

Innofactor Plc Interim Report October 20, 2015, at 8:30 Finnish time

Innofactor Plc's Interim Report for January 1–September 30, 2015 (IFRS)

Summary

	mo. 7–9/ 2015	mo. 7–9/ 2014	Change	mo. 1–9/ 2015***	mo. 1– 9/ 2014	Change	mo. 1–12/ 2014***
Net sales, EUR thousand	9,322	9,659	-3.5%	31,862	31,603	+0.8%	43,834
Growth of net sales	-3.5%	+16.1%		+0.8%	+46.3%		+34.1%
Operating profit before depreciation and amortization (EBITDA), EUR thousand*	755	892	-15.4%	1,963	2,313	-15.1%	3,793
percentage of net sales*	8.1%	9.2%		6.2%	7.3%		8.7%
Operating profit/loss (EBIT), EUR thousand*	562	540	+4.1%	1,072	1,271	-15.7%	2,406
percentage of net sales*	6.0%	5.6%		3.4%	4.0%		5.5%
Earnings before taxes, EUR thousand**	485	19	+2452.6%	540	1,044	-48.3%	1,945
percentage of net sales**	5.2%	0.2%		1.7%	3.3%		4.4%
Earnings, EUR thousand*	384	16	+2158.7%	432	835	-48.3%	1,555
percentage of net sales*	4.1%	0.2%		1.4%	2.6%		3.5%
Net gearing	38.3%	55.1%		38.3%	55.1%		42.9%
Equity ratio	55.0%	47.3%		55.0%	47.3%		48.7%
Personnel on average during the review period	432	425	+1.6%	425	422	+0.7%	421
Earnings per share (EUR)	0.0119	0.0005	+2276.9%	0.0133	0.0260	-48.7%	0.0485

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

***) The third quarter of 2014 included a one-off cost reserve related to the closing of the St. Petersburg office for about EUR 59 thousand and a financing cost reserve related to the Enabling acquisition for about EUR 400 thousand, a total of about EUR 459 thousand. The second quarter of 2014 included a one-off cancellation of a cost reserve related to the integration, amounting to about EUR 135 thousand, and financial income of EUR 216 thousand from the additional purchase price related to the acquisition, a total of about EUR 351 thousand. The first quarter of 2014 included financial income of EUR 325 thousand for the additional purchase price related to the acquisition.

****) In the group company, an error in the assessment of projects was detected concerning the period of January 1–June 30, 2015, in the current financial period as well as 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 is approximately EUR 552 thousand. Adjustments and their effects on the Group figures are described in more detail in the attachment to this interim report.

Innofactor's net sales and operating margin (EBITDA) in 2015 is estimated to increase from 2014, during which the restated net sales were EUR 43.8 million and operating margin was EUR 3.8 million.

The figures in this interim report have not been audited.

Reporting

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

CEO Sami Ensio's review

In the third quarter of 2015, Innofactor's net sales were EUR 9.3 million, which shows a decrease of 3.5% compared to the corresponding period in the previous year. The operating margin (EBITDA) was EUR 0.8 million (8.1 percent of the net sales), which shows a decrease of 15.4 percent since last year.

On September 16, 2015, Innofactor terminated the contract of the Country Manager in Denmark due to suspected misconduct and lack of confidence. The above-mentioned has been part of the reasons leading to the error in project assessments, due to which Innofactor is correcting in this interim report the group figures for the first and second quarter of 2015. For the time preceding the current financial period as a whole, the figures are corrected to the last quarter of 2014. The effect of the corrections in the Innofactor group's operating margin for 2015 is approximately EUR -0.24 million, for the operating margin of 2014 it is EUR -0.31 million, and in total approximately EUR -0.55 million.

Because investigations, actions with local authorities and other legal proceedings concerning the possible misconducts in the Danish subsidiary are in progress, it is not yet possible to estimate the potential amount of compensation for damage. Anthony Gyursanszky (Innofactor's Chief Operating Officer) has been appointed as the Country Manager for Denmark. He has led the rearrangement of the operative processes and management of the Danish business to comply with Innofactor's corporate governance principles and to ensure profitable growth in accordance with the strategy in Denmark. The Innofactor group has paid attention to strengthening the transparency of its operations. One of our central actions has been to increase the resources of the Nordic ERP process started in spring 2015, in order to complete the project quickly. In Innofactor's business culture, a strong trust in knowledgeable personnel and management will remain as a central factor.

Despite the above-mentioned write-offs, Innofactor's growth in the first three quarters of 2015 was 0.8 percent (net sales EUR 31.9 million). The operating margin (EBITDA) was EUR 2.0 million, which shows a decrease of 15.1 percent since last year. The cash flow from business activities in the first three quarters of the year was strong, increasing to EUR 2.5 million from the previous year's EUR -0.5 million.

Innofactor updated its strategy in September. I am very satisfied with the strategy process, which we went through with the Board of Directors, renewed Executive Board, other management and personnel. Our renewed mission to “empower organizations and people to make a difference in a digital world” describes well the passion, which was the basis on which I founded Innofactor 16 years ago. It also describes the way we in Innofactor want to still work daily with our customers and their customers and employees. The digital world offers totally new possibilities for the success of both organizations and individuals. On the basis of its renewed strategy, Innofactor has been planning on its operations for the next few years and will next move on to budgeting.

We think that Innofactor has good prerequisites to continue growing its business operations profitably in 2015. For Innofactor, the last quarter has typically been stronger than the other quarters.

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

Market outlook and business environment

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 growth of IT service market in 2015 will be 0–1% in Finland and 1–3% in other Nordic Countries. The estimate is based on research institutes’ forecasts and Innofactor’s 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, unique proofs of rapid and profitable growth and successful acquisitions together with business culture with entrepreneurial spirit make it a very attractive partner when making reorganizations in the field in the Nordic Countries.

Net sales

Innofactor's operating profit on July 1–September 30, 2015, was EUR 9,322 thousand (2014: 9,659), which shows a decrease of 3.5 percent, and on January 1–September 30, 2015, the net sales were EUR 31,862 thousand* (2014: 31,603), which shows an increase of 0.8 percent.

*) In the group company, an error in the assessment of projects was detected concerning the period of January 1–June 30, 2015, in the current financial period and the last quarter of 2014 for the earlier financial periods. The assessment error has been corrected in accordance with IAS 8: 41–42. The total effect of the error on the net sales for January 1–June 30, 2015, is a decrease of approximately EUR -238 thousand in the net sales. Adjustments and their effects on the Group figures are described in more detail in the attachment to this interim report.

Financial performance

Innofactor's operating margin (EBITDA) on July 1–September 30, 2015, was EUR 755 thousand* (2014: 892*), which shows a decrease of 15.4 percent. EBITDA accounted for 8.1 percent of the net sales* (2014: 9.2%*). Innofactor's operating profit on July 1–September 30, 2015, was EUR 562 thousand* (2014: 540*), which shows an increase of 4.1 percent. Operating profit accounted for 6.0 percent of the net sales* (2014: 5.6%*).

Innofactor's operating margin (EBITDA) on January 1–September 30, 2015, was EUR 1,963 thousand** (2014: 2,313**), which shows a decrease of 15.1 percent. EBITDA accounted for 6.2 percent of the net sales** (2014: 7.3%**). Innofactor's operating profit (EBITDA) on January 1–September 30, 2015, was EUR 1,072 thousand** (2014: 1,271**), which shows a decrease of 15.7 percent. Operating profit accounted for 3.4 percent of the net sales** (2014: 4.0%**).

*) The third quarter of 2014 included a one-off cost reserve related to the closing of the St. Petersburg office for about EUR 59 thousand.

***) In the group company, an error in the assessment of projects was detected concerning the period of January 1–June 30, 2015, in the current financial period and the last quarter of 2014 for the earlier financial periods. The assessment error has been corrected in accordance with IAS 8: 41–42. The total effect of the error on the net sales for January 1–June 30, 2015, is a decrease of approximately EUR -238 thousand in the operating margin and operating profit. Adjustments and their effects on the Group

figures are described in more detail in the attachment to this interim report. The third quarter of 2014 included a one-off cost reserve related to the closing of the St. Petersburg office for about EUR 59 thousand. The second quarter of 2014 included a one-off cancellation of a cost reserve related to the integration, amounting to about EUR 135 thousand.

Financing and investments

Innofactor's balance sheet total at the end of the review period was EUR 44,831 thousand (2014: 47,610). The Group's liquid assets totaled EUR 524 thousand (2014: 566), consisting totally of cash funds.

The operating cash flow on January 1–September 30, 2015, was EUR 2,480 thousand (2014: -502). The investment cash flow was EUR -2,070 thousand (2014: -669).

The equity ratio at the end of the review period was 55.0 percent (2014: 47.3%) and net gearing was 38.3 percent (2014: 55.1%).

At the end of the review period, the company had EUR 4,232 thousand in current interest bearing liabilities (2014: 4,524) and EUR 5,478 thousand in non-current interest bearing liabilities (2014: 8,177).

The return on investment on January 1–September 30, 2015, was 4.3 percent (2014: 7.3%).

The return on equity on January 1–September 30, 2015, was 2.5 percent (2014: 5.3%).

The non-current assets in Innofactor's balance sheet at the end of the review period were EUR 30,323 thousand in total and consisted of the following items:

- Tangible assets EUR 596 thousand
- Goodwill EUR 19,584 thousand
- Other intangible assets EUR 3,067 thousand
- Deferred tax assets EUR 7,076 thousand

Innofactor's gross investments in tangible assets in the review period of January 1–September 30, 2015, were EUR 350 thousand (2014: 604), 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 575 thousand (2014: 665).

Research and product development

Innofactor's research and development costs recognized in profit or loss for July 1–September 30, 2015, were EUR 538 thousand (2014: 428), which accounts for 5.8 percent of the net sales (2014: 4.4%).

Innofactor's research and development costs recognized in profit or loss for January 1–September 30, 2015, were EUR 609 thousand (2014: 1,523), which accounts for 5.0 percent of the net sales (2014: 4.8%).

Personnel

The number of personnel at Innofactor during July 1–September 30, 2015, was on the average 432 (2014: 425), which shows an increase of 1.6 percent, and on January 1–September 30, 2015, on the average 425 (2014: 422), which shows an increase of 0.7 percent.

At the end of the review period, the number of personnel was 435 (2014: 423), which shows an increase of 2.8 percent.

At the end of the review period, the average age among personnel was 39.7 years (2014: 38.7). Women accounted for 26 percent of the personnel and men for 74 percent (2014: 24% and 76%).

Business operations

Innofactor's business operations were focused on Finland and Denmark. On January 1–September 30, 2015, about 82 percent of the net sales came from Finland and about 18 percent from Denmark.

Of the net sales on January 1–September 30, 2015, about 48% came from commercial clients and about 52% from government and third sector clients.

Innofactor's net sales in the review period of January 1–September 30, 2015, came from the following sources:

- about 73% (2014: 69%) from system integrator services (including system delivery projects, consulting, and smaller changes and further development);
- about 3% (2014: 9%) from licenses, of which the share of licensing income to third parties was about 2% (2014: 3%);
- about 24% (2014: 22%) from recurring service contracts (incl. maintenance agreements, SaaS, cloud and hosting services).

Innofactor's 10 largest clients accounted for about 23 percent of the net sales (2014: 22%) during the review period January 1–September 30, 2015.

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, the 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 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 interim report.

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 86,758 shares. Innofactor Plc has one series of shares. Each share is entitled to one vote.

On July 1–September 30, 2015, the highest price of the company share was EUR 0.99 (2014: EUR 1.20), the lowest price was EUR 0.77 (2014: EUR 0.94), and the average price was EUR 0.86 (2014: EUR 1.05).

On January 1–September 30, 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 0.94), and the average* price was EUR 1.00 (2014: EUR 1.30).

The closing price for the review period on September 30, 2015, was EUR 0.81 (2014: EUR 0.94).

* 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 July 1–September 30, 2015, a total of 915,772 shares were traded (2014: 911,295 shares), which corresponds to 2.8 percent (2014: 2.8%) of the average number of shares on the said period. On July 1–September 30, 2015, there were 32,647,384 shares on the average (2014: 32,117,263*). The share trading percentage was the same as in the corresponding period in 2014.

In public trading on January 1–September 30, 2015, a total of 5,377,075 shares were traded (2014: 5,341,460 shares), which corresponds to 16.6 percent (2014: 16.6%) of the average number of shares on the said period. On January 1–September 30, 2015, there were 32,375,039 shares on the average (2014: 32,117,263*). The share trading percentage was the same as in 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 0.81, on September 30, 2015, was EUR 27,097 thousand (2014: 30,255), which shows a decrease of 10.3 percent.

On September 30, 2015, the company had 11,031 shareowners (2014: 11,607), including administrative registers.

The Board of Directors has 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); the authorization has not been used.
- 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); the authorization has not been used.

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%
 - minor under guardianship, 724,586 shares, 2.17%
 - minor under guardianship, 724,586 shares, 2.17%
- 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)
- Christian Andersen, 203,157 shares, 0.62% (until September 16, 2015)
 - CHRA Holding ApS, 203,157 shares, 0.62%
- 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 110,633 of its own shares during the review period. After the purchases made during the review period, the authorization remains valid for 7,889,367 shares.

On September 30, 2015, Innofactor Plc had 86,758 treasury shares. Innofactor Plc had acquired additional 23,875 treasury shares on September 29, 2015, and September 30, 2015, but these had not yet been registered in the company's book-entry account by September 30, 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 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

Innofactor Plc complies with the recommendations of the Corporate Governance Code 2010 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 2014.

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

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

Financial risks

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. Due to the favorable decision of the Finnish Large Taxpayers' Office, the risk related to tax receivables has been significantly reduced. 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.

After the review period, on October 6, 2015, Innofactor 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. 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 and the risk related to redeeming the hybrid bond.

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

Risks related to shares

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

Acquisitions and changes in the group structure

No acquisitions or 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 commercial and public sector customers 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 0.8 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. However, the said growth was entirely organic and the average is still well over the goal.

Innofactor's operating margin (EBITDA) in relation to net sales was 6.2 percent, which did not fulfill the strategy goal. According to the strategy, the annual EBITDA must be over 10 percent. Typically, the profitability has improved towards the end of the year.

Innofactor's operating cash flow in the review period was EUR 2.5 million positive and improved significantly from the corresponding figure for 2014 (2014: -0.5 million). Innofactor's financial

stability is good. Net gearing at the end of the review period was 38.34 percent (2014: 55.1 percent).

Innofactor did not make any acquisitions during the review period.

Events after the review period

On October 6, 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. 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 loan.

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

Future outlook

Innofactor's net sales and operating margin (EBITDA) in 2015 is estimated to increase from 2014, during which the restated net sales were EUR 43.8 million and operating margin was EUR 3.8 million.

Espoo, October 20, 2015

INNOFACTOR PLC

Board of Directors

Additional information:

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

Briefings concerning the Interim Report January 1–September 30, 2015

On October 20, 2015, 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 CEO Sami Ensio and CFO Janne Martola. 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 by sending email to ir@innofactor.com.

If required, Innofactor will also hold a conference call in English for analysts, media and investors on October 20, 2015, at 16:00 Finnish time. Registrations to ir@innofactor.com before 12:00 Finnish time on Monday, October 19, 2015.

Financial releases in 2016

The financial statement for 2015 and the interim report for October-December 2015 will be published on Tuesday, March 1, 2016. The annual report for 2015 will be published on the company's web site on Tuesday, March 8, 2016. The preliminary plan for the Annual General Meeting is that the 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–September 30, 2015 (IFRS)

Drafting principles

This Interim Report has been drafted in accordance with the IAS 34 Interim financial reporting standard. The interim report adheres to the same drafting principles and calculation methods as the last annual financial statement. The principles for calculating the key figures and the calculation formulas have not been changed and they have been presented in the financial report 2014.

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

The figures in the interim report have not been audited.

Consolidated Profit and Loss Statement, IFRS

EUR thousand	Jul 1–Sep 9, 2015	Jul 1–Sep 30, 2014	Jan 1–Sep 30, 2015*	Jan 1–Sep 30, 2014	Jan 1–Dec 31, 2014*
Net sales	9,322	9,659	31,862	31,603	43,834
Other operating income	27	63	70	254	337
Materials (–)	-700	-893	-2,402	-3,178	-4,141
Employee benefits/expenses (–)	-6,542	-6,720	-22,738	-22,454	-30,349
Depreciation (–)	-193	-352	-891	-1,042	-1,387
Other operating expenses (–)	-1,352	-1,217	-4,829	-3,912	-5,888
Operating profit/loss	562	540	1,072	1,271	2,406
Financial income	1	-1	1	540	541
Financial expenses (–)	-78	-520	-533	-767	-1,002
Profit/loss before taxes	485	19	540	1,044	1,945
Income taxes	-97	-3	-108	-209	-389
Profit/loss for the financial period	388	16	432	835	1,556
Items that may be later recognized in profit or loss:					
Exchange differences	-4	+1	-4	-3	-1
Total comprehensive income	384	17	428	832	1,555

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

Basic earnings per share (EUR)	-0.0119	0.0005	0.0133	0.0260	0.0485
Diluted earnings per share (EUR)	**	**	**	**	**

*) In the group company, an error in the assessment of projects was detected concerning the period of January 1–June 30, 2015, in the current financial period and the last quarter of 2014 for the earlier financial periods. The assessment error has been corrected in accordance with IAS 8: 41–42. The total effect of the error on the net sales for January 1–June 30, 2015, is a decrease of approximately EUR -238 thousand in the operating margin and operating profit. For 2014, the effect is EUR -285 thousand in the net sales and EUR 29 thousand in costs, resulting in a total decrease of EUR -314 thousand in the earnings. Adjustments and their effects on the Group figures are described in more detail in the attachment to this interim report.

** 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	Sep 30, 2015*	Sep 30, 2014	Dec 31, 2014*
Non-current assets			
Tangible assets	596	845	690
Goodwill	19,584	19,571	19,584
Other intangible assets	3,067	3,588	3,407
Deferred tax assets	7,076	7,385	7,238
Non-current assets	30,323	31,389	30,919
Current assets			
Trade and other receivables	13,984	15,655	15,497
Cash and cash equivalents	524	566	997
Current assets	14,508	16,221	16,494
TOTAL ASSETS	44,831	47,610	47,413

*) In the group company, an error in the assessment of projects was detected concerning the period of January 1–June 30, 2015, in the current financial period and the last quarter of 2014 for the earlier financial periods. The assessment error has been corrected in accordance with IAS 8: 41–42. Adjustments and their effects on the Group figures are described in more detail in the attachment to this interim report.

**SHAREHOLDERS' EQUITY AND
LIABILITIES**

EUR thousand	Sep 30, 2015*	Sep 30, 2014	Dec 31, 2014*
Shareholders' equity			
Share capital	2,100	2,100	2,100
Share premium reserve	72	72	72
Other reserves (+/-)	59	59	59
Treasury shares	-73	0	0
Fund for invested unrestricted equity	16,153	14,995	14,995
Fund for other shareholders' equity	3,200	3,200	3,200
Retained earnings	2,463	1,601	2,036
Total shareholders' equity	23,974	22,027	22,462
Non-current liabilities			
Loans from financial institutions	5,478	8,177	7,705
Deferred tax liabilities	858	879	845
Long term liabilities total	6,336	9,056	8,550
Current liabilities			
Loans from financial institutions	4,232	4,524	2,933
Trade and other payables	10,289	12,003	13,468
Current liabilities total	14,521	16,527	16,401
Total liabilities	20,857	25,583	24,951
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	44,831	47,610	47,413

*) In the group company, an error in the assessment of projects was detected concerning the period of January 1–June 30, 2015, in the current financial period and the last quarter of 2014 for the earlier financial periods. The assessment error has been corrected in accordance with IAS 8: 41–42. Adjustments and their effects on the Group figures are described in more detail in the attachment to this interim report.

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
Shareholder s' equity Jan 1, 2015	2,100	72	59	14,995	0	2,036	3,200	22,462
Comprehensive income								
Result for the financial period						432		432
Other comprehensive income:								
Exchange differences						-5		-5
Total comprehensive income	0	0	0	0	0	427		427
Share issue				1,158				1,158
Purchase of treasury shares					-73			-73
Transactions with shareholders in total	0	0	0	1,158	-73	0	0	1,085
Shareholder s' equity Sep 30, 2015	2,100	72	59	16,153	-73	2,463	3,200	23,974

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	769	3,200	19,627
Comprehensive income								
Result for the financial period						835		835
Other comprehensive income:								
Exchange differences						-3		-3
Total comprehensive income	0	0	0	0	0	832		832
Share issue				1,568				1,568
Purchase of treasury shares								
Transactions with shareholders in total	0	0	0	1,568	0	0	0	1,568
Shareholders' equity Sep 30, 2014	2,100	72	59	14,995	0	1,601	3,200	22,027

In the group company, an error in the assessment of projects was detected concerning the period of January 1–June 30, 2015, in the current financial period and the last quarter of 2014 for the earlier financial periods. The assessment error has been corrected in accordance with IAS 8: 41–42. Adjustments and their effects on the Group figures are described in more detail in the attachment to this interim report.

Consolidated Cash Flow Statement, IFRS

EUR thousand	Jan 1– Sep 30, 2015	Jan 1– Sep 30, 2014	Jan 1– Dec 31, 2014
Cash flow from operating activities			
Operating profit	1,072	1,271	2,720
Adjustments:			
Depreciation	890	1,041	1,387
Non-cash transactions	0	142	142
Changes in working capital:			
Change in trade or other receivables (+/–)	1,514	-1,698	-1,412
Change in trade and other payables (+/–)	-728	-889	281
Interests paid (–)	-268	-368	-503
Interests received	0	-1	0
Total cash flow from operating activities	2,480	-502	2,301
Investment cash flow			
Acquisition of subsidiaries	-1,685	0	0
Investments in intangible and tangible assets (–)	-385	-669	-690
Total cash flow from investments	-2,070	-669	-690
Cash flow from financing			
Loans withdrawn	1,178	2,151	267
Loans paid	-2,105	-1,405	-1,584
Interest payments on the hybrid bond	0	0	-288
Payments received from share issue	117	0	0
Purchase of treasury shares (–)	-73	0	0
Total cash flow from financing	-883	746	-1,605
Change in cash and cash equivalents (+/–)	-473	-425	6
Cash and cash equivalents, opening balance	997	991	991
Cash and cash equivalents, closing balance	524	566	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		10,718	11,226	9,659	12,231
Other operating income	13	30	27		140	51	63	83
Materials (–)	-672	-1,030	-700		-1,023	-1,262	-893	-963
Employee benefits/expenses (–)	-8,012	-8,184	-6,542		-7,862	-7,872	-6,720	-7,895
Depreciation (–)	-350	-348	-193		-340	-350	-352	-345
Other operating expenses (–)	-1,796	-1,681	-1,352		-1,260	-1,435	-1,217	-1,976
Operating profit/loss	371	139	562		373	358	540	1,135
Financial income	0	0	1		325	217	-1	0
Financial expenses (–)	-112	-343	-78		-128	-119	-520	-235
Profit/loss before taxes	259	-204	485		570	456	19	900
Income taxes	-51	41	-97		-114	-91	-3	-180
Profit/loss for the financial period	208	-163	388		456	365	16	720

*) In the group company, an error in the assessment of projects was detected concerning the period of January 1–June 30, 2015, in the current financial period and the last quarter of 2014 for the earlier financial periods. The assessment error has been corrected in accordance with IAS 8: 41–42. The total effect of the error on the net sales for January 1–June 30, 2015, is a decrease of approximately EUR -238 thousand in the operating margin and operating profit. For 2014, the effect is EUR -285 thousand in the net sales and EUR 29 thousand in costs, resulting in a total decrease of EUR -314 thousand in the earnings. Adjustments and their effects on the Group figures are described in more detail in the attachment to this interim report.

Commitments and contingent liabilities

EUR thousand	Sep 30, 2015	Sep 30, 2014	Dec 31, 2014
Collateral given for own commitments			
Collateral for rent	81	406	90
Mortgages on company assets*	16,250	16,250	16,250
Bank guarantees	303	283	303
Other own guarantees			
Lease liabilities			
Current lease liabilities	145	275	262
Lease liabilities maturing in 1-5 years	177	147	234
Total	322	422	496
Rental liabilities			
Current rental liabilities	1,268	1,241	1,268
Rental liabilities maturing in 1-5 years	2,820	3,944	3,588
Total	4,088	5,185	4,856
Other own guarantees total	4,410	5,607	5,352

* Of the mortgages on company assets, EUR 1,250 thousand was in the company's possession on September 30, 2015.

The accrued interest on the hybrid bond was EUR 218 thousand on September 30, 2015.

	mo. 7-9 /2015	mo. 7-9/ 2014	Change	mo. 1-9 /2015	mo. 1-9 /2014	Change	mo. 1-12 /2014
Net sales, EUR thousand	9,322	9,659	-3.5%	31,862	31,603	+0.8%	43,834
Growth of net sales	-3.5%	16.1%		+0.8%	46.3%		34.1%
Operating profit before depreciation and amortization (EBITDA), EUR thousand*	755	892	-15.4%	1,963	2,313	-15.1%	3,793
percentage of net sales*	8.1%	9.2%		6.2%	7.3%		8.7%
Operating profit/loss (EBIT), EUR thousand*	562	540	+4.1%	1,072	1,271	-15.7%	2,406
percentage of net sales*	6.0%	5.6%		3.4%	4.0%		5.5%
Earnings before taxes, EUR thousand**	485	19	+2452.6%	540	1,044	-48.3%	1,945
percentage of net sales**	5.2%	0.2%		1.7%	3.3%		4.4%
Earnings, EUR thousand**	384	16	+2158.7%	432	835	-48.3%	1,555
percentage of net sales**	4.1%	0.2%		1.4%	2.6%		3.5%
Shareholders' equity, EUR thousand	23,974	22,027	+8.8%	23,974	22,027	+8.8%	22,462
Return on equity***	6.6%	0.3%		2.5%	5.3%		7.4%
Interest bearing liabilities, EUR thousand	9,710	12,701	-23.5%	9,710	12,701	-23.5%	10,638
Cash and cash equivalents, EUR thousand	524	566	-7.4%	524	566	-7.4%	997
Deferred tax assets, EUR thousand	7,076	7,385	-4.2%	7,076	7,385	-4.2%	7,238
Return on investment***	6.2%	6.3%		4.3%	7.3%		9.1%
Net gearing	38.3%	55.1%		38.3%	55.1%		42.9%
Equity ratio	55.0%	47.3%		55.0%	47.3%		48.7%
Balance sheet total, EUR thousand	44,831	47,610	-5.8%	44,831	47,610	-5.8%	47,413
Research and development, EUR thousand	538	428	+25.7%	1,609	1,523	5.6%	1,981
percentage of net sales	5.8%	4.4%		5.0%	4.8%		4.5%
Personnel on average during the review period	432	425	+160%	425	422	+0.7%	421
Personnel at the end of the review period	435	423	+0.7%	435	423	+2.8%	411
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%	32,153,737
Earnings per share (EUR)	0.0119	0.0005	+2276.9%	0.0133	0.0260	-48.7%	0.0485
Shareholders' equity per share (EUR)	0.717	0.685	+4.6%	0.717	0.685	+4.6%	0.699

*) In the group company, an error in the assessment of projects was detected concerning the period of January 1–June 30, 2015, in the current financial period and the last quarter of 2014 for the earlier financial periods. The assessment error has been corrected in accordance with IAS 8: 41–42. The total effect of the error on the net sales for January 1–June 30, 2015, is a decrease of approximately EUR -238 thousand in the operating margin and operating profit. For 2014, the effect is EUR -285 thousand in the net sales and EUR 29 thousand in costs, resulting in a total decrease of EUR -314 thousand in operating margin and operating profit. Adjustments and their effects on the Group figures are described in more detail in the attachment to this interim report. The third quarter of 2014 included a one-off cost reserve related to the closing of the St. Petersburg office for about EUR 59 thousand. The second quarter of 2014 included a one-off cancellation of a cost reserve related to the integration, amounting to about EUR 135 thousand.

**) In the group company, an error in the assessment of projects was detected concerning the period of January 1–June 30, 2015, in the current financial period and the last quarter of 2014 for the earlier financial periods. The assessment error has been corrected in accordance with IAS 8: 41–42. The total effect of the error on the net sales for January 1–June 30, 2015, is a decrease of approximately EUR -238 thousand in the operating margin and operating profit. For 2014, the effect is EUR -285 thousand in the net sales and EUR 29 thousand in costs, resulting in a total decrease of EUR -314 thousand in the earnings. Adjustments and their effects on the Group figures are described in more detail in the attachment to this interim report. The third quarter of 2014 included a one-off cost reserve related to the closing of the St. Petersburg office for about EUR 59 thousand and a financing cost reserve related to the Enabling acquisition for about EUR 400 thousand, a total of about EUR 459 thousand. The second quarter of 2014 included a one-off cancellation of a cost reserve related to the integration, amounting to about EUR 135 thousand, and financial income of EUR 216 thousand from the additional purchase price related to the acquisition, a total of about EUR 351 thousand. The first quarter of 2014 included financial income of EUR 325 thousand for the additional purchase price related to the acquisition.

***) 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.

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 September 30, 2015, was as follows:

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	2,540,954	7.60%
4. Laiho Rami Tapani	1,427,519	4.27%
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 Juhannoika	946,278	2.83%
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	196,138	0.59%
17. Martola Janne Matti Juhani	183,044	0.55%
18. Insurance company Henki-Fennia	150,000	0.45%
19. Mäkinen Antti Vilho Juhani	138,000	0.41%
20. Tiirikainen Vesa Martti	125,750	0.38%

Appendix to Innofactor Plc's Interim Report for January 1–September 31, 2015 (IFRS)

In the group company, an error in the assessment of projects was detected concerning the period of January 1–June 30, 2015, in the current financial period as well as 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 is approximately EUR 552 thousand. This appendix presents the corrected profit and loss statements, balance sheets, statements of change in shareholders' equity, and most significant key figures.

Consolidated Profit and Loss Statement, IFRS

EUR thousand	Oct 1–Dec 31,2014			Jan 1–Dec 31,2014			Jan 1–Mar 31,2015			Apr 1–Jun 30,2015			Jan 1–Jun 30,2015		
	Original	Correction	Restated	Original	Correction	Restated	Original	Correction	Restated	Original	Correction	Restated	Original	Correction	Restated
Net sales	12,516	-285	12,231	44,119	-285	43,834	11,271	-83	11,188	11,507	-155	11,352	22,778	-238	22,540
Other operating income	83		83	337		337	13		13	30		30	43		43
Materials (–)	-963		-963	-4,141		-4,141	-672		-672	-1,030		-1,030	-1,702		-1,702
Employee benefits/expenses (–)	-7,895		-7,895	-30,349		-30,349	-8,012		-8,012	-8,184		-8,184	-16,196		-16,196
Depreciation (–)	-345		-345	-1,387		-1,387	-350		-350	-348		-348	-698		-698
Other operating expenses (–)	-1,947	-29	-1,976	-5,859	-29	-5,888	-1,796		-1,796	-1,681		-1,681	-3,477		-3,477
Operating profit/loss	1,449	-314	1,135	2,720	-314	2,406	454	-83	371	294	-155	139	748	-238	510
Financial income	0		0	541		541	0		0	0		0	0		0
Financial expenses (–)	-235		-235	-1,002		-1,002	-112		-112	-343		-343	-455		-455
Profit/loss before taxes	1,214	-314	900	2,259	-314	1,945	342	-83	259	-49	-155	-204	293	-238	55
Income taxes	-243	63	-180	-452	63	-389	-68	17	-51	10	31	41	-58	48	-10
Profit/loss for the financial period	971	-251	720	1,807	-251	1,556	274	-66	208	-39	-124	-163	235	-190	45
Items that may be later recognized in profit or loss:															
Exchange differences	1		1	-1		-1	-1		-1	0		0	-1		-1
Total comprehensive income	972	-251	721	1,806	-251	1,555	273	-66	207	-39	-124	-163	234	-190	44
Distribution of the profit and comprehensive income to the equity holders of the parent company	972	-251	721	1,806	-251	1,555	273	-66	207	-39	-124	-163	234	-190	44
Earnings per share calculated from the profit attributable to equity holders of the parent:															
Basic earnings per share (EUR)	0.0302		0.0224	0.0563		0.0485	0.0085		0.0065	-0.0012		-0.0050	0.0073		0.0014
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	December 31, 2014			March 31, 2015			June 30, 2015		
	Original	Correction	Restated	Original	Correction	Restated	Original	Correction	Restated
Non-current assets									
Tangible assets	690		690	571		571	574		574
Goodwill	19,584		19,584	19,584		19,584	19,584		19,584
Other intangible assets	3,407		3,407	3,343		3,343	3,183		3,183
Deferred tax assets	7,175	63	7,238	7,117	79	7,196	7,049	110	7,159
Non-current assets	30,856	63	30,919	30,615	79	30,694	30,390	110	30,500
Current assets									
Trade and other receivables	15,782	-285	15,497	13,321	-368	12,954	14,364	-523	13,842
Cash and cash equivalents	997		997	3,560		3,560	1,138		1,138
Current assets	16,779	-285	16,494	16,881	-368	16,514	15,502	-523	14,980
TOTAL ASSETS	47,635	-222	47,413	47,496	-289	47,208	45,892	-413	45,480

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR thousand	December 31, 2014			March 31, 2015			June 30, 2015		
	Original	Correction	Restated	Original	Correction	Restated	Original	Correction	Restated
Shareholders' equity									
Share capital	2,100		2,100	2,100		2,100	2,100		2,100
Share premium reserve	72		72	72		72	72		72
Other reserves (+/-)	59		59	59		59	59		59
Fund for invested unrestricted equity	14,995		14,995	14,995		14,995	15,526		15,526
Fund for other shareholders' equity	3,200		3,200	3,200		3,200	3,200		3,200
Own shares	0		0	0		0	0		0
Retained earnings	2,287	-251	2,036	2,558	-318	2,240	2,521	-442	2,079
Total shareholders' equity	22,713	-251	22,462	22,984	-318	22,667	23,478	-442	23,037
Non-current liabilities									
Loans from financial institutions	7,705		7,705	6,822		6,822	6,153		6,153
Deferred tax liabilities	845		845	893		893	875		875
Long term liabilities total	8,550		8,550	7,715		7,715	7,028		7,028
Current liabilities									
Loans from financial institutions	2,933		2,933	2,773		2,773	3,078		3,078
Trade and other payables	13,439	29	13,468	14,024	29	14,053	12,308	29	12,337
Current liabilities total	16,372	29	16,401	16,797	29	16,826	15,386	29	15,415
Total liabilities	24,922	29	24,951	24,512	29	24,541	22,414	29	22,443
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	47,635	-222	47,413	47,496	-289	47,208	45,892	-413	45,480

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	Restatement	Total shareholders' equity
Shareholders' equity Jan 1, 2014	2,100	72	59	13,427	0	768	3,200	0	19,626
Comprehensive income									
Result for the financial period						1,807			1,807
Correction								-251	-251
Other comprehensive income:									
Exchange differences						-1			-1
Total comprehensive income	0	0	0	0	0	1,806	0	-251	1,555
Transactions with shareholders									
Share issue				1,568					1,568
Acquisition of own shares									
Transactions with shareholders in total	0	0	0	1,568	0	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	2,286	3,200	-251	22,462

EUR thousand	Share capital	Share premium reserve	Reserve fund	Fund for invested unrestricted equity	Treasury shares	Retained earnings	Hybrid bond	Restatement	Total shareholders' equity
Shareholders' equity Jan 1, 2015	2,100	72	59	14,995	0	2,287	3,200	-251	22,462
Comprehensive income									
Result for the financial period						273			273
Correction								-66	-66
Other comprehensive income:									
Exchange differences						-2			-2
Total comprehensive income	0	0	0	0	0	271	0	-66	205
Transactions with shareholders									
Share issue									
Acquisition of own shares									
Transactions with shareholders in total	0	0	0	0	0	0	0	0	0
Interest payments on the hybrid bond						0			0
Shareholders' equity Mar 31, 2015	2,100	72	59	14,995	0	2,558	3,200	-318	22,667

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	Restatement	Total shareholders' equity
Shareholders' equity Jan 1, 2015	2,100	72	59	14,995	0	2,287	3,200	-251	22,462
Comprehensive income									
Result for the financial period						235			235
Correction								-190	-190
Other comprehensive income:									
Exchange differences						-1			-1
Total comprehensive income	0	0	0	0	0	234	0	-190	44
Transactions with shareholders									
Share issue				531					531
Acquisition of own shares									
Transactions with shareholders in total	0	0	0	531	0	0	0	0	531
Interest payments on the hybrid bond									
Shareholders' equity Jun 30, 2015	2,100	72	59	15,526	0	2,521	3,200	-442	23,037

Consolidated Cash Flow Statement, IFRS

EUR thousand	Jan 1–Dec 31,2014			Jan 1–Mar 31,2015			Jan 1–Jun 30,2015			
	Original	Correction	Restated	Original	Correction	Restated	Original	Correction	Restated	
Cash flow from operating activities										
Operating profit	2,720	-314	2,406	0	454	-83	371	748	-155	593
Adjustments:										
Depreciation	1,387		1,387		350		350	698		698
Non-cash transactions	142		142		0		0	0		0
Changes in working capital:										
Change in trade or other receivables (+/-)	-1,697	285	-1,412		2,461	83	2,544	1,417	155	1,572
Change in trade and other payables (+/-)	252	29	281		561		561	849		849
Interests paid (-)	-503		-503		-117		-117	-184		-184
Interests received	0		0		0		0	0		0
Total cash flow from operating activities	2,301	0	2,301		3,709	0	3,709	3,528	0	3,528
Investment cash flow										
Acquisition of subsidiaries	0		0		0		1	0		1
Investments in intangible and tangible assets (-)	-690		-690		-102		-102	-294		-294
Total cash flow from investments	-690		-690		-102		-102	-294		-294
Cash flow from financing										
Loans withdrawn	267		267		0		0	7		7
Loans paid	-1,584		-1,584		-1,044		-1,044	-1,415		-1,415
Interest payments on the hybrid bond	-288		-288		0		0	0		0
Acquisition of own shares	0		0		0		0	0		0
Total cash flow from financing	-1,605		-1,605		-1,044		-1,044	-1,408		-1,408
Change in cash and cash equivalents (+/-)	6		6		2,563		2,563	1,826		1,826
Cash and cash equivalents, opening balance	991		991		997		997	997		997
Cash and cash equivalents, closing balance	997		997		3,560		3,560	1,138		3,560

Key figures of the group, IFRS

	Oct 1–Dec 31,2014			Jan 1–Dec 31,2014			Jan 1–Mar 31,2015			Apr 1–Jun 30,2015			Jan 1–Jun 30,2015		
	Original	Correction	Restated	Original	Correction	Restated	Original	Correction	Restated	Original	Correction	Restated	Original	Correction	Restated
Net sales, EUR thousand	12,516	-285	12,231	44,119	-285	43,834	11,271	-83	11,188	11,507	-155	11,352	22,778	-238	22,540
Growth of net sales	12.9 %	-2.6 %	10.3 %	35.0 %	-0.9 %	34.1 %	5.2 %	-0.8 %	4.4 %	2.5 %	-1.4 %	1.1 %	3.8 %	-1.1 %	2.7 %
Operating profit before depreciation and amortization (EBITDA), EUR thousand*	1,794	-314	1,480	4,107	-314	3,794	804	-83	722	642	-155	487	1,446	-238	1,208
percentage of net sales*	14.3 %	-2.2 %	12.1 %	9.3 %	-0.7 %	8.7 %	7.1 %	-0.7 %	6.5 %	5.6 %	-1.3 %	4.3 %	6.3 %	-1.0 %	5.4 %
Operating profit/loss (EBIT), EUR thousand*	1,449	-314	1,135	2,720	-314	2,407	454	-83	372	294	-155	139	748	-238	510
percentage of net sales*	11.6 %	-2.3 %	9.3 %	6.2 %	-0.7 %	5.5 %	4.0 %	-0.7 %	3.3 %	2.6 %	-1.3 %	1.2 %	3.3 %	-1.0 %	2.3 %
Earnings before taxes, EUR thousand**	1,214	-314	900	2,259	-314	1,946	342	-83	260	-49	-155	-204	293	-238	55
percentage of net sales**	9.7 %	-2.3 %	7.4 %	5.1 %	-0.7 %	4.4 %	3.0 %	-0.7 %	2.3 %	-0.4 %	-1.4 %	-1.8 %	1.3 %	-1.0 %	0.2 %
Earnings, EUR thousand**	972	-251	721	1,806	-251	1,556	273	-66	208	-39	-124	-163	234	-190	44
percentage of net sales**	7.8 %	-1.9 %	5.9 %	4.1 %	-0.5 %	3.5 %	2.4 %	-0.6 %	1.9 %	-0.3 %	-1.1 %	-1.4 %	1.0 %	-0.8 %	0.2 %
Shareholders' equity, EUR thousand	22,713	-251	22,462	22,713	-251	22,463	22,984	-318	22,668	23,478	-442	23,037	23,478	-442	23,037
Return on equity***	17.4 %	-4.4 %	12.9 %	8.5 %	-1.1 %	7.4 %	4.8 %	-1.1 %	3.7 %	-0.7 %	-2.2 %	-2.9 %	2.0 %	-1.6 %	0.4 %
Interest bearing liabilities, EUR thousand	10,638		10,638	10,638		10,638	9,595		9,595	9,231		9,231	9,231		9,231
Cash and cash equivalents, EUR thousand	997		997	997		997	3,560		3,560	1,138		1,138	1,138		1,138
Deferred tax assets, EUR thousand	7,175	63	7,238	7,175	63	7,238	7,117	79	7,196	7,049	110	7,159	7,049	110	7,159
Return on investment***	17.0 %	-3.6 %	13.4 %	10.0 %	-0.9 %	9.1 %	5.5 %	-1.0 %	4.6 %	3.6 %	-1.9 %	1.7 %	4.5 %	-1.3 %	3.2 %
Net gearing	42.4 %	0.5 %	42.9 %	42.4 %	0.5 %	42.9 %	26.3 %	0.3 %	26.6 %	34.5 %	0.7 %	35.1 %	34.5 %	0.7 %	35.1 %
Equity ratio	49.0 %	-0.3 %	48.7 %	49.4 %	-0.7 %	48.7 %	50.7 %	-0.4 %	50.3 %	52.8 %	-0.5 %	52.3 %	52.8 %	-0.5 %	52.3 %
Balance sheet total, EUR thousand	47,635	-222	47,413	47,635	-222	47,413	47,496	-289	47,208	45,892	-413	45,480	45,892	-413	45,480
Research and development, EUR thousand	457		457	1,981		1,981	403		403	668		668	1,071		1,071
percentage of net sales	3.7 %	0.1 %	3.7 %	4.5 %	0.0 %	4.5 %	3.6 %	0.0 %	3.6 %	5.8 %	0.1 %	5.9 %	4.7 %	0.0 %	4.8 %
Personnel on average during the review period	415		415	421		421	416		416	426		426	421		421
Personnel at the end of the review period	411		411	411		411	418		418	426		426	426		426
Number of shares at the end of the review period	32,153,757		32,153,757	32,153,757		32,153,757	32,153,737		32,153,737	32,653,737		32,653,737	32,653,737		32,653,737
Earnings per share (EUR)	0.0302		0.0224	0.0563		0.0485	0.0085		0.0065	-0.0012		-0.0050	0.0073		0.0014
Shareholders' equity per share (EUR)	0.706		0.699	0.706		0.705	0.715		0.705	0.719		0.705	0.719		0.705

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

**) The third quarter of 2014 included a one-off cost reserve related to the closing of the St. Petersburg office for about EUR 59 thousand and a financing cost reserve related to the Enabling acquisition for about EUR 400 thousand, a total of about EUR 459 thousand. The second quarter of 2014 included a one-off cancellation of a cost reserve related to the integration, amounting to about EUR 135 thousand, and financial income of EUR 216 thousand from the additional purchase price related to the acquisition, a total of about EUR 351 thousand. The first quarter of 2014 included financial income of EUR 325 thousand for the additional purchase price related to the acquisition.

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

****) In the group company, an error in the assessment of projects was detected, which concerns the period of January 1–June 30, 2015, in the current financial period as well as 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 is EUR 552 thousand.