



Innodata Investor Relations Presentation

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www.innodata.com



Safe Harbor Statement

This presentation may contain certain “forward looking” statements, which involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those that may be projected by these forward looking statements. These uncertainties have been detailed in the reports filed by Innodata with the Securities and Exchange Commission and these filings are available at www.sec.gov. This presentation also contains references to findings of various reports available in the public domain. Innodata makes no representation as to their accuracy or that the company subscribes to those findings.

Highlights

- Innodata screenshot – who we are
- Executive leadership
- Our services and case studies
- Our challenges
- Our strengths to leverage
- Our strategic investments
- Financial model analysis – basis for investments
- Recent highlights and key statistics

Innodata Screenshot

Who We Are

| | |
|-------------------------------|--|
| Business Model | Global services (technology-enabled + consulting) |
| Global Presence | Operating in 6 countries / 8 global delivery centers |
| Employees | Approx. 7,000 |
| Market Cap* | \$96mm |
| Balance Sheet* | \$28mm cash / \$51mm equity / No debt |
| 2012 Revenue (vs. 2011)* | \$87mm (vs. \$74mm, a 17% increase) |
| 2012 Net Earnings (vs. 2011)* | \$7.5mm (vs. \$4.5mm, a 67% increase) |

* As reported in Q4 and Fiscal Year 2012 Earnings Release and NASDAQ closing price last day of quarter

Executive Leadership

Jack Abuhoff

- President and Chief Executive Officer
- More than 20 years of experience in international markets and technology companies

Ashok Kumar Mishra

- Executive Vice President and Chief Operating Officer
- Held senior level positions with Innodata and its subsidiaries for more than 11 years

O'Neil Nalavadi

- Senior Vice President and Chief Financial Officer
- More than 20 years of experience in various strategic, financial and operational leadership roles

R. Douglas Kemp

- Senior Vice President, Product Innovation
- Held senior position with a leading information provider for a number of years before joining Innodata in 2010

Jim Lewis

- Senior Vice President, Sales and Marketing
- 25 years of experience managing high-growth companies

Our Services

It's All About Digital Enablement

Building and maintaining information products

- World's 3 leading information providers
- 7 out of 10 leading publishers
- Spans financial, legal, healthcare, and science
- \$506bn industry, 6,500 companies¹



Spreading knowledge via e-books

- 4 leading digital retailers
- 80 publishers
- Today's e-books and tomorrow's too
- 50% of U.S. trade market to be e-books by 2016²



Smarter workflows for businesses

- Defense
- High tech
- Financial services
- Insurance
- 11% CAGR to 2020 in Indian BPM sector³



¹ Outsell

² Pricewaterhouse Coopers' Global Entertainment and Media Outlook 2012

³ NASSCOM

Case Study #1

Building and Maintaining Information Products

Helping a Top 3 information company transform a print product into a **digital tool**

Challenges

- Lawyers and compliance officers want an all-in-one tool for rule-checking, decision-making and client advisement
- Client's dense print securities law handbook an industry-standard, but no longer seen as "modern"
- Regulatory puzzle in constant flux – monthly updates insufficient

What we did

- Defined 15 end-user use cases for electronic tool
- Designed information architecture
- Built technology, user interface, and an automated content conversion supply system

Result

- Book transformed into daily-updated productivity tool, accessible on laptops, smart phones, and iPads
- Concept-to-completion in 6 months
- Lawyers and compliance officers can confidently react faster to clients' increased regulatory burdens with up-to-date information



Case Study #2

Building and Maintaining Information Products

Helping a leading legal publisher launch sector's first mobile research product

Challenges

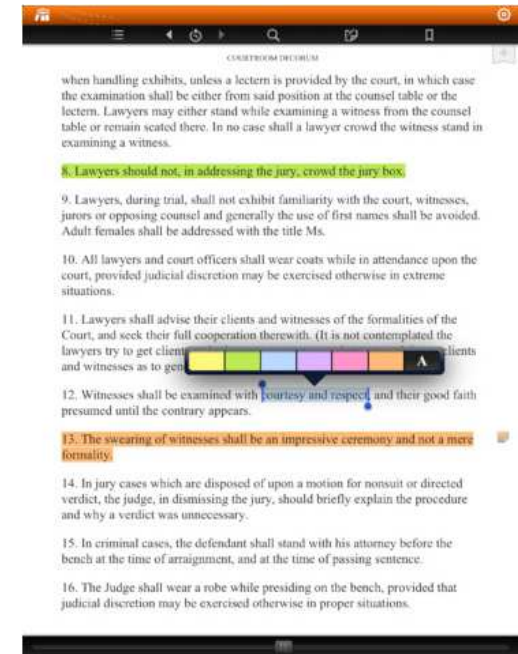
- Law firm libraries shifting spend from print to online mobile research products
- Legal publisher sells 500 print reference books, but no ebooks
- Existing e-reader applications can't handle complex reference books

What we did

- Designed an e-book user interface for complex reference works
- Built single backend platform and XML architecture to feed content to web, print and mobile simultaneously

Result

- Successful launch of first portable format product in LTR sector
- Lawyers can interact with e-book versions of complex reference material in entirely new ways



Case Study #3

Smarter Workflows for Business

Helping a leading money center bank transform its legal agreement document management system into a **risk management system**

Challenges

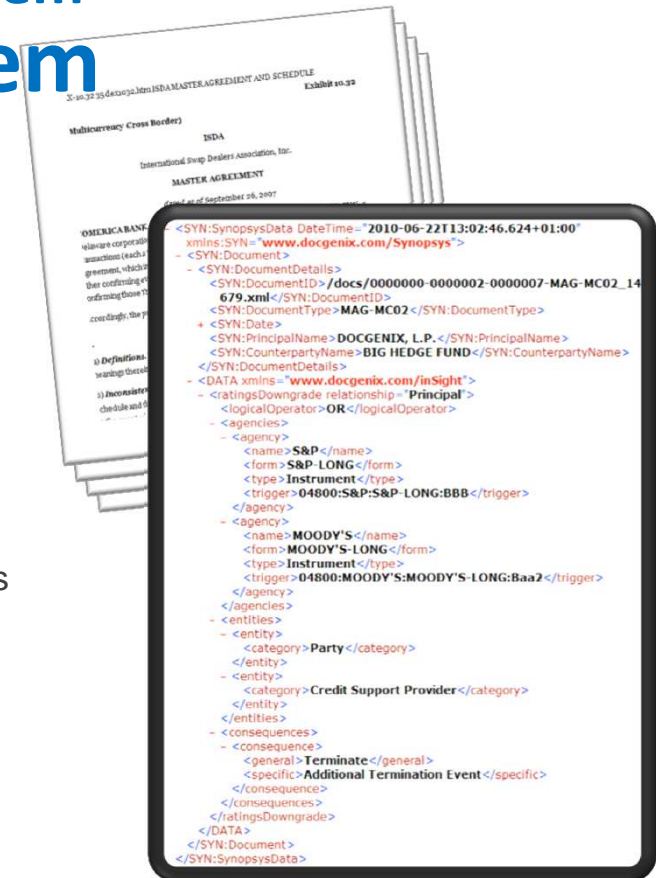
- Major money center bank is party to 5,000 derivatives contracts
- Impact of market, counterparty or collateral changes required research – which took precious time
- Regulators expected to demand greater levels of transparency

What we did

- Transformed complex documents into computer-addressable data
- Built computer system enabling complex multi-dimensional queries
- Provisioned data feed to downstream risk collateral systems

Result

- Bank can respond to market changes quickly and proactively
- Bank can 'war game' its derivatives portfolio
- Bank can comply with Dodd Frank without added cost



Case Study #4

E-Book Production

Helping leading content e-retailers to build massive **e-book inventory** for sell through

Challenges

- Leading providers of digital content (film, music) seek dominance in burgeoning digital book market
- Large-scale needs, but uncompromising quality requirements
- Needs include foreign languages, latest file formats, and new interactive user experiences

What we did

- Built technology for multi-format, high-quality production
- Designed platforms to connect client's input portal and store to our production center
- Helped create technologies to support optimal retail experience (search, browse, find)

Result

- Produced close to 1 million e-books since Fall 2011
- Met 5 critical launch dates
- Expanded to 12 languages (including Japanese and Chinese) and interactive, multi-touch books



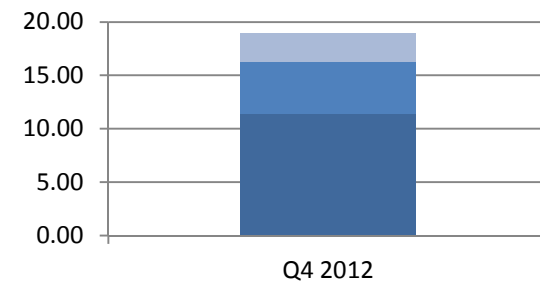
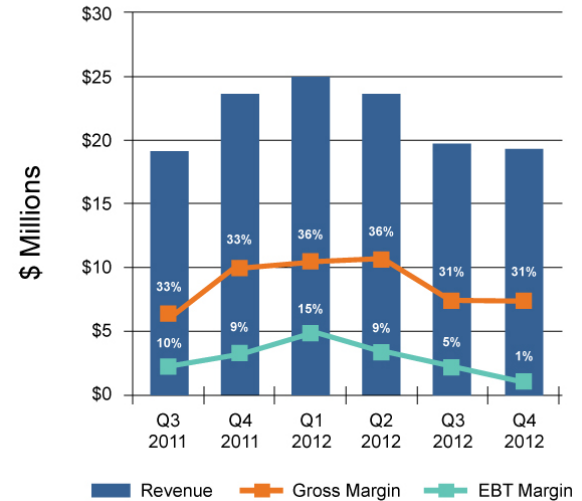
Our Challenges

Project Business + Customer Concentration

- Project-based business has meant historically choppy revenue: 30% of current business subject to volume and revenue fluctuation
- Information industry affected by economy (although signs of resurgence)
- E-books sector nascent and investments are unpredictable
- Customer concentration (Q4 2012: 15% top customer; 40% top 3; 56% top 5)
- Q1 2013 revenue guidance of \$16 – 17.5 mm; investment level of \$1.5 – 2.0mm/quarter continuing

The level of “project” business combined with customer concentration has resulted in revenue volatility...

Revenues & Margins

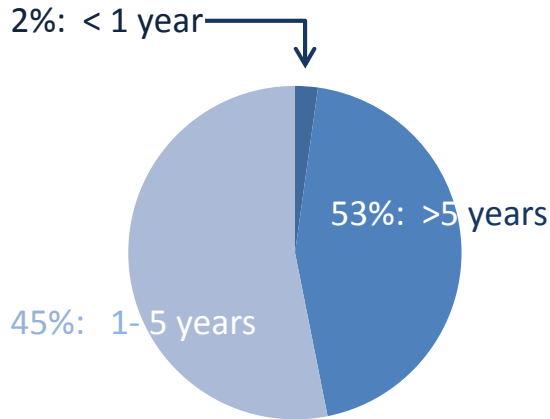


- Subject to Budgets & New Projects
- Recurring Relationship Projects
- Recurring Revenue Engagements

Our Strengths to Leverage

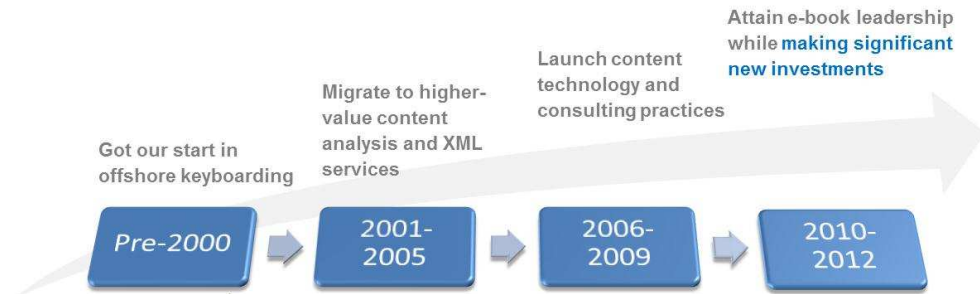
Customer Longevity and Increased Value

- Global delivery excellence that results in customer longevity
- Agility to reinvent and add new value
- Consultative key account focus



We keep the customers we've earned...

...while becoming more valued along the way



Then: Organized by Columbia College graduates who started with \$200,000 seed capital and three typists in Madison Avenue office.

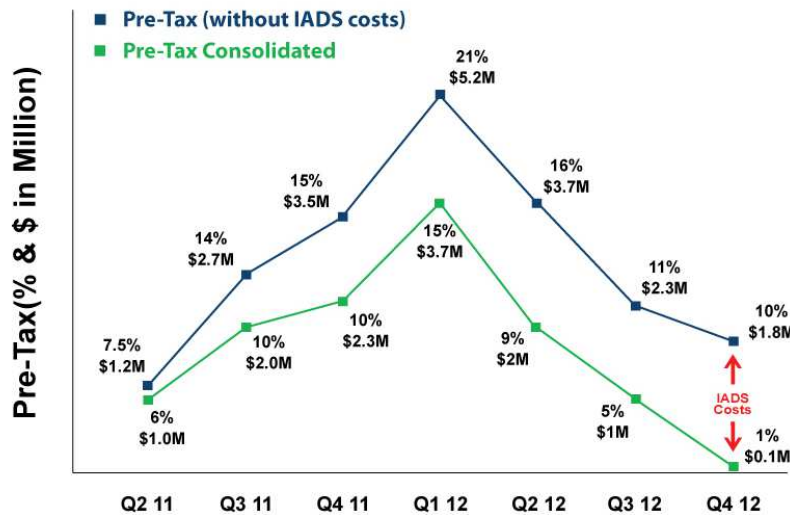
Now: Valued by many of today's most important brands as a quality provider of technology-enabled services that help create, manage and use digital information.

Tomorrow: A globally respected company that provides consistently high returns to its investors.

Our Strategic Investments

Maintain E-book Leadership and Launch IADS Segment

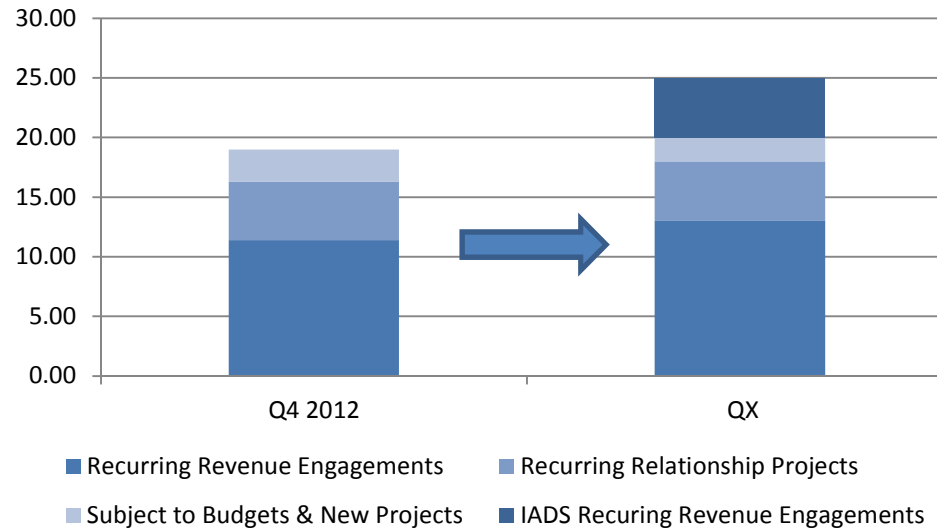
- Retain leadership in e-books through expanded capabilities in international, interactive, and integration with professional publishing
- Launch IADS
 - Digital enablement for insurance, healthcare and financial services sectors
 - Recurring revenue products with differentiating IP
 - Target market > \$500 million
 - Invested \$13.6mm from 2011 through Q4 2012 (\$9.7mm pre-operating cost; \$3.9mm capex)
 - Synodex and docGenix brands



| Quarter | Pre-operating costs | Capex |
|------------|---------------------|--------|
| 2011 | \$2.2M | \$2.0M |
| Q1 12 | \$2.1M | \$0.6M |
| Q2 12 | \$1.8M | \$0.6M |
| Q3 12 | \$1.3M | \$0.4M |
| Q4 12 | \$2.3M | \$0.3M |
| Cumulative | \$9.7M | \$3.9M |

Financial Model Analysis

Basis for IADS Investment



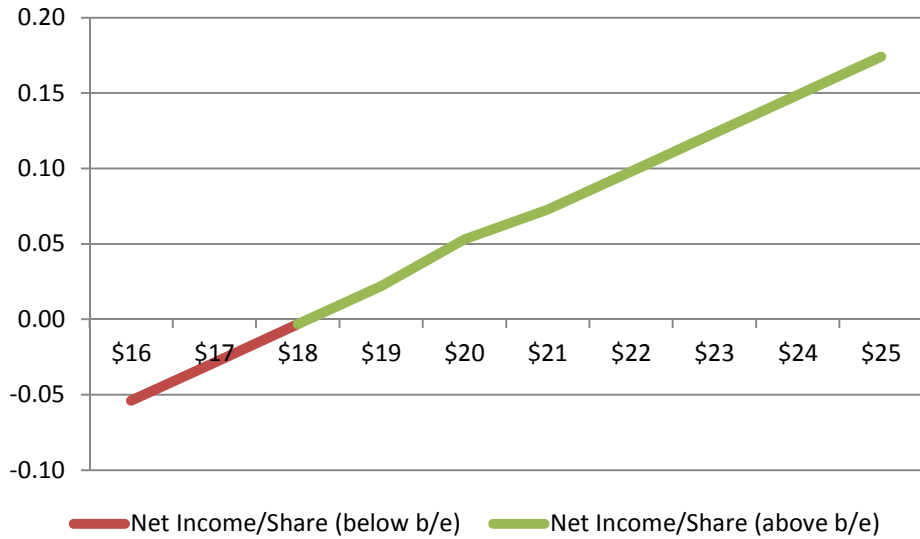
We believe that IADS is the right strategy to grow our recurring revenue base

...resulting in high quality revenue and more predictable earnings that benefit from operating leverage

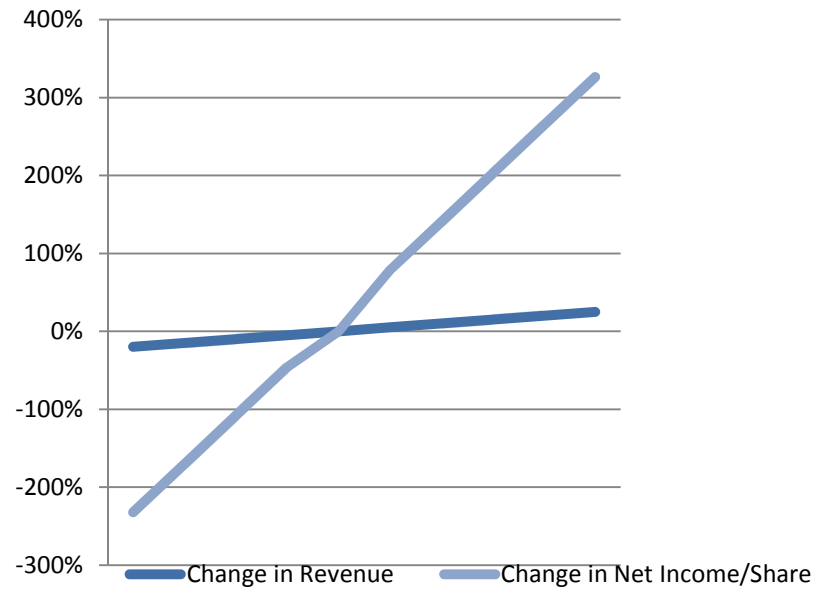
Financial Model Analysis

Revenue Sensitivity

From break-even of approximately \$18.5mm/quarter, revenue upswings or downswings have dramatic effect on Net Income



...from a real dollar perspective



... and from a percentage change perspective

Financial Model Analysis

Revenue Sensitivity, With and Without IADS Investment

With IADS

| | Incremental Revenue Decline | | | | Q4 2012 | Incremental Revenue Growth | | | | |
|-------------------|-------------------------------|-------|-------|-------|---------|--------------------------------|------|------|------|------|
| | -20% | -15% | -10% | -5% | | 5% | 10% | 15% | 20% | 25% |
| Quarterly Revenue | 15.1 | 16.0 | 17.0 | 18.0 | 19.0 | 20.0 | 21.0 | 22.0 | 22.9 | 23.9 |
| Fixed Cost | 6.3 | 6.3 | 6.3 | 6.3 | 6.3 | 6.3 | 6.3 | 6.3 | 6.3 | 6.3 |
| Variable Cost | 5.9 | 6.3 | 6.6 | 7.0 | 6.8 | 7.6 | 8.2 | 8.6 | 8.9 | 9.3 |
| Gross Profit | 2.9 | 3.5 | 4.1 | 4.7 | 5.9 | 6.1 | 6.5 | 7.1 | 7.7 | 8.3 |
| % | 19% | 22% | 24% | 26% | 31% | 30% | 31% | 32% | 34% | 35% |
| SG&A | 5.3 | 5.3 | 5.3 | 5.3 | 5.3 | 5.3 | 5.3 | 5.4 | 5.4 | 5.5 |
| Net Income | -2.4 | -1.8 | -1.2 | -0.6 | 0.6 | 0.8 | 1.2 | 1.7 | 2.3 | 2.8 |
| % | -16% | -11% | -7% | -3% | 3% | 4% | 6% | 8% | 10% | 12% |
| Net Income/Share | -0.10 | -0.07 | -0.05 | -0.02 | 0.03 | 0.03 | 0.05 | 0.07 | 0.10 | 0.12 |
| | -464% | -371% | -279% | -186% | 0% | 29% | 91% | 168% | 261% | 338% |
| | Associated Net Income Decline | | | | | Associated Net Income Increase | | | | |

Without IADS

| | Incremental Revenue Decline | | | | Q4 2012 | Incremental Revenue Growth | | | | |
|-------------------|-------------------------------|-------|-------|------|---------|--------------------------------|------|------|------|------|
| | -20% | -15% | -10% | -5% | | 5% | 10% | 15% | 20% | 25% |
| Quarterly Revenue | 15 | 16 | 17 | 18 | 18.5 | 19.5 | 20.5 | 21.5 | 22.4 | 23.4 |
| Fixed Cost | 6.1 | 6.1 | 6.1 | 6.1 | 6.1 | 6.1 | 6.1 | 6.1 | 6.1 | 6.1 |
| Variable Cost | 5.3 | 5.7 | 6.0 | 6.4 | 6.2 | 7.0 | 7.6 | 8.0 | 8.3 | 8.7 |
| Gross Profit | 3.2 | 3.8 | 4.4 | 5.0 | 6.2 | 6.4 | 6.8 | 7.4 | 8.0 | 8.6 |
| % | 22% | 24% | 27% | 28% | 34% | 33% | 33% | 34% | 36% | 37% |
| SG&A | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 | 4.7 | 4.7 | 4.8 |
| Net Income | -1.4 | -0.8 | -0.2 | 0.4 | 1.7 | 1.8 | 2.2 | 2.7 | 3.3 | 3.8 |
| % | -9% | -5% | -1% | 3% | 9% | 9% | 11% | 13% | 15% | 16% |
| Net Income/Share | -0.06 | -0.03 | -0.01 | 0.02 | 0.07 | 0.08 | 0.09 | 0.11 | 0.14 | 0.16 |
| | -183% | -146% | -110% | -73% | 0% | 12% | 36% | 66% | 103% | 133% |
| | Associated Net Income Decline | | | | | Associated Net Income Increase | | | | |

Innodata Recent Highlights

Our Strategy in Action

E-Book and Core Business

- Surpass 1 million e-books manufactured
- Begin producing Chinese and Japanese e-books and high-touch interactive e-books
- Apple becomes largest client (2011 10K)
- Increased direct project margins 14 percentage points over 2010 levels
- Received enterprise-wide ISO 27001, DPA, HIPAA certifications

IADS

- Opened new 800-seat Delhi facility for IADS services
- Invested \$9.5 million in 2012
- Received enterprise-wide ISO 27001, DPA, HIPAA certifications
- Synodex investment prioritized
- Synodex pilots underway and pipeline increasing

Innodata Key Stats

INOD (NASDAQ)

- Market Cap: \$96mm*
- Enterprise Value (EV): \$68mm*
- Number of Shares: 25mm
- 52 Week Price Range: High \$7.35 Low \$2.80
- Trailing P/E: 12.89
- Float (%): 89%
- Institutional Holdings (%): 24%
- Top 10 Institutional Holders (%): 20%
- Analysts Coverage: Noble Financial Capital Markets
Sidoti & Co LLC

* Closing price last day of quarter

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