened Innofactor's position as the leading Microsoft-based solutions provider in the Nordic Countries. The deal was signed on January 8, 2016, as planned.

Events after the review period

On January 5, 2016, Innofactor announced in a stock exchange release that a total of 83,044 Innofactor Plc shares have been conveyed to a new key member of corporate management as a part of the compensation. The price for the conveyed shares was approximately EUR 0.78 per share. The shares are subject to sale and transfer restriction for 12 months. The conveyance was based on the decision of the Board of Directors, which was made on the basis of the authorization given by the Annual General Meeting on March 24, 2015.

On January 25, 2016, Innofactor announced in a stock exchange release that Keva has selected Innofactor in a public procurement competition as the provider of a web content management system and related services. The system delivery includes the implementation project, maintenance and support services. The comparison price (excluding VAT) of the procurement for the contract period is EUR 549,324.

On January 26, 2016, Innofactor announced in a stock exchange release that starting from January 26, 2016, Innofactor's CEO Sami Ensio will take a sick leave of approximately two months related to an operation he is going to have and the recovery from it. During Sami Ensio's sick leave, his deputy will be Innofactor's CFO Janne Martola.

On January 28, 2016, Innofactor announced in a stock exchange release that the Board of HKL (Helsinki City Transport) decided on January 27, 2016, to cancel the procurement decision for the situational information system for the Metro's total security as Tieto Finland Oy, which came third in the bidding competition, has made a claim for rectification concerning the procurement. Additionally, the Board gave the Managing Director the authorization to interrupt the

procurement. On November 26, 2015, HKL had made a procurement decision, selecting Innofactor as the provider of the system. The system concerned in the procurement will guarantee Metro's safe operation for the customers. As stated by the customer, the procurement price (excluding VAT) for the period of four years is EUR 2,909,000. The framework arrangement of the procurement was intended to remain in effect for a maximum of 15 years. For this total time, Innofactor has stated that the total price according to the tender will be EUR 7,025,500. Innofactor considers the HKL's decision on cancelling the procurement decision to be clearly in violation of the Procurement Act, and Innofactor will make a complaint about the matter to The Market Court, unless the City of Helsinki changes the decision. The legal process concerning the legality of the decision will possibly take about 2–3 years. The Local Government Act still gives the Helsinki City Government the right to take the matter into handling, and this gives the City Government the option to overrule the HKL Board decision.

On January 28, 2016, Innofactor announced in a stock exchange release that in a tendering process governed by a framework agreement, the Hospital District of Helsinki and Uusimaa (HUS) has selected Innofactor as the provider for transferring application and infrastructure solutions into cloud services and as the provider of continuous services and expert services related to the cloud services. In its invitation to tender, HUS estimated that the value of the delivery would be about EUR 1.5 million during the contract period of 2016–2017. However, the final value of the deal during the contract period cannot be stated for certain at this point. The whole includes transferring the existing On-Premises applications and infrastructure solutions of HUS into a Microsoft Azure cloud environment and also monitoring, management and support consultation services. The delivery also includes cloud architecture development, application and infrastructure service design/planning for individual projects and implementation of HUS' own solutions, such as Virtual Hospitals. Project deliveries and services related to the cloud transfer are planned to be delivered in stages during 2016–2017.

On February 22nd, 2016 Innofactor made a flagging announcement pursuant to Chapter 9, Section 10 of the Finnish Securities Markets Act that as a result of a share transaction made on February 22, 2016, Jyrki Salminen's ownership of Innofactor Plc has decreased below five percent. After the transaction, Jyrki Salminen has 1,111,149 shares, which represents 3.32 percent of all the shares and votes.

On February 29, 2016, Innofactor announced in a stock exchange release that Innofactor has redeemed its EUR 3.2 million hybrid bond in full in cash. Innofactor has no other hybrid bonds. Innofactor did not take a new bank loan to redeem the hybrid bond. Currently, Innofactor has bank loans for a total of approximately EUR 11.3 million.

On February 29, 2016, Innofactor announced in a stock exchange release that the market making agreement for Innofactor Plc's share is transferred from FIM to S-Pankki. Innofactor has signed a

market making agreement from March 1st, 2016 onwards with S-Pankki with the same terms as in the old agreement with FIM that ends on February 29th, 2016.

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

Future outlook

Innofactor's net sales and operating margin (EBITDA) in 2016 are estimated to increase significantly from 2015, during which the net sales were EUR 44.5 million and operating margin (EBITDA) was EUR 3.7 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%, the maximum dividend allowed by the state of the business. For 2015, the operating margin (EBITDA) was 8.3% of the net sales. 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 2015, the distributable assets of the Group's parent company were EUR 38,366,416.05.

The Board of Directors proposes that no dividend be distributed for the financial period of 2015.

Espoo, March 1, 2016

INNOFACTOR PLC

Board of Directors

Additional information:

Janne Martola, CFO and Deputy CEO

Innofactor Plc

Tel: +358 50 359 0844

Janne.Martola@innofactor.com

Briefings concerning the financial statement of 2015

On March 1, 2016, 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 9, Espoo. The report will be presented by the CFO and Deputy CEO Janne Martola and the Chairman of the Board Ari Rahkonen. 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 50 575 6120 (Tanja Eskolin).

Innofactor will also hold a conference call in English for analysts, media and investors on March 1, 2016, at 16:00 Finnish time. Registrations to ir@innofactor.com before 12:00 Finnish time on March 1, 2016.

Financial releases in 2016

The annual report for 2015 will be published on the company's web site on Tuesday, March 8, 2016.

The Annual General Meeting will be held on Tuesday, March 29, 2016, at 9:00 Finnish time.

The schedule for financial releases in 2016 is as follows:

April 12–25, 2016: Silent period

April 26, 2016: Interim report January–March

July 5–18, 2016: Silent period

July 19, 2016: Interim report January–June

October 11–24, 2016: Silent period

October 25, 2016: Interim report January–September

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

Financial statement summary and appendixes January 1–December 31, 2016 (IFRS)

Drafting principles

This financial statement has been drafted in accordance with the IAS 34 Interim financial reporting standard. The financial statement 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.

Drafting a financial statement in accordance with the IFRS standards requires the management of Innofactor to use estimates and presuppositions, which affect the amounts of assets and debts at the time of drafting the balance sheet and the amounts of earnings and costs for the review period. The application of the accounting policies also requires judgment. As estimates and presuppositions are based on the views held at the time of drafting the statement, they contain risks and uncertainty factors. The actual figures may deviate from the estimates and presuppositions. The figures of the profit and loss statement and the balance sheet are figures for the group. The figures of the statement have been rounded, so the sum of individual figures may differ from the sum presented.

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

Consolidated Profit and Loss Statement, IFRS

EUR thousand	Oct 1–Dec 31, 2015	Oct 1–Dec 31, 2014	Jan 1–Dec 31, 2015	Jan 1–Dec 31, 2014
Net sales	12,590	12,231	44,452	43,834
Other operating income	164	83	234	337
Materials (–)	-1,062	-963	-3,464	-4,141
Employee benefits/expenses (–)	-7,970	-7,895	-30,708	-30,349
Depreciation (–)	-272	-345	-1,163	-1,387
Other operating expenses (–)	-1,980	-1,976	-6,809	-5,888
Operating profit/loss	1,470	1,135	2,542	2,407
Financial income	0	0	1	541
Financial expenses (–)	-75	-235	-608	-1,002
Profit/loss before taxes	1,395	900	1,935	1,946
Income taxes	-279	-180	-387	-389
Profit/loss for the financial period	1,116	720	1,548	1,557
Items that may be later recognized in profit or loss:				
Exchange differences	0	1	0	-1
Total comprehensive income	1,116	721	1,548	1,556

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

basic earnings per share (EUR)	0.0334	0.0224	0.0475	0.0485
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, 2015	Dec 31, 2014
Non-current assets		
Tangible assets	541	690
Goodwill	19,584	19,584
Other intangible assets	2,934	3,407
Shares and holdings	62	0
Receivables	663	123
Deferred tax assets	6,704	7,238
Non-current assets	30,488	31,042
Current assets		
Trade and other receivables	12,652	15,374
Cash and cash equivalents	843	997
Current assets	13,495	16,371
TOTAL ASSETS	43,983	47,413

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR thousand	Dec 31, 2015	Dec 31, 2014
Equity attributable to the shareholders of the parent company		
Share capital	2,100	2,100
Share premium reserve	72	72
Other reserves (+/-)	59	59
Fund for invested unrestricted equity	16,153	14,995
Fund for other equity	3,200	3,200
Treasury shares	-345	0
Retained earnings	3,295	2,036
Total shareholders' equity	24,534	22,462
Non-current liabilities		
Loans from financial institutions	4,791	7,705
Deferred tax liabilities	840	845
Long term liabilities total	5,631	8,550
Current liabilities		
Loans from financial institutions	4,428	2,933
Trade and other payables	9,390	13,468
Current liabilities total	13,818	16,401
Total liabilities	19,449	24,951
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	43,983	47,413

Statement of change in shareholders' equity, IFRS

EUR thousand	Share capital	Share premium reserve	Reserve fund	Fund for invested unrestricted equity	Treasury shares	Retained earnings	Hybrid bond	Total shareholders' equity
Shareholders' equity Jan 1, 2015	2,100	72	59	14,995	0	2,036	3,200	22,462
Comprehensive income								
Result for the financial period						1,548		1,548
Correction								0
Other comprehensive income:								
Exchange differences						-1		-1
Total comprehensive income	0	0	0	0	0	1,547	0	1,547
Share issue				1,158				1,158
Purchase of treasury shares					-345			-345
Transactions with shareholders in total	0	0	0	1,158	-345	0	0	813
Interest payments on the hybrid bond							-288	-288
Shareholders' equity Dec 31, 2015	2,100	72	59	16,153	-345	3,583	2,912	24,534

EUR thousand	Share capital	Share premium reserve	Reserve fund	Fund for invested unrestricted equity	Treasury shares	Retained earnings	Hybrid bond	Total shareholders' equity
Shareholders' equity Jan 1, 2014	2,100	72	59	13,427	0	768	3,200	19,626
Comprehensive income Result for the financial period						1,807		1,807
Correction Other comprehensive income: Exchange differences						-251		-251
						-1		-1
Total comprehensive income	0	0	0	0	0	1,555	0	1,555
Share issue				1,568				1,568
Purchase of treasury shares								0
Transactions with shareholders in total	0	0	0	1,568	0	0	0	1,568
Interest payments on the hybrid bond						-288		-288
Shareholders' equity Dec 31, 2014	2,100	72	59	14,995	0	2,035	3,200	22,462

Consolidated Cash Flow Statement, IFRS

EUR thousand	Jan 1–Dec 31, 2015	Jan 1–Dec 31, 2014
Cash flow from operating activities		
Operating profit	2,542	2,406
Adjustments:		
Depreciation	1,163	1,387
Non-cash transactions	0	142
Changes in working capital:		
Change in trade or other receivables (+/–)	2,120	-1,412
Change in trade and other payables (+/–)	-1,535	281
Interests paid (–)	-348	-503
Interests received	1	0
Total cash flow from operating activities	3,943	2,301
Investment cash flow		
Acquisition of subsidiaries	-1,685	0
Investments in intangible and tangible assets (–)	-477	-690
Total cash flow from investments	-2,162	-690
Cash flow from financing		
Loans withdrawn	1,390	267
Loans paid	-2,809	-1,584
Payments received from share issue	117	0
Interest payments on the hybrid bond	-288	-288
Purchase of treasury shares	-345	0
Total cash flow from financing	-1,935	-1,605
Change in cash and cash equivalents (+/–)	-154	6
Cash and cash equivalents, opening balance	997	991
Cash and cash equivalents, closing balance	843	997

Consolidated Profit and Loss Statement by Quarter, IFRS

EUR thousand	Jan 1– Mar 31 2015	Apr 1– Jun 30 2015	Jul 1– Sep 30 2015	Oct 1– Dec 31 2015	Jan 1– Mar 31 2014	Apr 1– Jun 30 2014	Jul 1– Sep 30 2014	Oct 1– Dec 31 2014
Net sales	11,188	11,352	9,322	12,590	10,718	11,226	9,659	12,231
Other operating income	13	30	27	164	140	51	63	83
Materials (–)	-672	-1,030	-700	-1,062	-1,023	-1,262	-893	-963
Employee benefits/expenses (–)	-8,012	-8,184	-6,542	-7,970	-7,862	-7,872	-6,720	-7,895
Depreciation (–)	-350	-348	-193	-272	-340	-350	-352	-345
Other operating expenses (–)	-1,796	-1,681	-1,352	-1,980	-1,260	-1,435	-1,217	-1,976
Operating profit/loss	372	139	562	1,470	373	358	540	1,135
Financial income	0	0	1	0	325	217	-1	0
Financial expenses (–)	-112	-343	-78	-75	-128	-119	-520	-235
Profit/loss before taxes	260	-204	485	1,395	570	456	19	900
Income taxes	-51	41	-97	-279	-114	-91	-3	-180
Profit/loss for the financial period	209	-163	388	1,116	456	365	16	720

Commitments and contingent liabilities

<u>EUR thousand</u>	<u>Dec 31, 2015</u>	<u>Dec 31, 2014</u>
Collateral given for own commitments		
Collateral for rent	85	90
Mortgages on company assets*	16,250	16,250
Bank guarantees	303	303
Other own guarantees		
Lease liabilities		
Current lease liabilities	137	262
Lease liabilities maturing in 1-5 years	144	234
Total	281	496
Rental liabilities		
Current rental liabilities	1,244	1,268
Rental liabilities maturing in 1-5 years	2,563	3,588
Total	3,807	4,856
Other own guarantees total	4,088	5,352

* Of the mortgages on company assets, EUR 1,250 thousand was in the company's possession on December 31, 2015.

The accrued interest on the hybrid bond was EUR 9 thousand on December 31, 2015.

	Oct 1–Dec 31, 2015	Oct 1–Dec 31, 2014	Change	Jan 1–Dec 31, 2015	Jan 1–Dec 31, 2014	Change
Net sales, EUR thousand	12,590	12,231	2.9%	44,452	43,834	1.4%
Growth of net sales	2.9%	10.3%		1.4%	34.1%	
Operating profit before depreciation and amortization (EBITDA), EUR thousand*	1,742	1,480	17.7%	3,705	3,794	-2.3%
percentage of net sales*	13.8%	12.1%		8.3%	8.7%	
Operating profit/loss (EBIT), EUR thousand*	1,470	1,135	29.5%	2,542	2,407	5.6%
percentage of net sales*	11.7%	9.3%		5.7%	5.5%	
Earnings before taxes, EUR thousand**	1,395	900	55.0%	1,935	1,946	-0.6%
percentage of net sales**	11.1%	7.4%		4.4%	4.4%	
Earnings, EUR thousand**	1,116	721	54.8%	1,548	1,556	-0.5%
percentage of net sales**	8.9%	5.9%		3.5%	3.5%	
Shareholders' equity, EUR thousand	24,534	22,462	9.2%	24,534	22,462	9.2%
Return on equity***	18.4%	12.9%		6.6%	7.4%	
Interest bearing liabilities, EUR thousand	9,219	10,638	-13.3%	9,219	10,638	-13.3%
Cash and cash equivalents, EUR thousand	843	997	-15.4%	843	997	-15.4%
Deferred tax assets, EUR thousand	6,704	7,238	-7.4%	6,704	7,238	-7.4%
Return on investment***	17.6%	13.4%		7.6%	9.1%	
Net gearing	34.1%	42.9%		34.1%	42.9%	
Equity ratio	56.9%	48.7%		56.9%	48.7%	
Balance sheet total, EUR thousand	43,983	47,413	-7.2%	43,983	47,413	-7.2%
Research and development, EUR thousand	886	457	94.0%	2,495	1,981	25.9%
percentage of net sales	7.0%	3.7%		5.6%	4.5%	
Personnel on average during the review period	434	415	4.6%	427	421	1.4%
Personnel at the end of the review period	432	411	5.1%	432	411	5.1%
Number of shares at the end of the review period	33,453,737	32,153,737	4.0%	33,453,737	32,153,737	4.0%
Earnings per share (EUR)	0.0334	0.0224	49.2%	0.0475	0.0485	-2.0%
Shareholders' equity per share (EUR)	0.733	0.699	5.0%	0.733	0.699	5.0%

*) The third quarter of 2014 included a one-off cost reserve related to the closing of the St. Petersburg office for approximately EUR 59 thousand. The second quarter of 2014 included a one-off cancellation of a cost reserve related to the integration, amounting to approximately EUR 135 thousand. During the third quarter, an error in the assessment of projects was detected in the Group company concerning the period of January 1–June 30, 2015, in the financial period that has just ended, and the last quarter of 2014 as concerns the previous financial periods. The assessment error has been corrected for the above-mentioned periods in accordance with IAS 8: 41–42. The total effect of the error on the net sales for January 1–June 30, 2015, was a decrease of approximately EUR -238 thousand in the operating margin (EBITDA) and operating profit. For 2014, the effect was approximately EUR -285 thousand in the net sales and approximately EUR 29 thousand in costs, resulting in a total decrease of approximately EUR -314 thousand in operating margin (EBITDA) and operating profit. Adjustments and their effects on the Group figures are described in more detail in the attachment to the interim report for January 1–September 30, 2015, which was published on October 20, 2015.

**) The third quarter of 2014 included a one-off cost reserve related to the closing of the St. Petersburg office for approximately EUR 59 thousand and a financing cost reserve related to the Enabling acquisition for approximately EUR 400 thousand, a total of approximately EUR 459 thousand. The second quarter of 2014 included a one-off cancellation of a cost reserve related to the integration, amounting to approximately EUR 135 thousand, and financial income of EUR 216 thousand from the additional purchase price related to the acquisition, a total of approximately EUR 351 thousand. During the third quarter, an error in the assessment of projects was detected in the Group company concerning the period of January 1–June 30, 2015, in the financial period that has just ended, and the last quarter of 2014 as concerns the previous financial periods. The assessment error has been corrected for the above-mentioned periods in accordance with IAS 8: 41–42. The total effect of the error on the net sales for January 1–June 30, 2015, was a decrease of approximately EUR -238 thousand in the earnings before taxes, which decreased the profit of the period January 1–June 30, 2015 for EUR -190 thousand. In 2014, the effect of the error on the net sales was approximately EUR -285 thousand and on the costs approximately EUR 29 thousand, resulting in a total decrease of approximately EUR -314 thousand in the earnings before taxes, which decreased the profit of the financial period of 2014 by EUR -251 thousand. Adjustments and their effects on the Group figures are described in more detail in the attachment to the interim report for January 1–September 30, 2015, which was published on October 20, 2015.

***) 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 final 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 was defined based on Enabling Group's realized EBITDA in 2014. The final purchase price was approximately EUR 3.8 million, of which approximately EUR 2.2 million was paid in June 2015. Out of this sum, approximately EUR 1.7 was paid in cash and approximately EUR 0.5 million in company shares. The name of Enabling ApS has been changed to Innofactor Business Solutions ApS and the name of Enabling Sweden AB to Innofactor AB.

The closing of the deal took place on December 31, 2013, and the figures for the acquired companies 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. As the value of the Innofactor shares used for paying the rest of the purchase price, the share price of EUR 1.06 was used. All Innofactor shares used as payment in this transaction are subject to transfer restrictions, which will be gradually released by 2017.

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

Values registered for consolidation (EUR thousand)

Tangible assets	28
Intangible assets	220
Trade and other receivables	638
Cash and cash equivalents	127
Total assets	1,014
Financial liabilities at market value	422
Other payables	490 (includes a deferred tax liability of 44)
Total liabilities	912
Net assets	102 (total assets - total debts)
Acquisition cost	3,134 (cash 40, new shares 1,569, conditional compensation 1,526)
Adjustment of the additional purchase price	-691
Goodwill	3,032 (acquisition cost - net assets)
Purchase price paid in cash	40
Cash funds of the acquired subsidiary	127
Cash flow effect	+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 goodwill of EUR 3,032 thousand. The goodwill 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 amendment of the additional purchase price related to the acquisition, EUR 691 thousand, has been taken into account in the calculation.

The preliminary acquisition cost calculation for Cinteros AB

On December 21, 2015, Innofactor Plc signed an agreement on acquiring the entire share capital of Cinteros AB from the company's management. According to the agreement published by the company on December 22, 2015, the purchase price will be determined by Cinteros' realized operating margin (EBITDA) in 2016 and growth of sales in 2017. The Enterprise Value (EV) is a minimum of approximately SEK 25 million (approximately EUR 2.7 million) and it was paid in SEK as the agreement was signed on January 8, 2016, and all of Cinteros AB shares were transferred to the ownership of Innofactor. In connection with signing the agreement, the sellers were paid approximately SEK 28 million in cash (approximately EUR 3.1 million). The payment in its entirety was financed with a new bank loan.

The rest of the Enterprise Value, which is a maximum of SEK 49 million (at the exchange rate of the time of publishing the deal, a maximum of EUR 5.3 million), is intended to be paid mainly in Innofactor shares during 2017 and 2018. The Enterprise Value (EV) is a maximum of SEK 74 million (at the exchange rate of the time of publishing the deal, a maximum of EUR 8.0 million). The part of the purchase price to be paid in shares includes a transfer restriction, which will be gradually released during a period of 36 months and which concerns 75 percent of the shares.

The figures for Cinteros AB will be consolidated into the Innofactor Group's balance sheet as of January 1, 2016, and, thus, they are not included in the balance sheet of December 31, 2015. Cinteros AB's name will be changed to Innofactor AB around the middle of 2016, after which the Cinteros services will be offered under the Innofactor brand.

The acquisition cost according to IFRS is the estimated purchase price of the shares, which in the preliminary acquisition cost calculation is EUR 9,342 thousand and has been presented in more detail in the following calculation. The calculation is preliminary and is based on the unaudited figures of Cinteros AB for 2015.

Values registered for consolidation (EUR thousand)	
Tangible assets	82
Intangible assets	2,198
Deferred tax assets	67
Non-current liabilities	97
Trade and other receivables	2,856
Cash and cash equivalents	1,858
Total assets	7,159
Other payables	3,877 (includes a deferred tax liability of 440)
Total liabilities	3,877
Net assets	3,281 (total assets - total debts)
Acquisition cost	9,342 (cash 4,073, conditional compensation 5,269)
Goodwill	6,060 (acquisition cost - net assets)
Purchase price paid in cash	4,073
Cash funds of the acquired subsidiary	1,858
Cash flow effect	-2,215

The value of the customer contracts and the related customer relationships included in the intangible assets (EUR 2,198 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 a preliminary goodwill of EUR 6,060 thousand. The goodwill is based on the expected synergy benefits arising from the acquisition of Cinteros AB and on making use of the common sales and marketing network in the group and expanding customer relationships.

The acquisition cost calculation is preliminary.

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, 2015, was as follows: Additionally, on December 31, 2015, Innofactor Plc had a total of 408,893 (1.22%) Innofactor's own shares in its possession.

Name	Number of shares	% of share capital
1. Ensio Sami	7,448,017	22.26%
<i>Ensio Sami</i>	5,274,257	15.77%
<i>Minor under guardianship</i>	724,588	2.17%
<i>Minor under guardianship</i>	724,586	2.17%
<i>Minor under guardianship</i>	724,586	2.17%
2. Tilman Tuomo Tapani	2,797,169	8.36%
<i>Tilman Tuomo Tapani</i>	2,747,492	8.21%
<i>Mpire Capital Oy</i>	49,677	0.15%
3. Salminen Jyrki Kalle Tapio	2,361,149	7.06%
4. Laiho Rami Tapani	1,418,519	4.24%
5. Linturi Kaija and Risto	1,271,411	3.80%
<i>R. Linturi Oyj</i>	504,107	1.51%
<i>Linturi Kaija Anneli</i>	430,000	1.29%
<i>Linturi Risto Erkki Olavi</i>	337,304	1.01%
6. Ärje Matias Juhanoika	941,278	2.81%
7. Mäki Antti-Jussi	930,201	2.78%
8. Lampi Mikko Olavi	892,098	2.67%
9. Muukkonen Teemu	522,230	1.56%
10. Bergqvist J.T.	350,000	1.05%
11. Kukkonen Heikki-Harri	336,021	1.00%
12. Järvenpää Janne-Olli	322,804	0.96%
13. Jokinen Klaus Antero	280,001	0.84%
14. Laiho Jari Olavi	270,000	0.81%
15. Ementor Norge As	269,299	0.80%
16. Karppinen Antti Sakari	200,000	0.60%
17. Martola Janne Matti Juhani	183,044	0.55%
18. Insurance company Henki-Fennia	150,000	0.45%
19. Mäkinen Antti Vilho Juhani	148,000	0.44%
20. Hellen Stefan Andreas	133,000	0.40%

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