

Innofactor Plc Financial Statement March 5, 2019, at 9:00 Finnish time

Innofactor Plc Financial Statement 2018 (IFRS)

The last quarter of 2018 was very challenging, the net sales and operating margin were under the target, also for the entire year 2018 – the cooperation negotiations in the last quarter together with other actions are believed to have an effect already starting from the first quarter of 2019

Quarter 10–12/2018

- The net sales were approximately EUR 15.9 million (2017: 17.1), which shows a decrease of 7.3%.
- The operating margin was approximately EUR -0.9 million (2017: 0.5), which shows a decrease of 272.1%.
- The weaker than expected profitability was contributed to by the fact that
 - customers' purchase habits in Finland in the last quarter of the year differed significantly from previous years, as regards the Dynasty product family updates, as customers decided to wait for the turn of the year and a new version of the product family.
 - The net sales in Denmark in the fourth quarter were significantly lower than estimated.
 - Additionally, a need for write-offs arose, for example, in relation to project deliveries.
- The operating loss was EUR -1.7 million (2017: operating loss -0.2), which shows a decrease of 629.8%.
- On October 8, 2018, Innofactor announced in a stock exchange release that it estimates that its result prospects for 2018 will be weaker than previously stated, due to reorganization.
- Innofactor got several significant orders in the last quarter, for example, the renewal of the Hilma service for Hansel, approximately EUR 4.0 million, and the delivery of the Dynasty 10 case management system for 13 municipalities in the North Karelia region, approximately EUR 0.5 million.

Year 1–12/2018:

- The net sales were approximately EUR 63.1 million (2017: 65.7), which shows a decrease of 3.8%.

- The operating margin was approximately EUR -1.0 million (2017: 1.3), which shows a decrease of 178.7%.
- The operating loss was approximately EUR -3,9 million (2017: operating loss -1.5), decreasing by 165% due to increased write-offs related to acquisitions, in accordance with IFRS 3, resulting in a decrease of EUR 2,030 thousand (2017: 2,030).

	Oct 1–Dec 31, 2018	Oct 1–Dec 31, 2017	Change	Jan 1–Dec 31, 2018	Jan 1–Dec 31, 2017	Change
Net sales, EUR thousand	15,890	17,139	-7.3%	63,144	65,666	-3.8%
Growth of net sales	-7.3%	-4.7%		-3.8%	10.1%	
Operating profit before depreciation and amortization (EBITDA), EUR thousand	-902	524	-272.1%	-1,029	1,308	-178.7%
percentage of net sales	-5.7%	3.1%		-1.6%	2.0%	
Operating profit/loss (EBIT), EUR thousand*	-1,693	-232	-629.8%	-3,872	-1,461	-165.0%
percentage of net sales*	-10.7%	-1.4%		-6.1%	-2.2%	
Earnings before taxes, EUR thousand*	-1,329	-8	-16515.7%	-3,811	-1,579	-141.4%
percentage of net sales*	-8.4%	0.0%		-6.0%	-2.4%	
Earnings, EUR thousand*	-1,232	-6	-20437.3%	-3,462	-2,007	-72.5%
percentage of net sales*	-7.8%	0.0%		-5.5%	-3.1%	
Net gearing	71.2%	53.8%		71.2%	53.8%	
Equity ratio	41.2%	43.4%		41.2%	43.4%	
Active personnel on average during the review period**	567	613	-7.5%	591	610	-3.1%
Earnings per share (EUR)	-0.0332	-0.0002	-18653.7%	-0.0880	-0.0357	-146.4%

*) In accordance with IFRS 3, the operating result for October 1–December 31, 2018, includes EUR 507 thousand (2017: 507) in depreciations related to acquisitions, consisting of allocations of the purchase price to intangible assets. Adjusted for the said depreciations, Innofactor's operative business loss for the review period of October 1–December 31, 2018, would have been EUR 1,187 thousand (2017: operating profit 275), the operative business result before taxes EUR -824 thousand (2017: 499), the operative business result EUR -659 thousand (2017: 400), and the operative business result per share EUR -0.0182 (2017: -0.0110). In accordance with IFRS 3, the operating result for January 1–December 31, 2018, includes EUR 2,030 thousand (2017: 2,030) in depreciations related to acquisitions, consisting of allocations of the purchase price to intangible assets. Adjusted for the said depreciations, Innofactor's operative business profit for the review period of January 1–December 31, 2018, would have been EUR -

1,842 thousand (2017: 569), the operative business result before taxes EUR -1,782 thousand (2017: 451), the operative business result EUR -1,425 thousand (2017: 383), and the operative business result per share EUR -0.0394 (2017: 0,0102).

**) The Innofactor Group monitors the number of active personnel. The number of active personnel does not include employees who are on a leave of over 3 months.

Innofactor’s future outlook for 2019

Innofactor’s net sales and operating margin (EBITDA) in 2019 is estimated to increase from 2018, during which the net sales were EUR 63.1 million and operating margin was EUR -1.0 million.

CEO Sami Ensio's review: 2018 was a big disappointment – I trust there will be a significant change in 2019

The net sales decreased by 7.3 percent in the last quarter of 2018 (net sales EUR 15.9 million). Especially the net sales from licensing was significantly lower than we expected. In the last quarter of 2018, the operating margin (EBITDA) was EUR -0.9 million (5.7 percent of the net sales) and decreased by 71.2 percent from the previous year.

For the entire year, the decrease in net sales was 3.8 percent (net sales EUR 63.1 million). The operating margin (EBITDA) for the entire year was EUR -1.0 million (1.6 percent of the net sales) and decreased by 178.7 percent from the previous year.

2018 was extremely challenging for our business operations. It was definitely one of the hardest years in Innofactor's 19 years history. The last time we had major challenges like this was during the first couple of years of Innofactor's operation in the early 2000s. For me personally, it is especially painful that we could not fulfill the financial promises we had made to the market. My apologies for that.

The weak profitability was especially due to the lower than expected net sales on the second half of the year, for example, due to customers' purchase habits in Finland differing significantly from previous years, as regards the Dynasty product family updates, as customers decided to wait for the turn of the year and a new version of the product family. Also, the net sales in Denmark in the fourth quarter were significantly lower than estimated. Additionally, an unforeseen need for write-offs arose, for example, in relation to project deliveries.

In the first quarter of 2018, Innofactor focused on integrating the Nordic companies acquired in previous years in Sweden, Denmark and Norway. The common Nordic ERP system was finally implemented in all countries at the beginning of July. As the top management was focused on the implementation of the Nordic integration, the Finnish business operations met unforeseen hardships, which weakened the result on the second half of 2018. Innofactor implemented corrective actions in autumn 2018, for example, by having cooperation negotiations in its Finnish companies. In these companies, self-organized teams were introduced, the number of supervisors was reduced from 50 to 16, and the number of organization levels was reduced from 7 to 4. The total effect of these actions in 2019 is estimated to be EUR 2.4 million.

Innofactor's vision is to be the leading implementer of digitalization in each of the Nordic Countries. We believe in our chosen Nordic strategy and in reaching our long term goals. This requires perseverance and determination from the company's management and employees as well as investors. In 2019, Innofactor will focus on improving the profitability of its business operations. This will be done with hard work, immense perseverance, but also with a twinkle in our eyes. Our goal is to improve our profitability right at the beginning of the year. This is now our most important task with our top personnel. It is the basis for all of our future actions and development.

2019 has started positively. We have made several significant deals, for example, Traficom selected Innofactor as the development and maintenance provider for their technical platform for digital services (VISA) (value of the procurement is approximately EUR 5.0 million), which is the largest individual deal in Innofactor's history, and a Swedish organization selected Innofactor to implement their membership management project (value of the procurement is approximately EUR 1.3 million). Up to the date of publishing this release, we have sold a total of 38 updates for our Dynasty 10 case management software. We estimate that the delay in these updates affected the 2018 result negatively, and they will now have a positive effect on 2019.

Innofactor's order book development at the beginning of the year has been very positive, and is currently the largest in its history, approximately EUR 32 million what is about 40% increase compared same time in 2018. As of the first quarter of 2019, we will also report our order book to our investors.

Strategy and its realization in the review period

Innofactor is the leading provider of modern digital organization for companies, public administration and third sector for its over 1,500 customers in the Nordic Countries. Innofactor has the widest solution offering and leading know-how in the Microsoft ecosystem in the Nordic Countries. Innofactor has approximately 600 enthusiastic and motivated top specialists in Finland, Sweden, Denmark and Norway. The focus of our strategy in the Nordic level is even more strongly in our five application areas (Journeys) and selected industries for which Innofactor strives to create a uniform operating model and offering in the Nordic Countries. Unifying the offering may take place either through organic growth or selected acquisitions.

Innofactor's mission: Driving the #ModernDigitalOrganization

Innofactor's vision: The leading provider of organizations' digital transformation in each of the Nordic Countries (Finland, Sweden, Denmark and Norway)

Innofactor's strategy for achieving this vision includes:

- The best Nordic professionals in the Microsoft ecosystem
- Highly productized cloud offering and managed services
- A proactive, value-adding and flexible delivery model
- Innovation creation with leading customers in selected industries

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

- To achieve annual growth of about 20 percent, of which majority is intended to be achieved by organic growth
- To achieve about 20 percent EBITDA in relation to the net sales

- To keep the cash flow positive and secure solid financial standing in all situations

The main actions for reaching the approximately 20 percent growth and 20 percent operating margin:

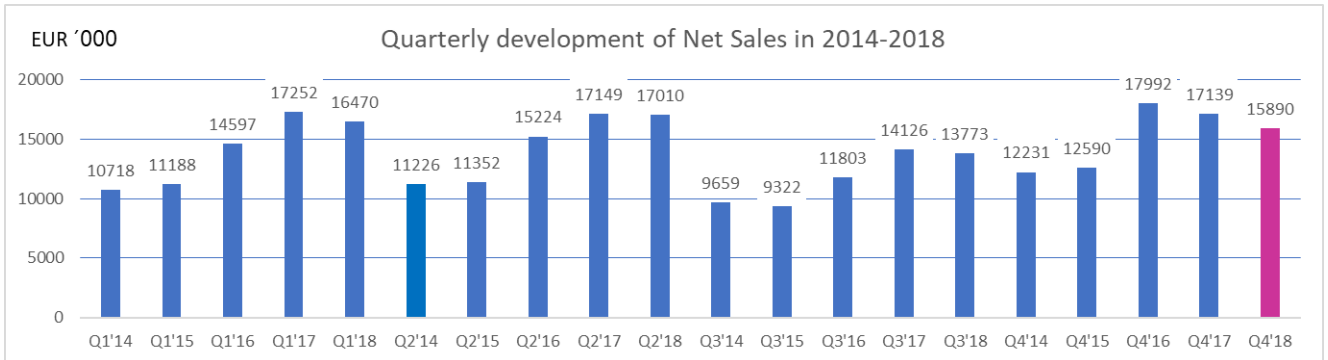
- Focus on selected industries and solution areas (customer journeys) that provide the highest growth opportunities and allow us to best scale existing offering in the Nordics
- Focus on current customers and cross sales to get a bigger share of wallet of customers' digital transformation budgets
- Improving modern digital marketing and sales skills to achieve better and more cost-effective sales results
- Focus on competence planning, recruiting and resource optimization across Nordics
- Shifting revenues from projects and professional services toward products, IP-based and continuously managed services that support selected solution areas and industries
- Strengthening continuously our specialists' professional skills and improving our leading offering in order for our customers to pay hour price above market average
- Aiming to move to self-organized teams and to reduce organizational layers achieving better communication and faster decision making
- Continuously improving our flexible value-adding delivery model minimizing number of non-invoiced hours and maximizing customer satisfaction

In the review period of January 1–December 31, 2018, Innofactor's net sales decreased by 3.8 percent. The company did not reach the goal it had set for organic growth.

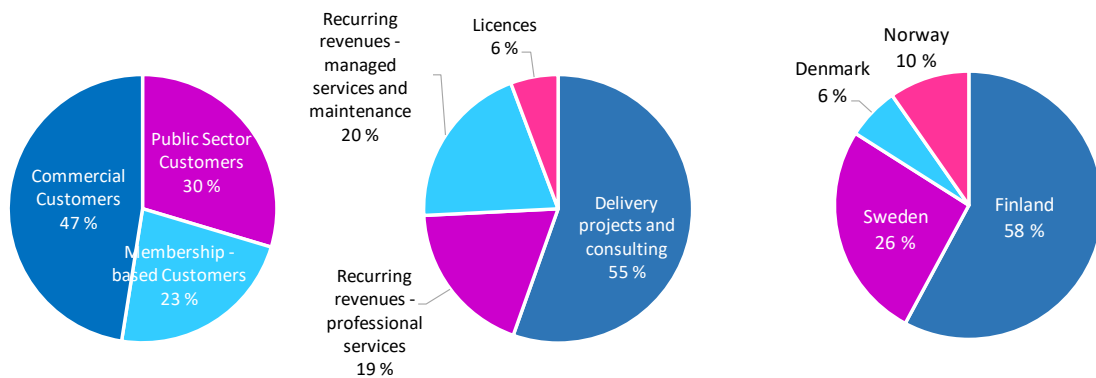
Innofactor's operating margin (EBITDA) in relation to net sales was -1.6 percent in the review period. This is a record low and very far away from the set target level of 20 percent.

Innofactor's operating cash flow in the review period of January 1–December 31, 2018, was EUR -0.6 million positive (2017: EUR 4.2 million). Net gearing at the end of the review period was 71.2 percent (2017: 53.8 percent).

Innofactor’s annual net sales decreased



Innofactor’s net sales in October 1–December 31, 2018, were EUR 15,890 thousand (2017: 17,139), which shows a decrease of 7.3 percent, and on January 1–December 31, 2018, the net sales were EUR 63,144 thousand (2017: 65,666), which shows a decrease of 3.8 percent.



Innofactor's business operations were focused on Finland, Sweden, Denmark and Norway. In January 1–December 31, 2018, approximately 58 percent of the net sales came from Finland, approximately 26 percent from Sweden, approximately 10 percent from Norway, and approximately 6 percent from Denmark.

Of the net sales in January 1–December 31, 2018, approximately 47 percent came from commercial clients, approximately 30 percent from public sector clients, and approximately 23 percent from third sector clients.

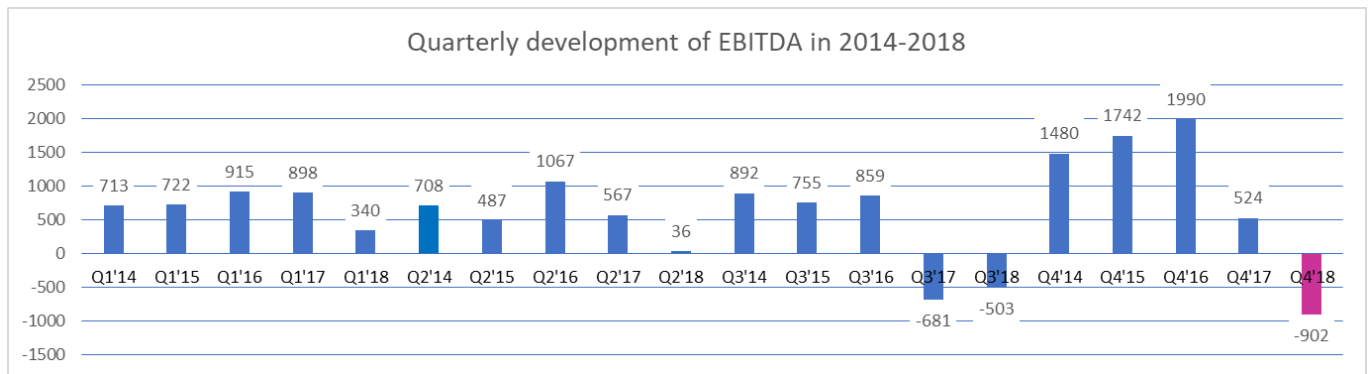
Innofactor's net sales in the review period of January 1–December 31, 2018, came from the following sources:

- approximately 55 percent from IT system delivery projects and consulting

- approximately 19 percent from specialist work based on recurring service contracts, such as smaller customer-specific changes and further development of IT systems
- approximately 20 percent from services based on recurring service contracts, such as SaaS, cloud and hosting services, and from software maintenance
- approximately 6 percent from licenses, of which the share of licensing income to third parties was approximately 3,8 percent of the net sales

Innofactor’s 10 largest clients accounted for approximately 24 percent of the net sales during the review period January 1–December 31, 2018.

Innofactor’s profitability was very challenging



Innofactor’s operating margin (EBITDA) in October 1–December 31, 2018, was EUR -902 thousand (2017: 524), which shows a decrease of 272.1 percent. EBITDA accounted for -5.7 percent of the net sales (2017: 3.1%). Innofactor’s operating loss in October 1–December 31, 2018, was EUR 1,693 thousand (2017: operating loss 232), which shows a decrease of 629.8 percent. The operating profit accounted for -10.7 percent of the net sales (2017: -1.4%).

Innofactor’s operating margin (EBITDA) in January 1–December 31, 2018, was EUR -1,029 thousand (2017: 1,308), which shows a decrease of 178.7 percent. EBITDA accounted for -1.6 percent of the net sales (2017: 2.0%). Innofactor’s operating loss in January 1–December 31, 2018, was EUR 3,872 thousand (2017: operating loss EUR 1,461), which shows a decrease of 165 percent. The operating profit accounted for -6.1 percent of the net sales (2017: -2.2%).

Acquisitions have been a central part of Innofactor’s strategy. Depreciations of intangible rights resulting from acquisitions vary greatly depending on how valuable the customer contracts and technology of the acquired company are estimated to be and also in what kind of schedule the resulting intangible rights will be depreciated. For this reason, the company’s view is that instead of the operating profit, the primary measure for profitability should be the operating margin (EBITDA), because it is not affected by said depreciations.

In accordance with IFRS 3, the operating result for October 1–December 31, 2018, includes EUR 507 thousand (2017: 507) in depreciations related to acquisitions, consisting of allocations of the purchase price to intangible assets. Adjusted for the said depreciations, Innofactor's operative business loss for the review period of October 1–December 31, 2018, would have been EUR 1,187 thousand (2017: operating profit 275), which shows a decrease of 531.1 percent.

The operating result for the review period of January 1–December 31, 2018, includes EUR 2.0 million (2017: 2.0) in depreciations related to acquisitions, consisting of allocations of the purchase price to intangible assets. Innofactor's operative business loss adjusted for these depreciations in January 1–December 31, 2018, would have been EUR 1,842 thousand (2017: 569), which shows a decrease of 423.9 percent.

Innofactor's operating cash flow was negative, but still better than the operating margin

Innofactor's balance sheet total at the end of the review period was EUR 51,875 thousand (2017: 58,272). The Group's liquid assets totaled EUR 258 thousand (2017: 910), consisting totally of cash funds.

The operating cash flow in the review period January 1–December 31, 2018, was EUR -581 thousand (2017: 4,169). The investment cash flow was EUR -1,239 thousand (2017: -1,488). The weakening of the operating cash flow resulted from the weakened operating margin, but it was still better than the operating margin.

The equity ratio at the end of the review period was 41.2 percent (2017: 43.4%) and net gearing was 71.2 percent (2017: 53.8%).

At the end of the review period, the company had EUR 10,000 thousand in current interest bearing liabilities (2017: 6,948) and EUR 5,418 thousand in non-current interest bearing liabilities (2017: 7,280). The total amount of interest bearing liabilities was EUR 15,418 thousand (2017: 14,228).

The return on investment in January 1–September 30, 2018, decreased from the previous year and was -7.7 percent (2017: -2.4%).

The return on equity in January 1–December 31, 2018, decreased from the previous year and was -13.8 percent (2017: -5.3%).

The non-current assets in Innofactor's balance sheet at the end of the review period were EUR 38,558 thousand in total and consisted of the following items:

- Tangible assets EUR 484 thousand

- Goodwill value EUR 26,126 thousand*
- Other intangible assets EUR 6,114 thousand*
- Shares and holdings EUR 78 thousand
- Receivables EUR 155 thousand
- Deferred tax assets EUR 5,602 thousand

Innofactor's gross investments in tangible and intangible assets in the review period of January 1–December 31, 2018, were EUR 1,133 thousand (2017: 1,688), consisting mainly of development costs for the ERP system and normal additional and replacement investments required by growth.

The write-offs on intangible assets were EUR 2,527 thousand (2017: 2,222). In the review period of January 1–December 31, 2018, the company has activated development costs of its ERP system for a total of EUR 786 thousand.

* Goodwill and intangible assets arising from acquiring foreign companies are considered as assets of the foreign unit and they are converted at the closing date's rate. The resulting exchange differences are recognized in comprehensive income.

Innofactor's research and product development investments continued almost on the same level despite the challenging situation, although they were focused on a smaller number of selected products

In the Innofactor strategy, renewed at the end of 2018, the role of product and service development gained more importance and significant investments into product development were continued.

In the product development during the review period, focus was on renewing existing products and services and continuous further development in order to support the growth of product-based business. In the third quarter of the year, product development investments were focused on a smaller number of products, which are believed to succeed well financially in the markets, for example, on the Innofactor Dynasty product. Investments on products deemed less successful financially, for example, Innofactor Skilli, were decreased.

Innofactor's research and development costs recognized in profit or loss for January 1–December 31, 2018, were approximately EUR 2,860 thousand (2017: 3,298), which accounts for 4.5 percent of the net sales (2017: 5.0%).

Innofactor's personnel

Primarily, Innofactor monitors the number of active personnel. The number of active personnel does not include employees who are on a leave of over 3 months.

The average number of active personnel in October 1–December 31, 2018, was 567 persons (2017: 613), which shows a decrease of 7.5 percent.

The average number of active personnel in January 1–December 31, 2018, was 591 persons (2017: 610), which shows a decrease of 3.1 percent.

In the review period of January 1–December 31, 2018, net sales per active person were approximately EUR 106.8 thousand (2017: 107.6), which shows an approximate decrease of EUR 0.8 thousand per person.

At the end of the review period, the number of active personnel was 550 (2017: 601), which shows a decrease of 8.5 percent.

At the end of the review period, the average age among personnel was 40.8 years (2017: 38,9).

Women accounted for 27 percent (2017: 28%) of the personnel. Men accounted for 73 percent (2017: 72%) of the personnel.

The significant decrease in the number of personnel is explained by the cooperation negotiations in the last quarter of 2018, conducted on production-related and financial grounds in Innofactor's Finnish companies. Through the negotiations, Innofactor reduced the number of personnel by a total of 13, which will result in annual savings of approximately EUR 1.4 million starting from 2019. Finnish delivery organization changed into self-organized teams, and same time three organization levels were removed by replacing the current 50 supervisors, most of who were acting as supervisors in addition to their actual tasks, with 16 full-time supervisors and line supervisors, which means that a significant part of current supervisors will have much more time for sales and customer work, and also by an arrangement in which the Innofactor Group's CEO Sami Ensio took to himself also the tasks of the Finnish Country Manager. Also other changes in Innofactor organization has been carried out in order to make the operation more streamline and effective. This has also had the effect of decreasing the number of personnel.

Other events in the review period

On January 2, 2018, Innofactor announced in a stock exchange release that Marko Lehtonen has been appointed as Innofactor's Chief Financial Officer.

On January 24, 2018, Innofactor announced in a stock exchange release that Folkuniversitetet, a Swedish adult educational association, had selected Innofactor as the partner for implementing a

Course and Event Management System with the value of the deal being approximately EUR 0.5 million.

On January 24, 2018, Innofactor published a flagging announcement pursuant to Chapter 9, Section 10 of the Finnish Securities Markets Act, stating that Tuomo Tilman's ownership of the Innofactor Plc votes and shares had decreased below five percent (5%).

On February 6, 2018, Innofactor announced in a stock exchange release that Innofactor's operating margin (EBITDA) for the fourth quarter (Q4) of 2017 is less than estimated in the Interim Report for the third quarter (Q3) of 2017.

On February 7, 2018, Innofactor announced in a stock exchange release that the Swedish Teachers' Union (Lärarförbundet) selected Innofactor as the partner for a pilot project for membership management, recruiting and membership analysis. The value of the deal is approximately EUR 0.5 million.

On March 5, 2018, Innofactor announced in a stock exchange release that the Supreme Administrative Court did not overrule HKL's decision to cancel the procurement decision of November 26, 2015, awarded to Innofactor in a bidding competition concerning the situational information system for the Metro's total security. The framework arrangement of the procurement was intended to remain in effect for a maximum of 15 years. For this total time, Innofactor had stated that the total price according to the tender would be approximately EUR 7 million.

On March 16, 2018, Innofactor announced in a stock exchange release that the Legal Register Centre selected Innofactor as the provider of the HAIPA system. The value of the deal is approximately EUR 2 million during 2018 and 2019.

On June 29, 2018, Innofactor announced in a stock exchange release that the Swedish trade union Kommunal has renewed and expanded its continuous services and support agreement with Innofactor as partner for maintenance and further development of their membership system and related services. The value of the of the agreement is approximately EUR 2.8 million at the minimum and approximately EUR 5.2 million at the maximum in the years 2018–2021.

On September 3, 2018, Innofactor published a flagging announcement pursuant to Chapter 9, Section 10 of the Finnish Securities Markets Act, stating that Svalroma Invest AB's (former Svalroma Consulting AB) ownership of the Innofactor Plc votes and shares had decreased below five percent (5%).

On September 12, 2018, Innofactor announced in a stock exchange release that the Funding Centre for Social Welfare and Health Organisations (STEA) has selected Innofactor in a public

procurement competition as the provider of ICT services. The value of the procurement is about EUR 2.1 million over four years.

On September 19, 2018, Innofactor announced in a stock exchange release that a private Finnish healthcare company and Innofactor have signed an agreement concerning the delivery of a solution based on Microsoft Dynamics 365 Finance and Operations for the company's financial management. The value of the deal is approximately EUR 0,5 million during 2018 and 2019.

On September 19, 2018, Innofactor announced in a stock exchange release that Kuntien Tiera Oy has selected Innofactor in a public procurement competition as the primary provider of Microsoft SharePoint and Microsoft Dynamics 365 services. The duration of the framework agreement is four years, and the total value of the services is approximately EUR 2 million.

On October 8, 2018, Innofactor announced in a stock exchange release that it had updated its strategy. The updated strategy is presented in more detail in the section "Strategy and its realization in the review period."

On October 8, 2018, Innofactor announced in a stock exchange release that it is starting cooperation negotiations based on its updated strategy and related to the development of its organization.

On October 8, 2018, Innofactor announced in a stock exchange release that it estimates that its result prospects for 2018 will be weaker than previously stated, due to reorganization.

On October 30, 2018, Innofactor announced in a stock exchange release that the cooperation negotiations had been completed.

On December 4, 2018, Innofactor announced in a stock exchange release that 13 municipalities of the North Karelia region have decided to implement the next generation Dynasty 10 case management system, and the value of the procurement is about EUR 0.5 million over four years, starting from the beginning of 2019.

On December 21, 2018, Innofactor announced in a stock exchange release that Hansel has selected Innofactor in a public procurement competition as the provider for the renewal of the procurement announcement service Hilma, and the value of the procurement is approximately EUR 4.0 million, of which the value of the first phase during year 2019 is approximately EUR 1 million.

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 36,188,225. Innofactor Plc has one series of shares. Each share is entitled to one vote.

On October 1–December 31, 2018, the highest price of the company share was EUR 0.70 (2017: EUR 1.40), the lowest price was EUR 0.35 (2017: EUR 0.91), and the average price* was EUR 0.47 (2017*: EUR 1.03).

On January 1–December 31, 2018, the highest price of the company share was EUR 1.13 (2017: EUR 1.80), the lowest price was EUR 0.35 (2017: EUR 0.91), and the average price* was EUR 0.69 (2017*: EUR 1.31).

The closing price for the review period on December 31, 2018, was EUR 0.36 (2017: 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 in October 1–December 31, 2018, a total of 4,367,862 shares were traded (2017: 7,483,316 shares), which corresponds to 12.1 percent (2017: 20.7%) of the average number of shares on the said period. In October 1–December 31, 2018, there were 36,188,225 shares on the average (2017: 36,188,225*). The share trading decreased by 41.6 percent compared to the corresponding period in 2017.

In public trading on January 1–December 31, 2018, a total of 11,142,838 shares were traded (2017: 23,796,019 shares), which corresponds to 30.8 percent (2017: 67.3%) of the average number of shares on the said period. On January 1–December 31, 2018, there were 36,188,255 shares on the average (2017: 35,341,751*). The share trading decreased by 53.2 percent compared to the corresponding period in 2017.

* 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 0.36, on December 31, 2018, was EUR 13,100 thousand (2017: 33,836), which shows a decrease of 61.3 percent.

On December 31, 2018, the company had a total of 11,396 shareowners (2017: 12,371), including administrative registers.

The Board of Directors has the following authorizations:

- Until June 30, 2019, to decide on a share issue and granting of special rights entitling to shares, concerning a

maximum of 7,200,000 new shares (decided by the General Meeting of April 4, 2018); the authorization has not been used.

- Until June 30, 2019, to decide on a transfer of a maximum of 1,000,000 treasury shares (decided by the General Meeting of April 4, 2018); the authorization has not been used.

Own shares

The General Meeting of April 4, 2018, authorized the Board of Directors to decide on acquiring of a maximum of 5,000,000 of company's own 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). Own 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, 2019. This authorization replaces the Board's earlier authorizations concerning share repurchase.

At the end of the review period, the company had no treasury shares.

Management of the company

Innofactor Plc complies with the recommendations of the Corporate Governance Code 2015 for Finnish listed companies, published by the Securities Market Association.

On April 4, 2018, the General Meeting decided that the number of Board members is four. Of the previous members, Sami Ensio was re-elected, and Pekka Eloholma, Anna Lindén and Risto Linturi were elected as new members. In their organizing meeting held immediately after the General Meeting, the Board of Directors elected Pekka Eloholma as the Chairman of the Board.

The General Meeting approved the proposal to appoint the auditing firm PricewaterhouseCoopers Oy as the auditor for the company, with Samuli Perälä, APA, as the main responsible auditor.

Innofactor has drawn up a separate Corporate Governance Statement for the financial period of 2018.

Innofactor Plc's entire Corporate Governance and statements are available on the company's web site at: <https://www.innofactor.com/fi/sijoittajille/hallinto-ja-johtaminen/>

Market outlook and business environment

Main forces affecting market changes and main trends of innovation are, for example, augmented and virtual reality, Internet of Things (IoT), artificial intelligence, robotics, and blockchains. Factors enabling these include transfer of software into the cloud, data analytics, social media, and mobility. The purchase habits of customers have changed as these business changes are taking place. Our customers expect their IT provider to focus more on business benefits instead of technology benefits. Our customers want to get solutions that are ready for use without a need to make major customer-specific changes. Additionally, customers increasingly wish to purchase continuous services instead of large one-off projects.

We estimate that the IT service market in the Nordic Countries grew by approximately 3–5% in 2018. We estimate that the growth of the IT service market in the Nordic Countries in 2019 will remain on the same level of approximately 3–5%. Our estimate is based on research institutes' forecasts and our 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 medium-sized companies operating in just one country and typically offering a wide range of IT solutions for companies and organizations, using several competing technologies. The fourth group is formed by small companies operating in one country and often focusing 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, proofs of rapid and profitable growth and successful acquisitions together with business culture with entrepreneurial spirit make Innofactor an attractive partner when making reorganizations in the field in the Nordic Countries.

Short term risks and uncertainty factors

Innofactor's operations and finances involve risks that may be significant for the company and its share value. These risks are assessed by Innofactor Plc's 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 the group companies that carry on its business operations.

Skilled personnel and its availability: The development of Innofactor's operations and deliveries depends greatly on the Group having skilled personnel and being able to replace persons, who are leaving, with properly skilled persons. 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 2018, about 69% of the net sales, including depreciations). 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 strives to affect the development of personnel costs via interest groups. It also 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 and has included it as a central part of the remuneration system.

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 also notable legal resources, and they can use these when competing with Innofactor for the same deliveries. Additionally, new, small startup companies increase competition in certain deliveries. The price competition in 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. Regarding this, the company has published its long term financial goals.

Research and product development: In Innofactor's operation, research and product development play a central role. In 2018, approximately 4.5% 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 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, artificial intelligence, blockchain 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.

Data protection: The enforcement of the new EU data protection regulation ("GDPR", regulation (EU) 2016/679) affects business operations of Innofactor and its customers. Neglecting the required actions or procedures may lead to losses in net sales or, in the worst case, penalty charges set by the supervising authority. Innofactor has invested in solutions related to GDPR and hired a data security manager, who the company calls the Data Protection Officer.

Data security: Innofactor operates as a system integrator through which the Innofactor system managers and developers have access to certain customer environments. Each access to a customer environment in itself includes a data security risk as concerns unlawful attempts at gaining information. Innofactor has implemented a data security management process based on standards, and its implementation is led by the company's Chief Information Security Officer.

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 has the risk that it cannot be

realized in the future, although it has been done often in the past. It is possible that the IT market in Innofactor's market area will not grow or may even shrink. 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 has partly been 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 or loss of net sales. 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 changes in the general financial situation 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 total at the end of the year, Innofactor had approximately EUR 15.4 million in interest bearing debts, which have been taken out to finance earlier acquisitions and working capital. Of the debts, approximately EUR 10 million is current liabilities consisting of loan installments of EUR 2.2 million in 2019 and a credit limit of approximately EUR 7.8 million. Innofactor has committed itself to the following covenants: equity ratio calculated every 6 months is at least of 40%, and interest bearing liabilities calculated every 6 months divided by the 12-month operating margin (EBITDA) is a maximum of 2.5, and certain other normal conditions for loans. The Innofactor Group's interest bearing liabilities divided by the 12-month operating margin (EBITDA) on December 31, 2018, exceeded the covenant limit of 2.5 agreed on with the financial institution. However, the financial institution issued a waiver on December 31, 2018, accepting this deviation. In addition to corrective actions related to business operations, Innofactor has renegotiated some loan conditions to enable more flexible financing. These together are believed to ensure Innofactor's financial standing also in the future.

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: An interest risk is 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: The Innofactor Group operates globally and is susceptible to risks related to the currencies of the countries in which it operates. Changes in exchange rates, especially the rates of Swedish krona and Norwegian krone, affect the Group's net sales and profitability as Innofactor has significant operations based on Swedish krona and Norwegian krone. The exchange rate risk is mainly due to the assets and liabilities registered in the balance sheet and the net investments made in the subsidiaries abroad. 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 has checking account limits with an overdraft facility 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.

Acquisitions and changes in the Group structure

In 2018 Innofactor made no acquisitions, but focused on integrating Cinteros AB, acquired in 2015, and the Lumagate companies, acquired in 2016, into the Innofactor Group.

The 100 percent owned Danish group company Lumagate A/S was merged into another 100 percent owned group company Innofactor A/S on June 1, 2018. Additionally, Lumagate AS's name was changed to Innofactor AS in Norway May 26, 2018 and Lumagate AB's name was changed to Innofactor Cloud Platform AB in Sweden May 30, 2018.

No other acquisitions or other changes in the Group structure were carried out in 2018.

Events after the review period

On January 25, 2019, Innofactor lowered its estimate on the net sales and operating margin (EBITDA) for 2018.

On February 14, 2019, Innofactor announced in a stock exchange release that a Swedish organization selected Innofactor to implement their membership management project, the value of the procurement being approximately EUR 1.3 million, is estimated to be registered for 2019.

On February 15, 2019, Innofactor announced in a stock exchange release that Finnish Transport and Communications Agency Traficom has selected Innofactor as the provider of further development and maintenance of the digital services channel (VISA) and its architecture. The value of the procurement being approximately EUR 5.0 million, is estimated to start in spring 2019 and to continue 5–7 years.

Board of Director's 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 2018, the operating margin (EBITDA) was -1.6% 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 2018, the distributable assets of the Group's parent company were EUR 27,236,831.73.

The Board of Directors proposes that no dividend be distributed for the financial period of 2018.

Espoo, March 5, 2019

INNOFACTOR PLC

Board of Directors

Additional information:

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Briefings concerning the financial statement of January 1–December 31, 2018

On March 5, 2019, at 10:00 Finnish time, Innofactor will hold a briefing concerning the financial statement in Finnish for the media, investors and analysts at the company's premises at Keilaranta 9, Espoo. The report will be presented by CEO Sami Ensio and CFO Marko Lehtonen.

Innofactor will also hold a corresponding conference call in English on March 5, 2019, at 12:00 Finnish time.

Please register for the briefings beforehand by sending email to ir@innofactor.com.

The presentations of the briefings will be available on Innofactor's web site after the briefings.

Financial releases in 2019

The annual report for 2018 will be published on the company's web site on Tuesday, March 12, 2019.

The Annual General Meeting will be held on Tuesday April 2, 2019, at 9:00 Finnish time.

The schedule for financial releases in 2019 is as follows:

- Interim Report January–March 2019 (Q1) on Tuesday May 14, 2019
- Half-Yearly Report January–June 2019 (Q2) on Tuesday, July 23, 2019
- Interim Report January–September 2019 (Q3) on Tuesday, October 29, 2019

Distribution:
NASDAQ Helsinki
Main media
www.innofactor.com

Financial statement summary and appendixes January 1–December 31, 2018 (IFRS)

Accounting policies

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

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

Starting from October 1, 2016, Innofactor has activated development costs of its own ERP system. The Nordic ERP system is very important for Innofactor in order to gain future synergies and the long term financial goals. We also believe that the experience we gain while developing and implementing the new Microsoft Dynamics 365-based cloud system will bring us significant competitive edge in customer deliveries.

The financial statement adheres to the same accounting policies and calculation methods as the last annual financial statement 2017. However, as of January 1, 2018, the Group has introduced the new or renewed IFRS standards and IFRIC interpretations published by IASB and mentioned in the accounting policies section of the financial report 2017. The principles for calculating the key figures and the calculation formulas have not been changed and they have been presented in an appendix to this report.

In addition to the IFRS key figures, Innofactor publishes certain alternative key figures in order to present the financial development of the actual business operations and to improve comparisons between different periods. Acquisitions are a central part of Innofactor's strategy. Depreciations of intangible rights resulting from acquisitions vary greatly depending on how valuable the customer contracts and technology of the acquired company are estimated to be and also in what kind of schedule the resulting intangible rights will be depreciated. For this reason, the company's view is that instead of the operating profit, the primary measure for profitability should be the operating margin (EBITDA), because it is not affected by the said depreciations. In addition to the operating margin, the company also publishes the following figures adjusted for the above-mentioned depreciations: the operative business result, operative business result before taxes, operative business result, and operative business result per share. Depreciations related to acquisitions, adjusted from the above-mentioned key figures, in the period of January 1–December 31, 2018, were EUR 2,030 thousand (2017: 2,030).

Other alternative key figures used by Innofactor are equity ratio, net gearing, return on investment, return on equity, and net sales per person. The formulas for calculating the other alternative key figures are presented at the end of this report.

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 financial statement have not been audited.

IFRS 15 Revenue from Contracts with Customers

Innofactor has implemented the IFRS 15 Revenue from Contracts with Customers standard as of January 1, 2018, (mandatory implementation) and applies it retroactively as of January 1, 2017. The IFRS 15 standard defines a five-step model for recognizing revenue based on contracts with customers and replaces the previous standards IAS 18 and IAS 11 as well as the related interpretations. The standard includes guidance for license revenue, accounting for costs, and determining transaction price, among other things. It also expands requirements for notification related to revenue from customer contracts.

The IFRS 15 standard affects the timing of the net sales from software licenses sold by Innofactor in cases where the licenses are sold in connection with a project delivery. In these cases, a license will be recognized as net sales based on the project's completion percentage and not as one time net sales like before. The effect of the IFRS 15 standard on the adjusted net sales and operating margin for 2017 was EUR -422 thousand (Q1/2017: -265, Q2/2017: -303, Q3/2017: +196, and Q4/2017: -50).

Distribution of revenue from services and long term projects

EUR thousand	Jan 1–Dec 31 2018	Jan 1–Dec 31 2017	Change
Revenue from services	35,579	34,001	4.6%
Revenue recognized from long-term projects	27,564	31,665	-13%
Total	63,143	65,666	-3.8%

Revenue from services is recognized when the service has been provided and the economic benefit from the service is probable. Man-hour work is recognized monthly as it progresses.

Long-term fixed-price projects are recognized using the percentage of completion method when the outcome of the project can be estimated reliably.

IFRS 9 Financial Instruments

Innofactor has implemented the IFRS 9 Financial Instruments standard as of January 1, 2018. The primary effect of the IFRS 9 standard is related to the time of registering anticipated credit losses. The Group is not implementing the standard retroactively. The IFRS 9 Financial Instruments standard has not had substantial effect on the Innofactor financial report.

In estimating the losses for write-offs of sales receivables, a customer classification is used in which the reservation for credit loss is calculated based on experience, that is, based on expected credit losses from different customer groups. The Group's realized credit losses have historically been very small due to the large share of net sales coming from public administration, third sector and large companies.

Application of the new and amended IFRS norms

IFRS 16 Leases

Innofactor will implement the IFRS 16 standard as of January 1, 2019. The implementation of the standard will affect the company's balance sheet by increasing the committed capital and interest-bearing debt. The standard is not expected to have a significant effect on the company's earnings per share, but it will improve the company's operating margin (EBITDA), because a lease cost will be divided into depreciations and financial expenses. The standard will also improve the company's operating cash flow and deteriorate the financing cash flow, because the lease payments will mainly be presented in the financing cash flow.

Due to the implementation of the standard, the interest-bearing liabilities are expected to rise by approximately EUR 5.4 million. The operating cash flow is expected to improve by approximately EUR 1 million, and the financing cash flow to decrease correspondingly. The operating margin is expected to improve by approximately EUR 1 million as lease costs will be divided into depreciations and interests.

In the implementation of the standard, Innofactor will use the simple method in which the comparison figures will not be adjusted. In its reporting, the company will also take into account the two exceptions that make it easier to implement the standard and which are related to leases of low value and short term.

Comprehensive consolidated profit and loss statement, IFRS

EUR thousand	1.10.– 31.12.2018	1.10.– 31.12.2017	1.1.– 31.12.2018	1.1.– 31.12.2017
Net sales	15 890	17 139	63 144	65 666
Other operating income	159	-50	205	88
Materials (-)	-1 341	-1 317	-6 812	-6 241
Employee benefits/expenses (-)	-11 937	-12 326	-46 432	-46 690
Depreciation (-)	-789	-756	-2 842	-2 769
Other operating expenses (-)	-3 676	-2 922	-11 134	-11 515
Operating profit/loss	-1 693	-232	-3 872	-1 461
Financial income	923	518	952	526
Financial expenses (-)	-560	-294	-892	-644
Profit/loss before taxes	-1 329	-8	-3 811	-1 579
Income taxes	129	2	625	316
Profit/loss for the financial period	-1 200	-6	-3 186	-1 263
Other comprehensive income Items that may be later recognized in profit or loss:				
Exchange differences	-32	-377	-275	-744
Total comprehensive income	-1 232	-383	-3 462	-2 007
Earnings per share calculated from the profit attributable to equity holders of the parent				
basic earnings per share (EUR)	-0,0332	-0,0002	-0,0880	-0,0357
diluted earnings per share (EUR)	-0,0332	-0,0002	-0,0880	-0,0357

Consolidated Balance Sheet, IFRS
ASSETS

EUR thousand	Dec 31, 2018	Dec 31, 2017
Non-current assets		
Tangible assets	484	640
Goodwill	26,126	26,398
Other intangible assets	6,114	7,797
Shares and holdings	78	62
Receivables	155	342
Deferred tax assets	5,602	5,668
Non-current assets	38,558	40,907
Current assets		
Trade and other receivables	13,059	16,455
Cash and cash equivalents	258	910
Current assets	13,317	17,365
TOTAL ASSETS	51,875	58,272

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR thousand	Dec 31, 2018	Dec 31, 2017
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	20,321	20,321
Retained earnings	-1,250	2,212
Total shareholders' equity	21,303	24,764
Non-current liabilities		
Loans from financial institutions	5,418	7,280
Deferred tax liabilities	1,190	1,826
Long term liabilities total	6,608	9,106
Current liabilities		
Loans from financial institutions	10,000	6,948
Trade and other payables	13,964	17,454
Current liabilities total	23,965	24,402
Total liabilities	30,573	33,508
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	51,875	58,272

Statement of change in shareholders' equity, IFRS

EUR thousand	Share capital	Share premium reserve	Reserve fund	Fund for invested unrestricted equity	Own shares	Retained earnings	Exchange differences	Total shareholders' equity
Shareholders' equity 31.12.2017	2 100	72	59	20 321	0	3 311	-762	25 101
Change of accounting principle IFRS 15						-337		-337
Shareholders' equity 1.1.2018	2 100	72	59	20 321	0	2 974	-762	24 764
Result for the financial period						-3 186		-3 186
Other comprehensive income								
Exchange differences							-275	-275
Total comprehensive income						-3 186	-275	-3 462
Shareholders' equity 31.12.2018	2 100	72	59	20 321	0	-212	-1 037	21 303

EUR thousand	Share capital	Share premium reserve	Reserve fund	Fund for invested unrestricted equity	Own shares	Retained earnings	Exchange differences	Total shareholders' equity
Shareholders' equity 1.1.2017	2 100	72	59	16 153	-161	4 296	-18	22 501
Comprehensive income								0
Result for the financial period						-1 263		-1 263
Other comprehensive income:								0
Exchange differences							-744	-744
Total comprehensive income						-1 263	-744	-2 007
Transactions with shareholders								
Share issues				4 109				4 109
Other change*				59		-59		0
Purchase of own shares					-199			-199
Transfer of own shares					360			360
Transactions with shareholders in total				4 168	161	-59		4 270
Shareholders' equity 31.12.2017	2 100	72	59	20 321	0	2 974	-762	24 764

*) change in the value of own shares

Consolidated Cash Flow Statement, IFRS

EUR thousand	Jan 1–Dec 31, 2018	Jan 1–Dec 31, 2017
Cash flow from operating activities		
Operating profit	-3,872	-1,461
Adjustments:		
Depreciation	2,842	2,769
Non-cash transactions	0	485
Changes in working capital:		
Change in trade or other receivables (+/-)	3,474	2,346
Change in trade and other payables (+/-)	-2,209	633
Interests paid (-)	-870	-643
Interests received	52	40
Total cash flow from operating activities	-581	4,169
Investment cash flow		
Acquisition of subsidiaries	-200	-59
Investments in intangible and tangible assets (-)	-1,133	-1,688
Loan receivables paid back	109	259
Shares and holdings	-16	0
Total cash flow from investments	-1,239	-1,488
Cash flow from financing		
Loans withdrawn	3,237	10,087
Loans paid	-2,069	-12,560
Purchase of own shares	0	-199
Total cash flow from financing	1,168	-2,672
Change in cash and cash equivalents (+/-)	-652	8
Cash and cash equivalents, opening balance	910	902
Cash and cash equivalents, closing balance	258	910

**Consolidated Profit
and Loss Statement
by Quarter, IFRS**

EUR thousand	Jan 1– Mar 31 2018	Apr 1– Jun 30 2018	Jul 1– Sep 30 2018	Oct 1– Dec 31 2018	Jan 1– Mar 31 2017	Apr 1– Jun 30 2017	Jul 1– Sep 30 2017	Oct 1– Dec 31 2017
Net sales	16,470	17,010	13,773	15,890	17,252	17,149	14,126	17,139
Other operating income	9	17	20	159	103	19	16	-50
Materials (–)	-1,807	-1,974	-1,691	-1,341	-1,144	-2,005	-1,775	-1,317
Employee benefits/expenses (–)	-12,125	-12,552	-9,818	-11,937	-12,270	-11,818	-10,276	-12,326
Depreciation (–)	-704	-666	-683	-789	-676	-670	-667	-756
Other operating expenses (–)	-2,207	-2,464	-2,787	-3,676	-3,043	-2,778	-2,772	-2,922
Operating profit/loss	-364	-629	-1,186	-1,693	222	-103	-1,348	-232
Financial income	4	10	15	923	5	3	0	518
Financial expenses (–)	-117	-163	-52	-560	-146	-131	-73	-294
Profit/loss before taxes	-477	-782	-1,223	-1,329	81	-231	-1,421	-8
Income taxes	95	157	243	129	-16	46	284	2
Profit/loss for the financial period	-382	-625	-980	-1,200	65	-185	-1,137	-6
 EBITDA	 340	 36	 -503	 -902	 898	 567	 -681	 524

Commitments and contingent liabilities

EUR thousand	Dec 31, 2018	Dec 31, 2017
Collateral given for own commitments		
Collateral for rent	183	188
Mortgages on company assets*	16,972	17,002
Bank guarantees	303	303
Other own liabilities		
Lease liabilities		
Current lease liabilities	172	327
Lease liabilities maturing in 1-5 years	94	173
Total	266	500
Rental liabilities		
Current rental liabilities	2,007	2,007
Rental liabilities maturing in 1-5 years**	4,639	1,482
Total	6,646	3,489
Other own liabilities total	6,912	3,989

* Of the mortgages on company assets, EUR 500 thousand was in the company's possession on December 31, 2018.

** The significant rise in rental liabilities is due to the renewal of the rental agreement for Innofactor headquarters for five years, which decreased the monthly rental costs slightly.

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, 2018, was as follows.

Name	Number of shares	% of share capital
1. Ensio Sami	7,716,173	21.32%
<i>Ensio Sami</i>	5,542,413	15.32%
<i>Minor under guardianship</i>	724,588	2.00%
<i>Minor under guardianship</i>	724,586	2.00%
<i>Minor under guardianship</i>	724,586	2.00%
2. Ilmarinen Mutual Pension Insurance Company	1,800,000	4.97%
3. Tilman Tuomo Tapani	1,465,437	4.05%
4. Svalroma Invest AB	1,435,196	3.97%
5. Linturi Kaija and Risto	1,256,411	3.47%
<i>R. Linturi Oyj</i>	489,107	1.35%
<i>Linturi Kaija Anneli</i>	430,000	1.19%
<i>Linturi Risto Erkki Olavi</i>	337,304	0.93%
6. Laiho Rami Tapani	1,255,159	3.47%
7. Ärje Matias Juhanpoika	882,065	2.44%
8. Mäki Antti-Jussi	877,192	2.42%
9. Muukkonen Teemu Heikki	522,230	1.44%
10. Ingman Finance Oy Ab	500,000	1.38%
11. Järvenpää Janne-Olli	315,211	0.87%
12. Kukkonen Heikki-Harri	276,931	0.77%
13. Rausanne Oy	272,545	0.75%
14. Anttila Mikko Matias	254,150	0.70%
15. Hellen Stefan Andreas	250,000	0.69%
16. Laiho Jari Olavi	235,000	0.65%
17. Audit-Lex Oy	170,000	0.47%
18. Mäkinen Antti Vilho Juhani	160,000	0.44%
19. Heikki Tervonen Oy	153,000	0.42%
20. Jajopa Oy	130,290	0.36%

Formulas for calculating the key figures

Operating margin (EBITDA):

Operating profit/loss - Depreciations

Percentage of return on equity:

Profit/loss for the financial period

Shareholders' equity

Percentage of return on investment:

Profit or loss before taxes + Interest and other financial expenses

Shareholders' equity + Interest bearing financial 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:

Equity attributable to the shareholders of the parent company

Undiluted number of shares on the date of the financial statement

Net sales / person:

Net sales

Active personnel on average during the review period