

**Voluntary Public Tender Offer by Onni Bidco Oy
for All Issued and Outstanding Shares in Innofactor Plc**

Onni Bidco Oy (the “**Offeror**”) hereby offers to acquire through a voluntary recommended public cash tender offer in accordance with Chapter 11 of the Finnish Securities Markets Act (746/2012, as amended, the “**Finnish Securities Markets Act**”) and subject to the terms and conditions of this tender offer document (the “**Tender Offer Document**”), all the issued and outstanding shares in Innofactor Plc (“**Innofactor**” or the “**Company**”) that are not held by Innofactor or its subsidiaries (the “**Shares**” or, individually, a “**Share**”) (the “**Tender Offer**”).

The Offeror is a private limited liability company incorporated under the laws of Finland. As at the date of this Tender Offer Document, the Offeror is indirectly owned by Onni Topco Oy, a private limited liability company incorporated under the laws of Finland. Onni Topco Oy was incorporated to be the holding company in the acquisition structure and is currently owned by CapMan Growth Equity Fund III Ky (“**CapMan Growth**”), a fund managed by CapMan Group affiliated companies. CapMan Growth, Sami Ensio, the Company’s founder, CEO, and a member of the Board of Directors, through his controlled holding company, Ensio Investment Group Oy (“**Ensio Investment Group**”), and Osprey Capital Oy (“**Osprey Capital**”) have formed a consortium for the purposes of the Tender Offer (the “**Consortium**”). Following the completion of the Tender Offer and the cash investments to be made by the Consortium members, CapMan Growth is expected to own approximately 52.4 percent, Ensio Investment Group approximately 42.6 percent and Osprey Capital approximately 5.0 percent of the shares in Onni Topco Oy. CapMan Growth has reserved a right to invite also other members who are not shareholders of Innofactor to join the Consortium to syndicate its indirect ownership in the Offeror. The entry of such potential other parties into the Consortium would reduce CapMan Growth’s shareholding in Onni Topco Oy.

Innofactor is a public limited liability company incorporated under the laws of Finland with its Shares listed on the official list of Nasdaq Helsinki Ltd (“**Nasdaq Helsinki**”).

The Tender Offer was announced by the Offeror on July 22, 2024 (the “**Announcement**”). The price offered for each Share validly tendered in the Tender Offer is EUR 1.68 in cash (the “**Offer Price**”).

The offer period for the Tender Offer will commence on August 5, 2024 at 9:30 a.m. (Finnish time) and expire on September 16, 2024 at 4:00 p.m. (Finnish time), unless the offer period is extended or any extended offer period is discontinued (the “**Offer Period**”). For details, please see “*Terms and Conditions of the Tender Offer*”.

The completion of the Tender Offer is subject to the satisfaction of the conditions described under Section “*Terms and Conditions of the Tender Offer – Conditions to Completion of the Tender Offer*” of this Tender Offer Document. The Offeror reserves the right, to the extent permitted by applicable law, to waive any of the Conditions to Completion (as defined below) of the Tender Offer or to withdraw the Tender Offer as described under “*Terms and Conditions of the Tender Offer*”.

The Offeror and Innofactor have on July 22, 2024 entered into a combination agreement (the “**Combination Agreement**”). The Board of Directors of Innofactor, represented by a quorum comprising the non-conflicted members of the Board of Directors, has unanimously decided to recommend in its statement issued pursuant to the Finnish Securities Markets Act and the Helsinki Takeover Code (as defined below) that the shareholders of Innofactor accept the Tender Offer (the “**Recommendation**”).

If the Tender Offer is completed and all the Shares validly tendered and not validly withdrawn are transferred to the Offeror, and the Offeror has acquired more than ninety (90) percent of all the Shares and votes carried by the Shares, the Offeror will commence compulsory redemption proceedings to redeem the remaining Shares in accordance with Chapter 18 of the Finnish Companies Act (624/2006, as amended, the “**Finnish Companies Act**”) as soon as reasonably practicable after the completion of the Tender Offer.

The information on this front page should be read in conjunction with, and is qualified in its entirety by, the more detailed information in this Tender Offer Document, in particular under Section “*Terms and Conditions of the Tender Offer*”.

THE TENDER OFFER IS NOT BEING MADE DIRECTLY OR INDIRECTLY IN ANY JURISDICTION WHERE PROHIBITED BY APPLICABLE LAW AND THIS TENDER OFFER DOCUMENT AND RELATED ACCEPTANCE FORMS ARE NOT AND MAY NOT BE DISTRIBUTED, FORWARDED OR TRANSMITTED INTO OR FROM ANY JURISDICTION WHERE PROHIBITED BY APPLICABLE LAW BY ANY MEANS WHATSOEVER INCLUDING, WITHOUT LIMITATION, MAIL, FACSIMILE TRANSMISSION, E-MAIL OR TELEPHONE. IN PARTICULAR, THE TENDER OFFER IS NOT MADE IN AND THIS TENDER OFFER DOCUMENT MUST UNDER NO CIRCUMSTANCES BE DISTRIBUTED INTO AUSTRALIA, CANADA, HONG KONG, JAPAN, NEW ZEALAND OR SOUTH AFRICA OR ANY OTHER JURISDICTION WHERE PROHIBITED BY APPLICABLE LAW.

Financial Adviser to the Offeror and the Consortium and Arranger of the Tender Offer



RESTRICTIONS AND IMPORTANT INFORMATION

This Tender Offer Document has been prepared in compliance with Finnish law, including the Finnish Securities Markets Act, the Decree of the Finnish Ministry of Finance on the Contents and Publication as well as Exceptions Granted from the Contents of a Tender Offer Document as well as Mutual Recognition of a Tender Offer Document Approved in the European Economic Area (1022/2012) and the regulations and guidelines 9/2013 of the Finnish Financial Supervisory Authority (the “**FIN-FSA**”) on Takeover bid and the obligation to launch a bid (FIVA 10/01.00/2013). This Tender Offer Document constitutes a tender offer document as referred to in Chapter 11, Section 11 of the Finnish Securities Markets Act. This Tender Offer Document and the Tender Offer are governed by Finnish law and any disputes arising out of or in connection with this Tender Offer Document and/or the Tender Offer will be exclusively settled by a court of competent jurisdiction in Finland.

The Offeror has undertaken to comply with the Helsinki Takeover Code issued by the Finnish Securities Market Association (the “**Helsinki Takeover Code**”) as referred to in Chapter 11, Section 28 of the Finnish Securities Markets Act. According to the statement by the Board of Directors of Innofactor, issued on August 1, 2024, and attached as Annex C to this Tender Offer Document, Innofactor has also undertaken to comply with the Helsinki Takeover Code.

The FIN-FSA has approved a Finnish language version of this Tender Offer Document, but the FIN-FSA assumes no responsibility for the accuracy of the information presented therein. The decision number of the approval of the FIN-FSA is FIVA/2024/1294. This is an English language translation of the Finnish language Tender Offer Document. In the event of any discrepancy between the two language versions of this Tender Offer Document, the Finnish language version will prevail.

The Offeror reserves the right to acquire, or enter into arrangements to acquire, Shares during and/or after the Offer Period (including any extension thereof and any Subsequent Offer Period (as defined below)) in public trading on Nasdaq Helsinki or otherwise outside the Tender Offer, to the extent permitted by applicable laws and regulations.

The Tender Offer is not being made, and the Shares will not be accepted for purchase from or on behalf of persons, directly or indirectly, in any jurisdiction in which the making or acceptance thereof would not be in compliance with applicable laws or regulations of such jurisdiction or would require any registration, approval or other measures with any regulatory authority not expressly contemplated by this Tender Offer Document. Persons obtaining and/or into whose possession this Tender Offer Document comes are required to take due note and observe all such restrictions and obtain any necessary authorisations, approvals or consents. Neither the Offeror, the Consortium nor any of their respective advisers accepts any liability for any violation by any person of any such restriction. Any person (including, without limitation, custodians, nominees and trustees) who intends to forward this Tender Offer Document or any related document to any jurisdiction outside Finland should carefully read this section “*Restrictions and Important Information*” before taking any action. The distribution of this Tender Offer Document in jurisdictions other than Finland may be restricted by law and, therefore, persons into whose possession this Tender Offer Document comes should inform themselves about and observe such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction.

The Tender Offer is not being made, directly or indirectly, in or into Australia, Canada, Hong Kong, Japan, New Zealand or South Africa and this Tender Offer Document and any and all materials related thereto should not be sent in or into Australia, Canada, Hong Kong, Japan, New Zealand or South Africa (including by use of, or by any means or instrumentality, for example, e-mail, post, facsimile transmission, telephone or internet, of interstate or foreign commerce, or any facilities of a national securities exchange), and the Tender Offer cannot be accepted directly or indirectly or by any such use, means or instrumentality, in or from within Australia, Canada, Hong Kong, Japan, New Zealand or South Africa. Accordingly, copies of this Tender Offer Document and any related materials are not being, and must not be, mailed, forwarded, transmitted or otherwise distributed or sent in or into or from Australia, Canada, Hong Kong, Japan, New Zealand or South Africa or, in their capacities as such, to custodians, trustees, agents or nominees holding Shares for Australian, Canadian, Hong Kong, Japanese, New Zealander or South African persons, and persons receiving any such documents (including custodians, nominees and trustees) must not distribute, forward, mail, transmit or send them in, into or from Australia, Canada, Hong Kong, Japan, New Zealand or South Africa. Any person accepting the Tender Offer shall be deemed to represent to the Offeror such person’s compliance with these restrictions and any purported acceptance of the Tender Offer

that is a direct or indirect consequence of a breach or violation of these restrictions shall be null and void. Shareholders wishing to accept the Tender Offer must not use the mailing system of Australia, Canada, Hong Kong, Japan, New Zealand or South Africa for any purpose directly or indirectly related to acceptance of the Tender Offer. Envelopes containing acceptances must not be post marked in Australia, Canada, Hong Kong, Japan, New Zealand or South Africa. When completing the acceptance, shareholders wishing to accept the Tender Offer must provide an address that is not located in Australia, Canada, Hong Kong, Japan, New Zealand or South Africa. Shareholders will be deemed to have declined the Tender Offer if they (i) submit an envelope postmarked in Australia, Canada, Hong Kong, Japan, New Zealand or South Africa or (ii) provide an address located in Australia, Canada, Hong Kong, Japan, New Zealand or South Africa. Shareholders will be deemed to have declined the Tender Offer if they do not make the representations and warranties set out in the acceptance.

All financial and other information presented in this Tender Offer Document concerning the Company has been extracted from, and has been prepared exclusively based upon, publicly available information including the unaudited half-yearly report published by the Company as at and for the six months period ended June 30, 2024, the annual report and audited consolidated financial statements published by the Company as at and for the financial year ended December 31, 2023, other stock exchange releases published by the Company, entries in the Finnish trade register, and other publicly available information. Consequently, the Offeror does not accept any responsibility for such information except for the accurate restatement of such information herein.

The Offeror will supplement and update this Tender Offer Document to the extent required by mandatory law, including with any interim report, half-yearly report, financial statement release or other stock exchange releases published by Innofactor after the date of this Tender Offer Document, to the extent such information might be of material importance to an investor. However, Innofactor is independently responsible for the publication of any such interim report, half-yearly report, financial statement release or other stock exchange releases and the Offeror accepts no responsibility or liability for them. The Offeror will not otherwise separately inform any person about the publication of any such interim report, half-yearly report, financial statement release or other stock exchange releases by Innofactor.

Carnegie Investment Bank AB (publ), which is authorised and supervised by the Swedish Financial Supervisory Authority (Finansinspektionen), is acting through its Finland Branch (“**Carnegie**”). The Finland branch is authorised by the Swedish Financial Supervisory Authority and subject to limited supervision by the Finnish Financial Supervisory Authority (Finanssivalvonta). Carnegie is acting exclusively for the Offeror and the Consortium and no one else in connection with the Tender Offer and the matters set out in this document. Neither Carnegie nor its affiliates, nor their respective partners, directors, officers, employees or agents are responsible to anyone other than the Offeror and the Consortium for providing the protections afforded to clients of Carnegie, or for giving advice in connection with the Tender Offer or any matter or arrangement referred to in this document.

Advium Corporate Finance Ltd is acting exclusively on behalf of Innofactor and no one else in connection with the Tender Offer or other matters referred to in this document, does not consider any other person (whether the recipient of this document or not) as a client in connection to the Tender Offer, and is not responsible to anyone other than Innofactor for providing protection or providing advice in connection with the Tender Offer or any other transaction or arrangement referred to in this document.

Information for Shareholders in the United States

Shareholders of Innofactor in the United States are advised that the Shares are not listed on a U.S. securities exchange and that Innofactor is not subject to the periodic reporting requirements of the U.S. Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), and is not required to, and does not, file any reports with the U.S. Securities and Exchange Commission (the “**SEC**”) thereunder.

The Tender Offer is being made for the issued and outstanding shares of Innofactor, which is domiciled in Finland, and is subject to Finnish disclosure and procedural requirements. The Tender Offer is being made in the United States pursuant to Section 14(e) and Regulation 14E under the Exchange Act, subject to the exemption provided under Rule 14d-1(c) under the Exchange Act, for a Tier I tender offer, and otherwise in accordance with the disclosure and procedural requirements of Finnish law, including with respect to the Tender Offer timetable, settlement procedures, withdrawal, waiver of conditions and timing of payments, which are different from those of the United States. In particular, the financial information included in this Tender Offer Document has been prepared in accordance with applicable accounting standards in Finland, which may not be comparable to the

financial statements or financial information of U.S. companies. The Tender Offer is made to Innofactor's shareholders resident in the United States on the same terms and conditions as those made to all other shareholders of Innofactor to whom an offer is made. Any informational documents, including this Tender Offer Document, are being disseminated to U.S. shareholders on a basis comparable to the method that such documents are provided to Innofactor's other shareholders.

To the extent permissible under applicable law or regulations, the Offeror and its affiliates or its brokers and its brokers' affiliates (acting as agents for the Offeror or its affiliates) may from time to time after the date of this Tender Offer Document and during the pendency of the Tender Offer, and other than pursuant to the Tender Offer, directly or indirectly, purchase or arrange to purchase Shares or any securities that are convertible into, exchangeable for or exercisable for Shares. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. To the extent information about such purchases or arrangements to purchase is made public in Finland, such information will be disclosed by means of a press release or other means reasonably calculated to inform U.S. shareholders of Innofactor of such information. In addition, the financial adviser to the Offeror may also engage in ordinary course trading activities in securities of Innofactor, which may include purchases or arrangements to purchase such securities. To the extent required in Finland, any information about such purchases will be made public in Finland in the manner required by Finnish law.

NEITHER THE SEC NOR ANY U.S. STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THE TENDER OFFER, PASSED ANY COMMENTS UPON THE MERITS OR FAIRNESS OF THE TENDER OFFER, PASSED ANY COMMENT UPON THE ADEQUACY OR COMPLETENESS OF THIS TENDER OFFER DOCUMENT OR PASSED ANY COMMENT ON WHETHER THE CONTENT IN THIS TENDER OFFER DOCUMENT IS CORRECT OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

The receipt of cash pursuant to the Tender Offer by a U.S. shareholder may be a taxable transaction for U.S. federal income tax purposes and under applicable U.S. state and local, as well as foreign and other, tax laws. Each shareholder of Innofactor is urged to consult its independent professional adviser immediately regarding the tax and other consequences of accepting the Tender Offer.

To the extent the Tender Offer is subject to U.S. securities laws, those laws only apply to U.S. holders of Shares and will not give rise to claims on the part of any other person. It may be difficult for Innofactor's shareholders to enforce their rights and any claims they may have arising under the U.S. federal securities laws, since the Offeror and Innofactor are located in a non-U.S. jurisdiction and some or all of their respective officers and directors may be residents of non-U.S. jurisdictions. Innofactor's shareholders may not be able to sue the Offeror or Innofactor or their respective officers or directors in a non-U.S. court for violations of the U.S. federal securities laws. It may be difficult to compel the Offeror and Innofactor and their respective affiliates to subject themselves to a U.S. court's judgment.

Availability of Documents

The Finnish language version of this Tender Offer Document will be available on the internet at <https://innofactor.tenderoffer.fi/> and <https://www.carnegie.fi/innofactor-tender-offer-fi/> as of August 2, 2024. The English language translation of the Tender Offer Document will be available on the internet at <https://innofactor.tenderoffer.fi/en/> and <https://www.carnegie.fi/innofactor-tender-offer-eng/> as of August 2, 2024.

Forward-looking Statements

This Tender Offer Document includes "forward-looking statements", including statements about the expected timing and completion of the Tender Offer, and language indicating trends. Generally, words such as may, should, could, aim, will, would, expect, intend, estimate, anticipate, believe, plan, seek, contemplate, envisage, continue or similar expressions identify forward-looking statements.

These statements are subject to risks, uncertainties, assumptions and other important factors, many of which may be beyond the control of the Offeror and could cause actual results to differ materially from those expressed or implied in these forward-looking statements.

Factors that could cause actual results to differ from such statements include: the occurrence of any event, change or other circumstances that could give rise to the termination of the Tender Offer, the failure to receive, on a timely basis or otherwise, the required approvals by government or regulatory agencies, the risk that a condition to consummating the Tender Offer may not be satisfied, the ability of Innofactor to retain and hire key personnel and maintain relationships with customers, suppliers and other business partners pending the completion of the Tender Offer, and other factors.

Although the Offeror believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, no assurance can be given that such statements will be fulfilled or prove to be correct, and no representations are made as to the future accuracy and completeness of such statements. The Offeror undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable laws or by any appropriate regulatory authority.

Certain Key Dates

The following timetable sets forth certain key dates relating to the Tender Offer, provided that the Offer Period has not been extended or discontinued in accordance with, and subject to, the terms and conditions of the Tender Offer and applicable laws and regulations:

Announcement of the Tender Offer	July 22, 2024
Offer Period commences.....	August 5, 2024
Offer Period expires at the earliest, unless extended or discontinued in accordance with, and subject to, the terms and conditions of the Tender Offer and applicable laws and regulations; any possible extension of the Offer Period will be announced by way of a stock exchange release as soon as practically possible	September 16, 2024
Announcement of the preliminary result of the Tender Offer (preliminary)	September 17, 2024
Announcement of the final result of the Tender Offer (preliminary).....	September 19, 2024
Payment of the Offer Price (at the latest) (preliminary).....	October 10, 2024

Due to the anticipated process for obtaining the necessary regulatory approvals, permits, clearances, consents or actions required for the completion of the Tender Offer, the Tender Offer is currently expected to be completed at the end of the third quarter or in the beginning of the fourth quarter of 2024. In case the necessary regulatory approvals, permits, clearances, consents or actions have not been obtained by the end of the initial Offer Period, the Offeror may extend the Offer Period in order to receive the necessary regulatory approvals. The Offeror will announce, by way of stock exchange releases, any possible extension of the Offer Period as soon as practically possible as well as any other information required to be announced in accordance with applicable laws and regulations.

For further information, please see sections “*Background and Objectives – Regulatory Approvals*”, “*Terms and Conditions of the Tender Offer – Offer Period*” and “*Terms and Conditions of the Tender Offer – Conditions to Completion of the Tender Offer*”.

PARTIES RESPONSIBLE FOR THE TENDER OFFER DOCUMENT

The Offeror

Onni Bidco Oy

Address: c/o Roschier, Attorneys Ltd.
Kasarmikatu 21 A
FI-00130 Helsinki, Finland
Domicile: Helsinki

The Board of Directors of the Offeror

Antti Kummu

The Consortium

CapMan Growth Equity Fund III Ky

Address: Ludviginkatu 6
FI-00130 Helsinki, Finland
Domicile: Helsinki

Ensio Investment Group Oy

Address: Keilaranta 9
FI-02150 Espoo, Finland
Domicile: Espoo

Osprey Capital Oy

Address: Iirislahdentie 35
FI-02230 Espoo, Finland
Domicile: Espoo

The General Partner, Boards of Directors and CEO of the members of the Consortium

The General Partner of CapMan Growth Equity Fund III Ky

CapMan Growth Equity III GP Oy

The Board of Directors of Ensio Investment Group

Sami Ensio

The Board of Directors and the CEO of Osprey Capital Oy

Timo Larjomaa

This Tender Offer Document has been prepared by the Offeror pursuant to Chapter 11, Section 11 of the Finnish Securities Markets Act.

The persons responsible for the Tender Offer Document represent that to their best understanding the information contained in this Tender Offer Document is in accordance with the facts and contains no omission likely to affect the assessment of the merits of the Tender Offer.

All information concerning Innofactor presented in this Tender Offer Document has been extracted from, and has been prepared exclusively based upon, publicly available information. The Offeror confirms that this information has been accurately reproduced and that as far as the Offeror is aware and is able to ascertain from information published by Innofactor, no facts have been omitted which would render the reproduced information incorrect or misleading.

August 2, 2024

Onni Bidco Oy

ADVISERS TO THE OFFEROR

Financial Adviser to the Offeror and the Consortium in connection with the Tender Offer and Arranger of the Tender Offer

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Financial Adviser to Innofactor in connection with the Tender Offer

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- Board of Directors’ report and the audited consolidated financial statements published by Innofactor as at and for the financial year ended December 31, 2023.

ANNEX B Articles of Association of Innofactor

ANNEX C Statement by the Board of Directors of Innofactor

BACKGROUND AND OBJECTIVES

Background to the Tender Offer and the Offeror's Strategic Plans

As at the date of this Tender Offer Document, the Offeror is indirectly owned by Onni Topco Oy. Onni Topco Oy was incorporated to be the holding company in the acquisition structure and is currently owned by CapMan Growth. CapMan Growth, Sami Ensio through his controlled holding company, Ensio Investment Group, and Osprey Capital have formed the Consortium for the purposes of the Tender Offer. Following the completion of the Tender Offer and the cash investments made by the Consortium members, CapMan Growth is expected to own approximately 52.4 percent, Ensio Investment Group approximately 42.6 percent and Osprey Capital approximately 5.0 percent of the shares in Onni Topco Oy. CapMan Growth has reserved the right to invite also other members who are not shareholders of the Company to join the Consortium to syndicate its indirect ownership in the Offeror. The entry of any such other parties into the Consortium would reduce CapMan Growth's shareholding in Onni Topco Oy. The Consortium parties may terminate their participation in the Consortium only under certain limited circumstances. See "*Presentation of the Offeror – The Consortium*".

CapMan Growth is a leading Finnish growth investor making significant investments in entrepreneur-led growth companies, with the aim of further developing them together with the entrepreneurs and the operative management. CapMan Growth brings expertise in a wide range of areas, including growth management, organizational development, mergers and acquisitions and international networks. CapMan Growth's investor base consists mainly of Finnish institutional investors and successful Finnish entrepreneurs including several founders of CapMan Growth's portfolio companies. CapMan Plc, listed on Nasdaq Helsinki, is one of the oldest private equity investors in the Nordic countries, with over EUR 5 billion in assets under management. CapMan Growth Equity III Ky is CapMan's third Growth fund and it was established in March 2024.

Sami Ensio founded Innofactor in 2000 and has since then acted as the CEO and on the Board of Directors of the Company. He has thus accumulated exceptional experience and knowledge in the operations and target market of Innofactor. The Shares held and controlled by Sami Ensio represent in aggregate approximately 22.2 percent of the Shares and votes in Innofactor. Ensio Investment Group, through which Sami Ensio indirectly participates in the Tender Offer, is a holding company controlled by him and his family members.

Osprey Capital is an investment company owned by Timo Larjomaa, Senior Advisor at CapMan Growth, and his family, founded in 2014 and investing in software, IT and healthcare companies and private equity funds.

Innofactor is the leading promoter of the modern digital organization in the Nordic countries for its approximately 1,000 customers in the commercial and public sectors. Innofactor has the widest solution offering and leading know-how in the Microsoft ecosystem in the Nordics. Innofactor's offering includes planning services for business-critical IT solutions, project deliveries, implementation support and maintenance services, as well as own software and services. Innofactor employs approximately 600 experts in Finland, Sweden, Denmark and Norway.

The Consortium believes that Innofactor's current status as a listed company limits its growth potential. Among other things, the increasing reporting obligations do not allow the Company and its management to focus sufficiently on business development in addition to which operating as a listed company ties up resources and incurs significant additional costs. The Company has also had low liquidity in shares, which has limited effective price formation and thus made it difficult to raise equity financing from the market to support growth.

Operating as an unlisted company would provide Innofactor with several significant advantages, including more flexible access to financing and M&A opportunities, a stronger focus on customers, innovation and execution of the growth strategy, and more competitive incentives for management and employees, facilitating the recruitment of key personnel.

CapMan Growth, focusing on domestic growth investments, would offer its extensive experience and resources as a strategic partner to Innofactor. In particular, CapMan Growth could support the Company in developing its Nordic operations, improving profitability outside of Finland and accelerating its growth strategy through acquisitions. Furthermore, together with Osprey Capital, it would provide a good and stable owner for a demanding Nordic customer base.

The Offeror and Innofactor have on July 22, 2024 entered into the Combination Agreement pursuant to which the Offeror will launch the Tender Offer. A summary of the Combination Agreement has been provided below under the section “*Summary of the Combination Agreement*”.

The Board of Directors of Innofactor, represented by a quorum comprising the non-conflicted members of the Board of Directors who are not members of the Consortium and thus without participation of Sami Ensio in the evaluation or decision-making process, has unanimously decided to recommend that the shareholders of Innofactor accept the Tender Offer (see “– *Statement by the Board of Directors of Innofactor*” and Annex C below). The Board of Directors of Innofactor has received a fairness opinion, dated July 21, 2024, from HLP Corporate Finance Oy to the effect that, the consideration to be offered to the shareholders in the Tender Offer was, at the date of the fairness opinion, fair from a financial point of view to the holders of Shares (excluding Sami Ensio and members of the Consortium). The opinion was based on and subject to the assumptions made, procedures followed, matters considered and limitations and qualifications on the review undertaken as more fully described in such opinion. The complete fairness opinion is attached to the statement by the Board of Directors of Innofactor, issued on August 1, 2024, and attached as Annex C to this Tender Offer Document.

As at the date of this Tender Offer Document, the 2,684,198 Shares held by the Offeror represent approximately 7.5 percent of the Shares and votes and the 7,936,804 Shares held or controlled by Sami Ensio represent approximately 22.2 percent of the Shares and votes (the Shares held by the Offeror together with the Shares held or controlled by Sami Ensio represent a total of 29.7 percent of the Shares and votes (approximately 29.2 percent of all issued shares in the Company)). CapMan Growth or Osprey Capital does not hold any Shares.

Sami Ensio has irrevocably undertaken, subject to certain customary conditions, to accept the Tender Offer in respect of all the Shares held and controlled by him. However, Sami Ensio holds 148,127 Shares received as board remuneration, which are subject to a lock-up resolved by the General Meeting (the “**Restricted Shares**”), which shall only become subject to the sale commitment if the lock-up restriction is waived or is no longer applicable. The parties have under the Combination Agreement agreed to convene an extraordinary general meeting after the completion of the Tender Offer for the purpose of, inter alia, waiving the applicable lock-up restriction (see also “*Summary of the Combination Agreement – Representations, Warranties, Covenants and Undertakings*”), whereafter Sami Ensio will sell the Restricted Shares to the Offeror. The Shares held and controlled by Sami Ensio represent approximately 22.2 percent of the Shares and votes including the Restricted Shares and approximately 21.8 percent of the Shares and votes excluding the Restricted Shares. See “– *Irrevocable Undertaking*”.

Effects on the Operations and Assets of Innofactor and on its Management and Employees

The completion of the Tender Offer is not expected to have any immediate material impact on the operations, assets, or the position of the management or employees, or the business locations, of Innofactor. However, as is customary, the Offeror intends to change the composition of the Board of Directors of Innofactor after the completion of the Tender Offer. Sami Ensio is intended to continue as the CEO of Innofactor also after the completion of the Tender Offer.

See also “– *Financing of the Tender Offer*” and “– *Offeror’s Future Plans in Respect of the Shares – Redemption under the Finnish Companies Act*” below.

Effects on the Operations and Assets of the Offeror and on its Management and Employees

Other than as a result of the payment of the Offer Price, the completion of the Tender Offer is not expected to have any immediate material impact on the operations or assets of the Offeror or the Consortium, or the position of the Offeror’s or the Consortium’s management or employees or the location of their offices.

Compliance with the Recommendation Referred to in Chapter 11, Section 28 of the Finnish Securities Markets Act

The Consortium, the Offeror and Innofactor have undertaken to comply with the Helsinki Takeover Code.

Remuneration and Other Benefits Paid to the Management of Innofactor on the Basis of the Completion of the Tender Offer

As at the date of this Tender Offer Document, the Offeror has not entered into any agreements regarding any remuneration, compensation or other benefits granted to the management or the members of the Board of Directors of Innofactor payable in return for the execution of the Combination Agreement and/or for the completion of the Tender Offer.

Following the completion of the Tender Offer, the Offeror considers establishing share-based incentive program for the Company's operative management. The possible participants may include, among others, the members of the Company's Executive Board. However, no decisions on the terms of the share-based incentive program or participants of the incentive program have been made yet. The possible incentive program is established only after the completion of the Tender Offer. Sami Ensio does not intend to participate in such a possible incentive program.

Financing of the Tender Offer

The Offeror has received equity commitments, as evidenced in equity commitment letters addressed to the Offeror. The Offeror has also entered into a debt financing arrangement made available under a facilities agreement with a reputable Nordic bank. The financing agreed under the facilities agreement has been obtained on standard European "*certain funds*" basis, and the availability of debt financing is subject only to the following limited conditions: (i) no event of default relating to non-payment, breach of certain major undertakings or statements, cross default, certain insolvency proceedings (or certain similar proceedings), unlawfulness or repudiation and rescission of certain agreements is continuing or would result from the drawdown of the loan; (ii) no event of illegality in respect of granting the loan, no major changes in the ownership of the Offeror having occurred; and (iii) the delivery to the lender of certain customary documents and certifications that are prerequisites to the drawdown and are within the control of the Offeror. The Offeror's obligation to complete the Tender Offer is not conditional upon availability of financing (assuming that all the Conditions to Completion (as defined below) of the Tender Offer are otherwise satisfied or waived by the Offeror).

The financing of the Tender Offer is not expected to have a material impact on the operations or obligations of Innofactor upon completion of the Tender Offer.

See the description of the financing of the Tender Offer for Sami Ensio under the section "*Presentation of the Offeror – The Consortium*".

Offeror's Future Plans in Respect of the Shares

Purpose of the Tender Offer

The Offeror's intention is to acquire all the Shares.

Redemption under the Finnish Companies Act

According to Chapter 18, Section 1 of the Finnish Companies Act, a shareholder holding more than nine-tenths (9/10) of the total number of shares and voting rights in a limited liability company has the right to acquire and, subject to a demand by other shareholders, is also obligated to redeem the shares owned by the other shareholders in the company at a fair price.

After the completion of the Tender Offer, should the Offeror obtain more than ninety (90) percent of the Shares and voting rights carried by the Shares, calculated in accordance with Chapter 18, Section 1 of the Finnish Companies Act, the Offeror will initiate compulsory redemption proceedings in accordance with the Finnish Companies Act as soon as reasonably practicable to acquire the remaining Shares, and thereafter to cause the Shares to be delisted from the official list of Nasdaq Helsinki as soon as permitted and reasonably practicable. The compulsory redemption procedure is set forth in more detail in the Finnish Companies Act. Since the Offer Price is subject to possible changes in the number of Shares and the distribution of funds to the Company's shareholders, the Offeror intends to request for the redemption price to be similarly reduced if the date of record of any

forementioned takes place prior to the Offeror acquiring the remaining Shares in the compulsory redemption proceedings.

Pursuant to the Finnish Companies Act, a shareholder that holds more than one-half (1/2) of the shares and voting rights carried by the shares present in a company's general meeting has sufficient voting rights to decide on, among other things, the appointment of board members and distribution of dividends, and a shareholder that holds more than two-thirds (2/3) of the shares and voting rights carried by the shares present in a company's general meeting has sufficient voting rights to decide upon, among other things, the merger of the company into another company and the issuance of shares by the company in derogation from the shareholders' pre-emptive subscription rights. Should the Offeror elect to amend or waive the condition to completion of the Tender Offer that requires the reaching of shareholding of more than ninety (90) percent of the Shares and voting rights carried by the Shares and then complete the Tender Offer, and should the Offeror's shareholding in Innofactor be less than ninety (90) percent of the Shares and voting rights carried by the Shares, it is still possible that Innofactor could in any event be subject to certain corporate measures and transactions, including, for example, a merger into another company, the issuance of Shares in the Company by way of derogation from the shareholders' pre-emptive subscription rights, a change of domicile to a jurisdiction that allows more flexibility, or amendments to the Company's articles of association. However, the Offeror has not taken any resolutions regarding any such measures or transactions. For more information on an amendment to or a waiver of the Conditions to Completion (as defined below) of the Tender Offer, see "*Summary of the Combination Agreement – Conditions to Completion*" and "*Terms and Conditions of the Tender Offer – Conditions to Completion of the Tender Offer*".

Delisting from Nasdaq Helsinki

Subject to the Offeror acquiring all the Shares, the Offeror intends to apply for the Shares to be delisted from the official list of Nasdaq Helsinki as soon as permitted and reasonably practicable under the applicable laws and regulations and the rules of Nasdaq Helsinki.

Statement by the Board of Directors of Innofactor

The Board of Directors of Innofactor, represented by a quorum comprising the non-conflicted members of the Board of Directors who are not members of the Consortium and thus without participation of Sami Ensio in the evaluation or decision-making process, has unanimously decided to recommend that the shareholders of Innofactor accept the Tender Offer. The Board of Directors of Innofactor has received a fairness opinion, dated July 21, 2024, from HLP Corporate Finance Oy to the effect that, the consideration to be offered to shareholders in the Tender Offer was, at the date of the fairness opinion, fair from a financial point of view to the holders of Shares (excluding Sami Ensio and the Consortium members). The opinion was based on and subject to the assumptions made, procedures followed, matters considered and limitations and qualifications on the review undertaken as more fully described in such opinion. The complete fairness opinion is attached to the statement of the Board of Directors of Innofactor, issued on August 1, 2024, and attached as Annex C to this Tender Offer Document.

Sami Ensio is participating in the Tender Offer as a member of the Consortium and, thus, has not participated in any consideration of the implications or decision-making of the Tender Offer by the Board of Directors or in any decision-making concerning the Combination Agreement or the Recommendation of the Board of Directors.

Irrevocable Undertaking

Sami Ensio has irrevocably undertaken, subject to certain customary conditions, to accept the Tender Offer in respect of all the Shares held and controlled by him. However, Sami Ensio holds 148,127 Restricted Shares received as board remuneration, which are subject to a lock-up resolved by the General Meeting, which shall only become subject to the sale commitment if the lock-up restriction is waived or is no longer applicable. The parties have under the Combination Agreement agreed to convene an extraordinary general meeting after the completion of the Tender Offer for the purpose of, inter alia, waiving the applicable lock-up restriction (see also "*Summary of the Combination Agreement – Representations, Warranties, Covenants and Undertakings*"), whereafter Sami Ensio will sell the Restricted Shares to the Offeror. The Shares held and controlled by Sami Ensio represent approximately 22.2 percent of the Shares and votes including the Restricted Shares and approximately 21.8 percent of the Shares and votes excluding the Restricted Shares.

Sami Ensio may withdraw from the Tender Offer following a competing offer, provided that such competing offer has an offer price at least 100 percent higher than the Offer Price, and provided further that such competing offer (i) is not subject to any outstanding due diligence, (ii) benefits from financing on certain funds basis, and (iii) in the event of a consortium offer, has completed necessary consultation processes with supervisory authorities, as applicable. This withdrawal right shall be available to Sami Ensio only if he has complied with, inter alia, certain exclusivity obligations binding upon him and given his consent to increase the Offer Price to match or exceed such higher offer price, but CapMan Growth has not confirmed to Sami Ensio within a certain period of time that CapMan Growth agrees to increase the Offer Price.

Regulatory Approvals

The completion of the Tender Offer is conditional on customary regulatory approvals. The Offeror has or will, as soon as reasonably practicable, make all material and customary submissions, notifications and filings (or draft notifications as appropriate) required to obtain all necessary regulatory approvals, permits, clearances, consents and other actions, including without limitation merger control clearances (or, where applicable, the expiry of relevant waiting periods) required under applicable competition laws or other regulatory laws in any relevant country for the completion of the Tender Offer.

Based on currently available information, the Offeror expects to obtain such necessary regulatory approvals, permits, clearances, consents and other actions during the Offer Period and to complete the Tender Offer at the end of the third quarter or in the beginning of the fourth quarter of 2024. The Offeror will use its reasonable best efforts to obtain such regulatory approvals. However, the length and outcome of the regulatory approval processes are not within the control of the Offeror, and there can be no assurances that clearances and approvals will be obtained within the estimated timeframe, or at all.

Subject to applicable laws and the terms and conditions of the Tender Offer, the Offeror reserves the right to extend the Offer Period as necessary in order to satisfy the Conditions to Completion (as defined below) of the Tender Offer, including, among others, the receipt of merger control clearance. The Offeror further reserves the right to waive any of the Conditions to Completion (as defined below) of the Tender Offer that have not been fulfilled, including to consummate the Tender Offer at a lower acceptance level or otherwise despite the non-fulfilment of some of the Conditions to Completion (as defined below) of the Tender Offer. See “*Summary of the Combination Agreement – Conditions to Completion*” and “*Terms and Conditions of the Tender Offer – Conditions to Completion of the Tender Offer*”.

Fees to Advisers

The Offeror has appointed Carnegie Investment Bank AB (publ), Finland Branch as financial adviser and arranger for the Tender Offer, Roschier, Attorneys Ltd. as legal adviser and Milton Ltd as the communication adviser in connection with the Tender Offer. The Offeror expects that the total fees payable to its advisers in connection with the Tender Offer that are dependent on the completion of the Tender Offer will be approximately EUR 1 million.

Governing Law

The Tender Offer and this Tender Offer Document are governed by the laws of Finland and any dispute arising out of or in connection with them will be settled by a court of competent jurisdiction in Finland.

INFORMATION ON THE PRICING OF THE TENDER OFFER

Grounds for Determining the Offer Price

The Tender Offer was announced by the Offeror on July 22, 2024. The Offer Price is EUR 1.68 in cash for each Share validly tendered in the Tender Offer, subject to any adjustments as set out below. The amount of the Offer Price has been agreed on in commercial negotiations among the parties to the Combination Agreement.

The Offer Price has been determined based on 35,789,319 Shares.

Should the Company change the number of its Shares as a result of a new issue, reclassification, stock split (including a reverse split) or any other measure with dilutive effect, or should the Company declare or distribute any dividends or in any other manner distribute or transfer value to its shareholders, or if a record date with respect to any of the foregoing occurs prior to the settlement of the Tender Offer, the Offer Price payable by the Offeror shall be adjusted accordingly on a euro-for-euro basis.

According to Chapter 11, Section 24 of the Finnish Securities Markets Act, the starting point in determining the consideration to be offered in a voluntary tender offer for all shares and other securities entitling their holder to shares in the target company must be the highest price paid for the securities subject to the tender offer by the offeror or by a person related to the offeror in the manner referred to in Chapter 11, Section 5 of the Finnish Securities Markets Act within a period of six (6) months preceding the Announcement.

The Offeror has after the Announcement acquired in public trading on Nasdaq Helsinki a total of 2,684,198 Shares, which represent approximately 7.5 percent of the Shares and votes. The highest price paid for the Shares was EUR 1.68 per Share.

Of the entities acting in concert with the Offeror as referred to in Chapter 11, Section 5 of the Finnish Securities Markets Act, Sami Ensio holds 5,763,044 Shares and controls 2,173,760 Shares that are held by his children, as at the date of this Tender Offer Document. The Shares held and controlled by Sami Ensio are in total 7,936,804 Shares, which represent approximately 22.2 percent of the Shares and votes. Within a period of six (6) months preceding the Announcement, Sami Ensio has, based on a decision by the Annual General Meeting held on March 27, 2024, received fifty (50) percent of his annual remuneration as board member as shares in Innofactor, in total 11,407 shares. The share-based remuneration component has been paid on May 2, 2024 by using the closing price of EUR 1.315 of April 23, 2024, the announcement date of the interim report for January 1 – March 31, as the value of the Share.

At the end of 2023, Innofactor has set up a personnel bonus fund into which personnel can invest their own performance bonuses. In accordance with its rules, the fund invests in Shares in Innofactor. Sami Ensio has invested his performance bonus in the fund in question in early 2024, estimated at approximately EUR 40,000, but he has no control over the operation of the fund or its holdings.

The Shares held by the Offeror and the Shares held and controlled by Sami Ensio are in total 10,621,002 Shares, which represent approximately 29.7 percent of the Shares and votes.

Neither the Offeror nor any party related to the Offeror in the manner referred to in Chapter 11, Section 5 of the Finnish Securities Markets Act has during the period of six (6) months preceding the Announcement otherwise purchased any Shares in Innofactor in public trading or otherwise, and neither the Offeror nor any party related to the Offeror in the manner referred to in Chapter 11, Section 5 of the Finnish Securities Markets Act has purchased any Shares within the six (6) months preceding the Announcement at a price that would exceed the respective Offer Price.

Trading Prices and Volumes of the Shares

The Shares of Innofactor are listed on the official list of Nasdaq Helsinki under the trading code "IFA1V". The ISIN code of the Shares of Innofactor is FI0009007637.

The following graph sets forth the price development and trading volume of the Shares of Innofactor on Nasdaq Helsinki for the last three years preceding the Announcement (i.e. for the period between July 20, 2021 and July 19, 2024):



The following table sets forth quarterly information on the trading volumes and trading prices of the Shares of Innofactor on Nasdaq Helsinki for the periods indicated:

Time period	Closing share price during the period (EUR)			Trading volume during the period	
	Average	High	Low	Shares	EUR
2021					
Third quarter (from 19 July 2021)	1.68	1.91	1.45	6,782,903	11,188,030.67
Fourth quarter	1.52	1.64	1.39	9,778,622	14,777,481.14
2022					
First quarter	1.33	1.51	1.12	6,513,680	8,634,992.52
Second quarter	1.21	1.33	1.13	1,996,835	2,415,725.93
Third quarter	0.98	1.21	0.84	3,031,993	2,936,245.17
Fourth quarter	0.98	1.12	0.83	2,651,360	2,563,039.94
2023					
First quarter	1.20	1.34	1.07	2,301,471	2,765,955.19
Second quarter	1.22	1.29	1.14	1,531,497	1,870,177.16
Third quarter	1.15	1.20	1.09	1,406,272	1,615,444.42
Fourth quarter	1.13	1.28	1.06	1,601,762	1,793,187.11
2024					
First quarter	1.27	1.42	1.14	2,163,766	2,760,813.87
Second quarter	1.29	1.33	1.26	1,871,403	2,435,586.15
Third quarter (until 19 July 2024)	1.26	1.30	1.13	542,234	649,557.46

The Offer Price represents a premium of approximately:

- 49.3 percent compared to the closing price of EUR 1.125 of the Share on Nasdaq Helsinki on July 19, 2024, the last trading day immediately preceding the announcement of the Tender Offer;
- 39.4 percent compared to EUR 1.21, i.e. the one-month volume-weighted average trading price of the Share on Nasdaq Helsinki immediately preceding the announcement of the Tender Offer;
- 31.5 percent compared to EUR 1.28, i.e. the three-month volume-weighted average trading price of the Share on Nasdaq Helsinki immediately preceding the announcement of the Tender Offer;

- 30.8 percent compared to EUR 1.28, i.e. the six-month volume-weighted average trading price of the Share on Nasdaq Helsinki immediately preceding the announcement of the Tender Offer; and
- 37.4 percent compared to EUR 1.22, i.e. the twelve-month volume-weighted average trading price of the Share on Nasdaq Helsinki immediately preceding the announcement of the Tender Offer.

Other Public Tender Offers Regarding the Shares

To the knowledge of the Offeror, no public tender offer for the Shares or securities entitling to Shares has been made by any third party during the twelve (12) months preceding the date of this Tender Offer Document.

SUMMARY OF THE COMBINATION AGREEMENT

This summary is not an exhaustive presentation of the terms and conditions of the Combination Agreement. The summary aims to describe the terms and conditions of the Combination Agreement to the extent that such terms and conditions may materially affect the assessment of the shareholders of the Company of the terms and conditions of the Tender Offer.

Background to the Combination Agreement

The Offeror and the Company have on July 22, 2024 entered into the Combination Agreement pursuant to which the Offeror has made the Tender Offer for all the Shares (the Offeror and Innofactor hereafter each individually a “**Party**” and together “**Parties**”).

After the completion of the Tender Offer, should the Offeror obtain more than ninety (90) percent of the Shares and voting rights carried by the Shares, calculated in accordance with Chapter 18, Section 1 of the Finnish Companies Act, the Offeror will initiate compulsory redemption proceedings in accordance with the Finnish Companies Act as soon as reasonably practicable and thereafter cause the Shares to be delisted from the official list of Nasdaq Helsinki as soon as permitted and reasonably practicable.

The background to the transaction contemplated under the Combination Agreement has been described in “*Background and Objectives*”.

Offer Period and Offer Price

Under the Combination Agreement, the initial expiration date of the Tender Offer shall be the date which is six (6) weeks after the date on which the Offer Period for the Tender Offer commences (as it may be extended from time to time until such time when all of the Conditions to Completion (as defined below) as defined and set forth in Section “*Terms and Conditions of the Tender Offer – Conditions to Completion of the Tender Offer*” shall have been satisfied (or waived by the Offeror) or with a Subsequent Offer Period (as defined below) in connection with the announcement of the final result of the Tender Offer whereby the Offeror declares the Tender Offer unconditional).

The Combination Agreement provides that the Offeror shall offer to acquire all the Shares (that are not held by Innofactor or its subsidiaries) for a consideration of EUR 1.68 in cash for each such Share subject to the terms and conditions of the Tender Offer.

The Offer Price has been determined based on 35,789,319 Shares. Should the Company change the number of its Shares as a result of a new issue, reclassification, stock split (including a reverse split) or any other measure with dilutive effect, or should the Company declare or distribute any dividends or in any other manner distribute or transfer value to its shareholders, or if a record date with respect to any of the foregoing occurs after the date hereof and prior to the Settlement Date (as defined below) of the Tender Offer, the Offer Price payable by the Offeror shall be adjusted accordingly on a euro-for-euro basis as set out in section “*Terms and Conditions of the Tender Offer – Offer Price*”.

Conditions to Completion

Under the Combination Agreement, the completion of the Tender Offer shall be subject to the fulfilment or waiver by the Offeror of the Conditions to Completion (as defined below) as defined and set forth in Section “*Terms and Conditions of the Tender Offer – Conditions to Completion of the Tender Offer*” on or by the date of the Offeror’s announcement of the final result of the Tender Offer in accordance with Chapter 11, Section 18 of the Finnish Securities Markets Act.

Recommendation by the Board of Directors of Innofactor

- (a) The Board of Directors of Innofactor (represented by a quorum comprising the non-conflicted members of the Board of Directors) has unanimously and unconditionally decided, subject to the terms and conditions of the Combination Agreement and its fiduciary duties, to recommend that the holders of

Shares accept the Tender Offer and tender their Shares in the Tender Offer (the “**Recommendation**”). In the Combination Agreement, the Board of Directors of Innofactor has undertaken to issue a formal statement to this effect. The statement of the Board of Directors of Innofactor containing the Recommendation has been included as Annex C to this Tender Offer Document.

- (b) The Board of Directors of the Company (represented by a quorum comprising the non-conflicted members of the Board of Directors) may, at any time prior to the completion of the Tender Offer, withdraw, modify, amend, change or cancel the Recommendation and take actions contradictory to the Recommendation, including by way of deciding not to issue the Recommendation, if, and only if, the Board of Directors of Innofactor determines in good faith due to any event, condition, circumstance, development, occurrence, change, effect or fact (any such item an “**Effect**”) occurring after the date of the Combination Agreement or an Effect occurring prior to the date of the Combination Agreement of which the Board of Directors of the Company was not aware as at the date of the Combination Agreement, after receiving advice from reputable external legal counsel and financial advisor(s) and after consultation with the Offeror, that such action with respect to its Recommendation is required for the Board of Directors of the Company to comply with its mandatory fiduciary duties towards the holders of the Shares under Finnish laws and regulations (including the Helsinki Takeover Code) (such duties referred to as the “**Fiduciary Duties**”).

The Board of Directors of the Company may withdraw, modify, amend, change or cancel the Recommendation, including conditions thereto or deciding not to issue the Recommendation, or take actions contradictory to the earlier Recommendation as set out above only if prior to taking such contemplated actions with respect to the Recommendation, the Board of Directors of the Company has complied with certain agreed procedures allowing the Offeror to assess the changed circumstances, to negotiate with the Board of Directors, to enhance the terms and conditions of its Tender Offer, or to take other actions to remedy or mitigate the circumstances giving rise to such contemplated actions with respect to the Recommendation, and the Board of Directors has taken such enhanced terms and conditions, if any, into consideration when resolving upon such contemplated actions with respect to the Recommendation.

- (c) Notwithstanding section (b) above, in the event of such a contemplated action by the Board of Directors of the Company is connected to (A) a bona fide binding written offer publicly announced in accordance with the Finnish Securities Market Act made by a third party to acquire all of the Shares pursuant to a tender offer or a publicly announced and binding offer concerning a merger or a similar strategic transaction involving all Shares and/or substantially all of the assets or operations of the Company, on terms which the Board of Directors of the Company (represented by a quorum comprising the non-conflicted members of the Board of Directors) reasonably determines in good faith, after taking advice from reputable external legal counsel(s) and financial advisor(s), to be more beneficial both from a financial point of view and in the aggregate assessed as a whole for the holders of the Shares than the Tender Offer (“**Superior Offer**”), or (B) a bona fide offer or indication of a serious nature as referred to in the Helsinki Takeover Code of an intent to make an offer received by the Board of Directors of the Company from a third party to acquire all of the Shares pursuant to a tender offer, or a merger or a similar strategic transaction involving all Shares and/or substantially all of the assets or operations of the Company (whether through sale or other transfer) (“**Competing Offer**”), the Board of Directors of the Company may take such contemplated actions, provided that (i) the Company and the Board of Directors of the Company have complied with their obligations in the Combination Agreement to not solicit competing transactions, (ii) the Board of Directors of the Company has determined in good faith that such Competing Offer constitutes a Superior Offer or would, if announced, constitute a Superior Offer and informed the Offeror of such determination, and otherwise has promptly notified the Offeror of the Company’s receipt of the Competing Offer with reasonably detailed information, (iii) the Board of Directors of the Company has in good faith given the Offeror an opportunity to negotiate with the Board of Directors of the Company about matters arising from the Competing Offer, and (iv) the Board of Directors of the Company has given the Offeror at least five (5) business days from (x) the Offeror having in writing been informed of the Competing Offer and its material terms (or of any material revisions thereto), including the conditions of such Competing Offer, and that the Board of Directors of the Company has determined that such Competing Offer would, if announced, constitute a Superior Offer, or (y) such Competing Offer having been publicly announced such that it becomes a Superior Offer, to allow the improvement of the terms of the Tender Offer.

Should the Offeror enhance its Tender Offer or otherwise remedy or mitigate the circumstances such that the enhanced Tender Offer or remedied or mitigated circumstances, in the reasonable opinion of the Board of Directors rendered in good faith, after receiving advice from reputable external legal counsel and financial advisor(s), is in the interest of the holders of the Shares, the Board of Directors shall confirm and uphold the Recommendation for the Tender Offer, as enhanced.

Should the Board of Directors withdraw, modify, amend, change or cancel the Recommendation due to a Competing Offer, resulting in the Combination Agreement being terminated, the Company becomes liable, subject to certain conditions, for the reimbursement of certain expenses, costs and fees incurred in connection with the Combination Agreement and the transactions contemplated in the Combination Agreement, as set out in “– *Termination*”.

Non-solicitation

The Company has undertaken, and shall cause its wholly-owned subsidiaries (“**Subsidiaries**”), officers, directors, employees and representatives (including, for the avoidance of doubt, any financial advisors, legal counsel and other external advisors and representatives) to undertake, as between the signing date of the Combination Agreement and the Settlement Date (as defined below) of the Tender Offer:

- (i) not to, directly or indirectly, actively solicit any inquiries or any proposal or offer that constitutes, or would reasonably be expected to lead to, any Competing Offer or otherwise harm or hinder the completion of the transactions contemplated by the Combination Agreement;
- (ii) not to support, agree to, provide information for, or endorse any Competing Offer, or enter into any discussion or agreements concerning any Competing Offer, unless such Competing Offer satisfies the conditions for a Superior Offer;
- (iii) to cease and cause to be terminated any possible discussions, negotiations or other activities related to any contemplated Competing Offer prior to the signing date of the Combination Agreement;
- (iv) not to, upon receipt of a Competing Offer, directly or indirectly, facilitate or promote the progress of such Competing Offer (“**Promoting Measures**”), unless the Board of Directors of the Company (represented by a quorum comprising the non-conflicted members of the Board of Directors) determines in good faith, after receiving written advice from its reputable external legal counsel and financial advisor(s), that Promoting Measures are required in order for the Board of Directors of the Company to comply with its Fiduciary Duties. The Board of Directors of the Company shall not take any Promoting Measures other than those necessary for the fulfilment of the Fiduciary Duties;
- (v) to promptly inform the Offeror in writing about any Competing Offer (including any material revisions thereto), including the identity of the competing offeror, the price offered and any other material terms and conditions of such Competing Offer; and
- (vi) to provide the Offeror with an opportunity to negotiate with the Board of Directors of the Company about matters arising from the Competing Offer.

Representations, Warranties, Covenants and Undertakings

The Combination Agreement contains certain customary representations and warranties, such as with respect to the Company’s organisation and qualification, authority relative to the Combination Agreement, financial statements, financing, competing transactions, disclosure, Shares and securities entitling to Shares, compliance with applicable laws and regulations, anti-corruption laws, anti-money laundering and global trade laws, employee matters, pension schemes, material contracts, information technology, litigation, insurance, intellectual property, taxes, as well as environmental matters and Material Adverse Change (as defined below).

In the Combination Agreement, Innofactor has given certain customary undertakings, such as (i) the Company and its Subsidiaries conducting their respective businesses in all material respects in the ordinary course of business consistent with past practice until the completion of the Tender Offer, including but not limited to, refraining from making or implementing: any material changes in the business and/or corporate structure; any mergers, acquisitions, divestments, minority investments or joint ventures or other such corporate transactions, subject to certain exceptions; any material loans, incurrence of indebtedness for borrowed money, incurrence of liens or other encumbrances on assets or on shares or other securities of the Company or its Subsidiaries and any agreements or commitments to effect any of the foregoing, subject to certain exceptions; any agreements or commitments that are not entered into on arms' length terms; any material amendments to any material agreements of the Company or its Subsidiaries, subject to certain exceptions; any agreements or commitments including any non-competition or similar undertaking that would restrict the business of the Offeror and its subsidiaries or the Group (as defined below) following the completion of the transactions contemplated in the Combination Agreement, subject to certain exceptions; any change of articles of association, by-laws or other constituting documents or any material change to the accounting or tax principles or practices other than as reasonably required as a result of any changes on applicable laws and regulations; any commencement, settlement or compromise of any material legal or tax proceedings or of material claims against third parties, subject to certain exceptions; any act or omission that could reasonably be expected to result in the abandonment of or failure to maintain Innofactor's material intellectual property or in an encumbrance, conveyance of title, license or grant of any other right to material intellectual property; any decision or proposal concerning or constituting (1) distribution of dividends or other assets from the Company or its Subsidiaries, (2) any change in the number of shares in or share capital of the Company or its Subsidiaries, (3) any sale, transfer, issuance or other disposal of any shares and/or (4) any grant, allocation, sale, transfer or disposal of any option rights or of any other shares or securities exercisable for, convertible into or exchangeable for shares in the Company or in any of its Subsidiaries; any material non-mandatory salary or bonus increase or any new or amended retention programs or any new equity or equity related option programs or any other similar grants or awards other than in the ordinary course of business consistent with past practice of the members of the Board of Directors of the Company and/or each of the persons employed by or serving the Company or its Subsidiaries as at the signing date of the Combination Agreement; any action or omission that would have the effect of increasing the liability for taxes or would result in the amount of tax provided for in the financial statements being materially understated, subject to certain exceptions; and/or any legally binding agreement or commitment to do any of the foregoing; (ii) the Company passing all necessary resolutions to allow the holders of the Shares subject to any transfer restrictions to tender their Shares into the Tender Offer, and in case of a lock-up restriction resolved by the general meeting, the Company undertaking to propose to the extraordinary general meeting to be convened after the completion of the Tender Offer that such lock-up restrictions be waived; and (iii) assistance and cooperation between the Parties in doing all things necessary or advisable to consummate the Tender Offer, and the making of all required registrations and filings with relevant competition authorities and with other relevant governmental entities or regulatory authorities to obtain the clearances, approvals or waivers reasonably required in those jurisdictions for the completion of the Tender Offer set out in the Combination Agreement. After the Offeror has publicly announced that it will complete the Tender Offer, the Board of Directors of the Company shall, at the written request of the Offeror, resolve to convene an extraordinary general meeting of shareholders of the Company within a certain period of time after such request for the purpose of, among other things, changing the composition of the Board of Directors of the Company.

Termination

Either Party may terminate the Combination Agreement with immediate effect at any time prior to the Settlement Date (as defined below) of the Tender Offer by giving to the other Party a written notice thereof, if at least one of the following events occurs:

- (a) a material breach of any of the warranties set out in the Combination Agreement (or, to the extent any such warranty is qualified by materiality, any breach thereof) given by the other Party, unless such breach has been rectified (if capable of being rectified) by the breaching Party no later than five (5) business days prior to the expiry of the Offer Period (as it may be extended);
- (b) the other Party acts in material breach of its undertakings or obligations (or, to the extent any such undertaking or obligation is qualified by materiality, any breach thereof) under the Combination Agreement unless such breach has been rectified (if capable of being rectified) by the breaching Party no later than five (5) business days prior to the expiry of the Offer Period (as it may be extended), provided that the right to terminate the Combination Agreement pursuant to this section shall not be

available to a Party whose breach of any representation, warranty, undertaking or obligation set forth in the Combination Agreement has been the primary cause of, or resulted in, the other Party's material breach;

- (c) a final, non-appealable injunction or other order issued by any court of competent jurisdiction or other final, non-appealable legal restraint or prohibition preventing the consummation of the Tender Offer has taken effect after the date of the Combination Agreement and continues to be in effect, provided that the right to terminate the Combination Agreement pursuant to this section shall not be available to a Party whose breach of any representation, warranty, undertaking or obligation set forth in the Combination Agreement has been the primary cause of, or resulted in, such order, restraint or prohibition;
- (d) new legislation or other new regulation preventing the completion of the transactions contemplated in the Combination Agreement, has been issued by a national or supranational legislative body or comparable regulatory authority of competent jurisdiction and shall have entered into force;
- (e) the Settlement Date (as defined below) of the Tender Offer has not occurred by the date falling six (6) months from the date of the Combination Agreement or such other later date as agreed by the Parties in writing (the "**Long-Stop Date**"), provided that the Offeror shall have the right to postpone the Long-Stop Date for a maximum of two (2) months by a written notice to the Company in the event that the non-occurrence of the Settlement Date (as defined below) is due to any of the regulatory approvals required for the completion of the Tender Offer (to the extent regulatory approvals have not been waived by the Offeror) not having been obtained and remaining pending on the Long-Stop Date.

The Company may terminate the Combination Agreement with immediate effect at any time prior to the Settlement Date (as defined below) of the Tender Offer by giving to the Offeror a written notice thereof if at least one of the following events occurs:

- (f) the Offeror has not commenced the Tender Offer on or prior to 22 August 2024 or a later date agreed by the Parties, provided, however, that this right to terminate shall not be available to the Company if the failure of the Offeror to commence the Tender Offer is due to the Company's failure to fulfil any material obligation under the Combination Agreement; and provided further that the Offeror shall have the right to postpone such date by up to one (1) additional month by a written notice to the Company in the event that the Offeror reasonably requires such postponement to be able to commence the Tender Offer and the FIN-FSA permits such postponement; or
- (g) the Board of Directors of the Company has withdrawn, modified, amended, changed or cancelled, or decided not to issue the Recommendation due to a Competing Offer or Superior Offer (excluding any technical modification or amendment of the Recommendation required under applicable laws or the Helsinki Takeover Code as a result of a Competing Offer so long as the Recommendation to accept the Offeror's Tender Offer is upheld).

The Offeror may terminate the Combination Agreement with immediate effect at any time prior to the Settlement Date (as defined below) of the Tender Offer by giving the Company a written notice thereof if at least one of the following events occurs:

- (h) the Board of Directors of the Company has, for any reason whatsoever, withdrawn, modified, cancelled or amended, or decided not to issue the Recommendation (excluding any technical modification or amendment of the Recommendation required under applicable laws or the Helsinki Takeover Code as a result of a Competing Offer so long as the Recommendation to accept the Offeror's Tender Offer is upheld); or
- (i) a Material Adverse Change (as defined below) occurs after the signing date of the Combination Agreement; or
- (j) after the signing date of the Combination Agreement the Offeror has received information previously undisclosed to it that constitutes a Material Adverse Change (as defined below).

If the Offer Period has commenced, the Offeror may only terminate the Combination Agreement so as to cause the Tender Offer not to proceed, to lapse or to be withdrawn if the circumstances which give rise to the right to invoke the relevant termination right have a significant meaning to the Offeror in view of the Tender Offer, as referred to in the regulations and guidelines 9/2013 (Takeover bid and the obligation to launch a bid), as may be amended or re-enacted from time to time, issued by the FIN-FSA and the Helsinki Takeover Code.

In case of any termination or expiration of the Combination Agreement, the Offeror is entitled to withdraw the Tender Offer in accordance with applicable Finnish laws and regulations and the terms and conditions of the Tender Offer. Upon termination or expiration, the Combination Agreement shall forthwith become void and there shall be no liability for either Party or any of their officers, directors or employees under the Combination Agreement, and all rights and obligations of each Party hereto shall cease, save for certain exceptions specified in the Combination Agreement.

If the Combination Agreement is terminated:

- (i) by the Company in accordance with the above section (g), or by the Offeror in accordance with the above section (h), and the Board of Directors of the Company in connection with or within one (1) month from such termination recommends a Competing Offer (or, if applicable, the Company enters into a definitive written agreement with respect to such Competing Offer), the Company shall reimburse to the Offeror any and all of its documented out-of-pocket expenses and costs incurred in connection with the Combination Agreement and the contemplated transactions contemplated in the Combination Agreement, including the fees and disbursements of external counsel (excluding any litigation fees), accountants, technical consultants and financial, commercial, due diligence, ESG, tax and other advisors (including any applicable tax) up to the maximum amount of EUR 1,250,000 in the aggregate.
- (ii) by the Company in accordance with the above section (f) or section (e) in circumstances where failure of the Settlement Date (as defined below) of the Tender Offer to occur has taken place solely due to a failure to satisfy the regulatory approvals condition of the Tender Offer, as specified in paragraph (b) of the Conditions to Completion (see "*Terms and Conditions of the Tender Offer – Conditions to Completion of the Tender Offer*"), provided that such failure is not attributable to any breach by the Company of its obligations under the Combination Agreement and that the Conditions to Completion set out in sections (c) through (g) remain satisfied as of such date, the Offeror shall reimburse to the Company any and all of its documented out of pocket expenses and costs incurred by the Company in connection with the Combination Agreement and the transactions contemplated in the Combination Agreement, including the fees and disbursements of external advisors (including any applicable tax) up to the maximum amount of EUR 1,250,000 in the aggregate.

Governing Law

The Combination Agreement shall be governed by and construed in accordance with the substantive laws of Finland. Any dispute, controversy or claim arising out of or relating to the Combination Agreement, or the breach, termination or validity thereof, shall be finally settled by arbitration in Helsinki, Finland, in accordance with the Arbitration Rules of the Finland Chamber of Commerce. The arbitral tribunal shall be composed of three (3) members, one member to be appointed by the Offeror, one member to be appointed by the Company and one member, serving as the chairman, to be jointly appointed by the two members so appointed. In the absence of any such appointment and where the Company and the Offeror are unable to agree on a method for the constitution of the arbitral tribunal, the Arbitration Institute shall appoint each missing member of the arbitral tribunal and shall designate one of them to serve as the chairman. The arbitration shall be conducted in the English language.

Each Party may apply to a court of competent jurisdiction for a precautionary measure, temporary procedural remedy, temporary restraining order or preliminary injunction where such relief is necessary to protect its interests pending completion of arbitration proceedings.

TERMS AND CONDITIONS OF THE TENDER OFFER

Object of the Tender Offer

Onni Bidco Oy (the “**Offeror**”) offers to acquire all of the issued and outstanding shares in Innofactor Plc (the “**Company**” or “**Innofactor**”) that are not held by Innofactor or its subsidiaries (the “**Shares**” or, individually, a “**Share**”) through a voluntary recommended public cash tender offer in accordance with Chapter 11 of the Finnish Securities Markets Act (746/2012, as amended, the “**Finnish Securities Markets Act**”) and subject to the terms and conditions set forth herein (the “**Tender Offer**”). It is expected that following the Completion Date (as defined below), the Offeror will be indirectly owned by a consortium formed for the purposes of the Tender Offer consisting of (i) CapMan Growth Equity Fund III Ky, a fund managed by CapMan Group affiliated companies, (“**CapMan Growth**”), (ii) Sami Ensio, the founder, CEO and a member of the Board of Directors of Innofactor, through the holding company Ensio Investment Group Oy controlled by him, and (iii) the co-investor Osprey Capital Oy (together, the “**Consortium**”).

As at the date of this tender offer document (the “**Tender Offer Document**”), the Offeror is indirectly owned by Onni Topco Oy. Onni Topco Oy was incorporated to be the holding company in the acquisition structure and is currently wholly owned by CapMan Growth. It is expected that following the Completion Date (as defined below), Ensio Investment Group Oy will own approximately 42.6 percent, CapMan Growth approximately 52.4 percent and Osprey Capital Oy approximately 5.0 percent of the shares in Onni Topco Oy.

The Offeror and the Company have on July 22, 2024 entered into a combination agreement (the “**Combination Agreement**”) pursuant to which the Offeror makes the Tender Offer.

Offer Price

The Tender Offer was announced by the Offeror on July 22, 2024 (the “**Announcement**”) with an offer price of EUR 1.68 in cash for each Share validly tendered in the Tender Offer (the “**Offer Price**”), subject to any adjustments set out below.

The Offer Price has been determined based on 35,789,319 Shares, as at the date of this Tender Offer Document. Should the Company change the number of its Shares as a result of a new issue, reclassification, stock split (including a reverse split) or any other measure with dilutive effect, or should the Company declare or distribute any dividends or in any other manner distribute or transfer value to its shareholders, or if a record date with respect to any of the foregoing occurs after the date hereof and prior to any settlement of the Tender Offer to the extent that the distribution of funds is not received by the Offeror or the Consortium parties, the Offer Price payable by the Offeror shall be adjusted accordingly on a euro-for-euro basis.

Any adjustment of the Offer Price pursuant to the above paragraph will be announced by way of a stock exchange release. If the Offer Price is adjusted, the Offer Period (as defined below) will continue for at least ten (10) Finnish banking days following such announcement.

Offer Period

The offer period for the Tender Offer commences on August 5, 2024, at 9:30 a.m. (Finnish time) and expires on September 16, 2024, at 4:00 p.m. (Finnish time), unless the offer period is extended or any extended offer period is discontinued as described below (the “**Offer Period**”).

The Offeror may extend the Offer Period (i) at any time until the Conditions to Completion (as defined below) have been fulfilled or waived and/or (ii) with a Subsequent Offer Period (as defined below) in connection with the announcement whereby the Offeror declares the Tender Offer unconditional or the announcement of the final result of the Tender Offer whereby the Offeror also declares the Tender Offer unconditional, as set forth below. The Offeror will announce a possible extension of the Offer Period, including the duration of the extended Offer Period, which shall be at least two (2) weeks or until further notice beyond two (2) weeks, by a stock exchange release on the first (1st) Finnish banking day following the expiration of the original Offer Period, at the latest. Furthermore, the Offeror will announce any possible further extension of an already extended Offer Period or an

extension of a discontinued extended Offer Period on the first (1st) Finnish banking day following the expiration of an already extended Offer Period or a discontinued extended Offer Period, at the latest.

According to Chapter 11, Section 12 of the Finnish Securities Markets Act, the duration of the Offer Period in its entirety may be ten (10) weeks at the maximum. However, if the Conditions to Completion (as defined below) have not been fulfilled due to a particular obstacle as referred to in the regulations and guidelines 9/2013 of the Finnish Financial Supervisory Authority (the “**FIN-FSA**”) on Takeover bid and the obligation to launch a bid (the “**FIN-FSA Regulations and Guidelines**”), such as, for example, pending approval by a competition authority, the Offeror may extend the Offer Period beyond ten (10) weeks until such obstacle has been removed and the Offeror has had reasonable time to respond to the situation in question, provided that the business operations of the Company are not hindered for longer than is reasonable, as referred to in Chapter 11, Section 12, Subsection 2 of the Finnish Securities Markets Act. The Offer Period may also be extended as required under applicable laws and regulations. The expiry date of any extended Offer Period will in such case, unless published in connection with the announcement of the extension of the Offer Period, be published by the Offeror at least two (2) weeks before such expiry. Further, any Subsequent Offer Period (as defined below) may extend beyond ten (10) weeks.

The Offeror may discontinue any extended Offer Period. The Offeror will announce its decision on the discontinuation of any extended Offer Period by a stock exchange release as soon as possible after such a decision has been made and, in any case, no less than two (2) weeks prior to the expiration of the discontinued extended Offer Period. If the Offeror discontinues an extended Offer Period, the Offer Period will expire at an earlier time on a date announced by the Offeror.

The Offeror reserves the right to extend the Offer Period in connection with the announcement whereby the Offeror declares the Tender Offer unconditional or the announcement of the final result of the Tender Offer as set forth in “– *Announcement of the Result of the Tender Offer*” below (such extended Offer Period, the “**Subsequent Offer Period**”). In the event of such Subsequent Offer Period, the Subsequent Offer Period will expire on the date and at the time determined by the Offeror in such an announcement. The expiration of a Subsequent Offer Period will be announced at least two (2) weeks before the expiration of such Subsequent Offer Period. The Offeror may also extend the Subsequent Offer Period by announcing this through a stock exchange release on the first (1st) Finnish banking day following the initially expected expiration of the Subsequent Offer Period, at the latest.

Conditions to Completion of the Tender Offer

The obligation of the Offeror to accept for payment the validly tendered Shares, which have not been validly withdrawn in accordance with the terms and conditions of the Tender Offer, and to complete the Tender Offer, shall be subject to the fulfillment or, to the extent permitted by applicable laws and regulations, waiver by the Offeror of the following conditions (jointly the “**Conditions to Completion**”) on or prior to the date of the Offeror’s announcement of the final result of the Tender Offer in accordance with Chapter 11, Section 18 of the Finnish Securities Markets Act:

- (a) the Tender Offer has been validly accepted with respect to the Shares representing, together with any other Shares otherwise acquired by the Offeror prior to or during the Offer Period, more than ninety (90) percent of the Shares and voting rights in the Company calculated on a fully diluted basis and otherwise in accordance with Chapter 18 Section 1 of the Finnish Companies Act (624/2006, as amended, the “**Finnish Companies Act**”);
- (b) the receipt of all necessary regulatory approvals, such approval will be considered obtained where the relevant regulatory authority has:
 - (i) declined jurisdiction over or communicated their intent not to investigate the Tender Offer; or
 - (ii) explicitly granted clearance, either unconditionally or subject to such conditions, commitments, undertakings or modifications as the decision may specify, provided that the terms of any conditions, commitments, undertakings or modifications are in all respects satisfactory to the Offeror; or

- (iii) become time barred from reviewing the transaction by virtue of the expiry of any applicable waiting period under applicable regulatory laws;
- (c) no Material Adverse Change (as defined below) has occurred on or after the date of the Combination Agreement;
- (d) the Offeror has not received information after the date of the Combination Agreement previously undisclosed to it that constitutes or results in a Material Adverse Change (as defined below);
- (e) no legislation or other regulation has been issued and no court or regulatory authority of competent jurisdiction has given a decision or issued any regulatory action that would wholly or in any material part prevent or postpone the completion of the Tender Offer;
- (f) the Board of Directors of the Company, represented by a quorum comprising the non-conflicted members of the Board of Directors, has issued its unanimous recommendation that the holders of the Shares accept the Tender Offer and tender their Shares in the Tender Offer and the recommendation remains in full force and effect and has not been withdrawn, modified, cancelled, or amended (excluding, however, any technical modifications or change of the recommendation required under applicable laws or the Helsinki Takeover Code (as defined below) as a result of a Competing Offer or otherwise, so long as the recommendation to accept the Tender Offer is upheld and, in each case, following advance notification to the Offeror by the Company of the contents of such technical modifications or changes); and
- (g) the Combination Agreement has not been terminated and remains in full force and effect and no event has occurred that, with the passage of time, would give the Offeror the right to terminate the Combination Agreement.

The Conditions to Completion set out herein are exhaustive. The Offeror may only invoke any of the Conditions to Completion so as to cause the Tender Offer not to proceed, to lapse or to be withdrawn, if the circumstances which give rise to the right to invoke the relevant Condition to Completion have a significant meaning to the Offeror in view of the Tender Offer, as referred to in the FIN-FSA Regulations and Guidelines and in the Helsinki Takeover Code issued by the Securities Market Association in force as of 1 October 2022 (as amended from time to time) (the “**Helsinki Takeover Code**”). The Offeror reserves the right to waive, to the extent permitted by applicable laws and regulations, any of the Conditions to Completion that have not been fulfilled. If all Conditions to Completion have been fulfilled or the Offeror has waived the requirements for the fulfilment of all or some of them no later than at the time of announcement of the final results of the Tender Offer, the Offeror will consummate the Tender Offer in accordance with its terms and conditions after the expiration of the Offer Period by purchasing the Shares validly tendered in the Tender Offer and paying the Offer Price to the shareholders that have validly accepted the Tender Offer in accordance with the terms and conditions of the Tender Offer.

“**Group**” means the Company and its wholly-owned subsidiaries, taken as a whole.

“**Fairly Disclosed**” means disclosure of an actual fact, circumstance or matter in the Due Diligence Information in a sufficiently clear and detailed manner that would enable a professional and prudent offeror with the support of its professional advisors, acting diligently and with due care, to reasonably identify and understand the nature, scope and effects of such fact or event so disclosed.

“**Material Adverse Change**” means (A) the Company or any of its wholly-owned subsidiaries becoming insolvent, subject to administration, bankruptcy or any other equivalent insolvency proceedings or, if any legal proceedings (other than by the Offeror or its affiliates) or corporate resolution is taken by or against any of them in respect of any such proceedings, such action could reasonably be expected to result in the commencement of such proceedings, provided, in each case, that such proceedings could reasonably be expected to result in a material adverse change in, or material adverse effect to, the business, assets, liabilities, financial condition or results of operation of the Group; (B) any divestment or reorganization of all or any material part of the assets of the Group; or (C) any event, condition, circumstance, development, occurrence, change, effect or fact that individually or in the aggregate, has, results in or would reasonably be expected to have or result in a material adverse effect on the business, assets, liabilities, financial condition or results of operations of the Group, excluding:

- (i) any change in capital market conditions generally or general economic conditions, including with respect to interest rates or currency exchange rates, so long as such change does not have a disproportionate effect on the Group, relative to other industry participants in jurisdictions where the Group conducts business;
- (ii) any change in applicable statutes, generally approved accounting principles or IFRS, so long as such change does not have a disproportionate effect on the Group, relative to other industry participants in jurisdictions where the Group conducts business;
- (iii) any change in the general conditions of the information technology products and services industry, so long as such change does not have a disproportionate effect on the Group, relative to other industry participants in jurisdictions where the Group conducts business;
- (iv) any other change in political, financial, industry, economic or regulatory conditions generally, so long as such other change does not have a disproportionate effect on the Group, relative to other industry participants in jurisdictions where the Group conducts business;
- (v) any change resulting from or caused by any epidemic, pandemic or any natural or man-made disasters, any change in geopolitical conditions, any outbreak, escalation or exacerbation of major hostilities or any act of war, hybrid warfare, blockade, sabotage or terrorism, including but not limited to, the exacerbation of Russia’s military actions against Ukraine or the exacerbation of the Israeli-Gaza war;
- (vi) failure of the Company to meet any internal or published projections, forecasts, estimates or predictions in respect of revenues, earnings or other financial or operating metrics before, on or after the date of the Combination Agreement, it being understood that nothing in this sub-clause (vi) shall prevent or otherwise affect the determination as to whether any change or effect underlying such failure to meet projections, forecasts, estimates or predictions constitutes a Material Adverse Change;
- (vii) any matters that have been Fairly Disclosed prior to the signing of the Combination Agreement;
- (viii) changes in the market price or trading volume of the Company’s securities after the date of the Combination Agreement, it being understood that nothing in this sub-clause (viii) shall prevent or otherwise affect the determination as to whether any change or effect underlying such change constitutes a Material Adverse Change;
- (ix) any change resulting from any actions taken by the Company at the express written request or direction of the Offeror; or
- (x) any change directly attributable to (x) an act or omission carried out or omitted by the Offeror in connection with the Tender Offer or (y) the announcement or completion of the Tender Offer (including the effect of any change of control or similar clauses in contracts entered into by the Group but only to the extent such contracts or clauses have been Fairly Disclosed).

“**Due Diligence Information**” means (i) the information publicly disclosed by the Company pursuant to the rules of Nasdaq Helsinki, the Finnish Securities Markets Act, Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (as amended from time to time), (ii) the information provided by the Company in the virtual data room made available to the Offeror or its advisers, and (iii) information and material disclosed or provided by the Company or its advisers to the Offeror, the Consortium parties and any of their advisers in connection with the management due diligence sessions.

Obligation to Increase the Offer Price and to Pay Compensation

The Offeror reserves the right to acquire Shares before, during and/or after the Offer Period and any Subsequent Offer Period in public trading on Nasdaq Helsinki or otherwise.

Should the Offeror or another party acting in concert with the Offeror in a manner as stipulated in Chapter 11, Section 5 of the Finnish Securities Markets Act acquire Shares after the Announcement and before the expiry of

the Offer Period or any Subsequent Offer Period at a price higher than the Offer Price, or otherwise on more favourable terms, the Offeror must, in accordance with Chapter 11, Section 25 of the Finnish Securities Markets Act, amend the terms and conditions of the Tender Offer to correspond with the terms and conditions of said acquisition on more favourable terms (the “**Increase Obligation**”). In such case, the Offeror will make public its Increase Obligation without delay and pay, in connection with the completion of the Tender Offer, the increased Offer Price in accordance with such amended terms and conditions of the Tender Offer to those shareholders that have accepted the Tender Offer.

Should the Offeror or another party acting in concert with the Offeror in a manner as stipulated in Chapter 11, Section 5 of the Finnish Securities Markets Act acquire Shares within nine (9) months after the expiration of the Offer Period or any Subsequent Offer Period at a price higher than the Offer Price, or otherwise on more favourable terms, the Offeror must, in accordance with Chapter 11, Section 25 of the Finnish Securities Markets Act, pay the difference between the consideration paid in an acquisition on more favourable terms and the Offer Price paid to those shareholders that have accepted the Tender Offer (the “**Compensation Obligation**”). In such case, the Offeror will make public its Compensation Obligation without delay and pay the difference between the consideration paid in such an acquisition on more favourable terms and the Offer Price within one (1) month of the date when the Compensation Obligation arose for those shareholders that have accepted the Tender Offer.

However, according to Chapter 11, Section 25, Subsection 5 of the Finnish Securities Markets Act, the Compensation Obligation will not be triggered in case the payment of a higher price than the Offer Price is based on an arbitral award pursuant to the Finnish Companies Act, provided that the Offeror or any party referred to in Chapter 11, Section 5 of the Finnish Securities Markets Act has not offered to acquire Shares on terms that are more favourable than those of the Tender Offer before or during the arbitral proceedings.

Acceptance Procedure of the Tender Offer

The Tender Offer may be accepted by a shareholder registered during the Offer Period in the shareholders’ register of Innofactor maintained by Euroclear Finland Oy (“**Euroclear Finland**”), with the exception of Innofactor and its subsidiaries. The Tender Offer must be accepted separately for each book-entry account. A shareholder of Innofactor submitting an acceptance must have a cash account with a financial institution operating in Finland or abroad (see also “– *Terms of Payment and Settlement*” and “*Restrictions and Important Information*”). Shareholders may only approve the Tender Offer unconditionally and for all Shares that are held on the book-entry accounts mentioned in the acceptance at the time of the execution of the transaction with respect to the Shares of such shareholder. Acceptances submitted during the Offer Period are valid also until the expiration of an extended or discontinued extended Offer Period, if any.

Most Finnish account operators will send a notice regarding the Tender Offer and related instructions to those who are registered as shareholders in the shareholders’ register of Innofactor maintained by Euroclear Finland. Shareholders of Innofactor who do not receive such instructions from their account operator or asset manager should first contact their account operator or asset manager and can subsequently contact OP Custody Ltd (“**OP**”) by sending an email to tenderoffers@op.fi, where such shareholders of Innofactor can receive information on submitting their acceptance of the Tender Offer. Please note, however, that OP will not be engaging in communications relating to the Tender Offer with shareholders located within the United States. Shareholders who are located within the United States may contact their brokers for necessary information.

Those shareholders of Innofactor whose Shares are nominee-registered, and who wish to accept the Tender Offer, must effect such acceptance in accordance with the instructions given by the custodian of the nominee-registered shareholders. The Offeror will not send an acceptance form or any other documents related to the Tender Offer to these shareholders of Innofactor.

If the Shares held by a shareholder are pledged or otherwise subject to restrictions that prevent or limit the acceptance, the acceptance of the Tender Offer may require the consent of the pledgee or other beneficiary of a such restriction. If so, acquiring this consent is the responsibility of the relevant shareholder of Innofactor. Such consent must be delivered in writing to the account operator.

A shareholder of Innofactor who wishes to accept the Tender Offer must submit the properly completed and duly executed acceptance to the account operator managing the shareholder’s book-entry account in accordance with the instructions and within the time period set by the account operator, which may be prior to the expiry of the

Offer Period. The Offeror reserves the right to reject or approve, in its sole discretion, any acceptances that have been submitted in an incorrect or incomplete manner.

Any acceptance must be submitted in such a manner that it will be received within the Offer Period and/or Subsequent Offer Period, taking into account, however, the instructions given by the relevant account operator that manages the shareholder's book-entry account. In the event of a Subsequent Offer Period, any acceptance must be submitted in such a manner that it will be received within the Subsequent Offer Period, taking into account, however, always the instructions given by the relevant account operator. The account operator may request the receipt of acceptances prior to the expiration of the Offer Period and/or Subsequent Offer Period. Shareholders of Innofactor submit acceptances at their own risk. Any acceptance will be considered as submitted only when an account operator has actually received it. The Offeror reserves the right to reject or approve, in its sole discretion, any acceptance submitted outside the Offer Period or any Subsequent Offer Period, as applicable, or in an incorrect or incomplete manner.

A shareholder who has validly accepted the Tender Offer in accordance with the terms and conditions of the Tender Offer may not sell or otherwise transfer his/her tendered Shares. By accepting the Tender Offer, the shareholders authorise their account operator, OP or a party appointed by OP to enter into their book-entry account a sales reservation or a restriction on the right of disposal in the manner set out in “– *Technical Completion of the Tender Offer*” below after the shareholder has delivered the acceptance with respect to the Shares. Furthermore, the shareholders of Innofactor that accept the Tender Offer authorise their account operator, OP or a party appointed by OP to perform necessary entries and undertake any other measures needed for the technical execution of the Tender Offer, and to sell all the Shares held by the shareholder of Innofactor at the time of the execution of the settlement of the Tender Offer, as set out under “– *Completion of the Tender Offer*” below, to the Offeror in accordance with the terms and conditions of the Tender Offer. In connection with the settlement of the Tender Offer, the sales reservation or the restriction on the right of disposal will be removed and the Offer Price will be transferred to the relevant shareholders of Innofactor.

By accepting the Tender Offer, the accepting shareholder authorises his/her depository participant to disclose the necessary personal data, the number of his/her book-entry account and the details of the acceptance to the parties involved in the order or the execution of the order and settlement of the Shares.

Right of Withdrawal of Acceptance

An acceptance of the Tender Offer may be withdrawn by a shareholder of Innofactor at any time before the expiration of the Offer Period (including any extended or discontinued extended Offer Period) until the Offeror has announced that all Conditions to Completion have been fulfilled or waived by the Offeror, that is, the Offeror has declared the Tender Offer unconditional. After such announcement, the Shares already tendered may not be withdrawn, except in the event that a third party announces a competing public tender offer for the Shares prior to the expiration of the Offer Period (including any extended or discontinued extended Offer Period) and provided that the settlement of the Shares as set out under “– *Completion of the Tender Offer*” below has not yet been executed.

A valid withdrawal of an acceptance of the Tender Offer requires that a withdrawal notification is submitted in writing to the account operator to whom the original acceptance was submitted.

For nominee-registered Shares, the shareholders must request the relevant custodian of the nominee-registered shareholder to execute a withdrawal notification.

If a shareholder of Innofactor validly withdraws an acceptance of the Tender Offer, the sales reservation or the restriction on the right of disposal with respect to the Shares will be removed within three (3) Finnish banking days of the receipt of a withdrawal notification.

A shareholder of Innofactor who has validly withdrawn its acceptance of the Tender Offer may accept the Tender Offer again during the Offer Period (including any extended or discontinued extended Offer Period) by following the procedure set out under “– *Acceptance Procedure of the Tender Offer*” above.

A shareholder of Innofactor who withdraws its acceptance of the Tender Offer is obligated to pay any fees that the account operator operating the relevant book-entry account or the custodial nominee of a nominee-registered

holding may collect for the withdrawal. In accordance with the FIN-FSA Regulations and Guidelines, if a competing offer has been announced during the Offer Period and the completion of the Tender Offer has not taken place, neither the Offeror nor OP will charge the shareholders for validly withdrawing their acceptance in such a situation.

In the event of a Subsequent Offer Period, the acceptance of the Tender Offer will be binding and cannot be withdrawn, unless otherwise provided under mandatory law.

Technical Completion of the Tender Offer

When an account operator has received the properly completed and duly executed acceptance or acceptance otherwise approved by the Offeror with respect to the Shares in accordance with the terms and conditions of the Tender Offer, the account operator will enter a sales reservation or a restriction on the right of disposal into the relevant shareholder's book-entry account. In connection with the settlement of the Tender Offer, the sales reservation or the restriction on the right of disposal will be removed and the Offer Price will be paid to the relevant shareholder.

Announcement of the Result of the Tender Offer

The preliminary result of the Tender Offer will be announced on or about the first (1st) Finnish banking day following the expiration of the Offer Period (including any extended or discontinued extended Offer Period). In connection with the announcement of such preliminary result, it will be announced whether the Tender Offer will be completed subject to the Conditions to Completion being fulfilled or waived on the date of the final result announcement and whether the Offer Period will be extended. The final result of the Tender Offer will be announced on or about the third (3rd) Finnish banking day following the expiration of the Offer Period at the latest. In connection with the announcement of the final result, the percentage of the Shares that have been validly tendered and accepted in the Tender Offer, and that have not been validly withdrawn, will be confirmed.

In the event of a Subsequent Offer Period, the Offeror will announce the initial percentage of the Shares validly tendered during the Subsequent Offer Period on or about the first (1st) Finnish banking day following the expiry of the Subsequent Offer Period and the final percentage on or about the third (3rd) Finnish banking day following the expiry of the Subsequent Offer Period.

Completion of the Tender Offer

The settlement of the Tender Offer will be executed with respect to all of those Shares of Innofactor that have been validly tendered, and not validly withdrawn, into the Tender Offer no later than on the fifteenth (15th) Finnish banking day following the announcement of the final result of the Tender Offer (the "**Completion Date**"). If possible, the settlement of the Shares will be executed on Nasdaq Helsinki, provided that such execution is allowed under the rules applied to trading on Nasdaq Helsinki. Otherwise, the settlement will be made outside Nasdaq Helsinki. The completion trades of the Shares will be settled on the Completion Date or on or about the first (1st) Finnish banking day following the Completion Date (the "**Settlement Date**").

Terms of Payment and Settlement

The Offer Price will be paid on the Settlement Date to each shareholder of Innofactor who has validly accepted, and not validly withdrawn, the Tender Offer into the management account of the shareholder's book-entry account. In any case, the Offer Price will not be paid to a bank account situated in Australia, Canada, the Hong Kong Special Administrative Region of the People's Republic of China, Japan, New Zealand or South Africa or any other jurisdiction where the Tender Offer is not being made (see section "*Restrictions and Important Information*"). If the management account of a shareholder of Innofactor is with a different financial institution than the applicable book-entry account, the Offer Price will be paid into such cash account approximately two (2) Finnish banking days later in accordance with the schedule for payment transactions between financial institutions.

In the event of a Subsequent Offer Period, the Offeror will in connection with the announcement thereof announce the terms of payment and settlement for the Shares tendered during the Subsequent Offer Period. The settlement

with respect to Shares validly tendered and accepted in accordance with the terms and conditions of the Tender Offer during the Subsequent Offer Period will, however, be executed within not more than two (2) week intervals.

The Offeror reserves the right to postpone the payment of the Offer Price if payment is prevented or suspended due to a force majeure event, but will immediately effect such payment once the force majeure event preventing or suspending payment is resolved.

If all the Conditions to Completion are not met and the Offeror does not waive such conditions or extend the Offer Period, the Tender Offer will expire, and no consideration will be paid for the tendered Shares.

Transfer of Title

Title to the Shares in respect of which the Tender Offer has been validly accepted, and not validly withdrawn, will pass to the Offeror on the Settlement Date against the payment of the Offer Price by the Offeror to the tendering shareholder. In the event of a Subsequent Offer Period, title to the Shares in respect of which the Tender Offer has been validly accepted during a Subsequent Offer Period will pass to the Offeror against the payment of the Offer Price by the Offeror to the tendering shareholder as promptly as reasonable following their tender.

Transfer Tax and Other Payments

The Offeror will pay any transfer tax that may be charged in Finland in connection with the sale of the Shares pursuant to the Tender Offer.

Fees charged by account operators, asset managers, nominees or any other person for the release of collateral or the revoking of any other restrictions preventing the sale of the Shares, will be borne by each relevant shareholder of Innofactor. Each shareholder of Innofactor is liable for any fees that relate to a withdrawal of an acceptance made by such shareholder.

The Offeror is liable for any other customary costs caused by the registration of entries in the book-entry system required by the Tender Offer, the execution of trades pertaining to the Shares pursuant to the Tender Offer and the payment of the Offer Price.

The receipt of cash pursuant to the Tender Offer by a shareholder may be a taxable transaction for the respective shareholder under applicable tax laws, including those of the country of residency of the shareholder. Any tax liability arising to a shareholder from the receipt of cash pursuant to the Tender Offer will be borne by such shareholder. Each shareholder is urged to consult with an independent professional adviser regarding the tax consequences of accepting the Tender Offer.

Other Matters

This Tender Offer Document and the Tender Offer are governed by Finnish law. Any disputes arising out of or in connection with the Tender Offer will be settled by a court of competent jurisdiction in Finland.

The Offeror reserves the right to amend the terms and conditions of the Tender Offer in accordance with Chapter 11, Section 15 of the Finnish Securities Markets Act. Should the FIN-FSA issue an order regarding an extension of the Offer Period, the Offeror reserves the right to decide upon the withdrawal of the Tender Offer in accordance with Chapter 11, Section 12 of the Finnish Securities Markets Act.

Should a competing tender offer be published by a third party during the Offer Period, the Offeror reserves the right, as stipulated in Chapter 11, Section 17 of the Finnish Securities Markets Act, to (i) decide upon an extension of the Offer Period; (ii) decide upon an amendment of the terms and conditions of the Tender Offer; and (iii) decide, during the Offer Period, but before the expiration of the competing offer, to let the Tender Offer lapse. The Offeror will decide on all other matters related to the Tender Offer, subject to applicable laws and regulations and the provisions of the Combination Agreement.

Other Information

Carnegie acts as financial adviser for the Offeror and the Consortium and as arranger outside the United States in relation to the Tender Offer, which means that it performs certain administrative services relating to the Tender Offer. This does not mean that a person who accepts the Tender Offer (the “**Participant**”) will be regarded as a customer of Carnegie as a result of such acceptance. A Participant will be regarded as a customer only if Carnegie has provided advice to the Participant regarding the Tender Offer. If the Participant is not regarded as a customer, the investor protection rules under the Finnish Act on Investment Services (747/2012, as amended, the “**Finnish Act on Investment Services**”) will not apply to the acceptance. This means, among other things, that neither the so-called customer categorization nor the so-called appropriateness test will be performed with respect to the Tender Offer. Each Participant is therefore responsible for ensuring that it has sufficient experience and knowledge to understand the risks associated with the Tender Offer.

OP acts as issuer agent in relation to the Tender Offer, which means that it performs certain administrative services relating to the Tender Offer. This does not mean that a person will be regarded as a customer of OP as a result of acceptance. A Participant will be regarded as a customer only if OP has provided advice to the Participant or has otherwise contacted the Participant personally regarding the Tender Offer. If the Participant is not regarded as a customer, the investor protection rules under the Finnish Act on Investment Services will not apply to the acceptance. This means, among other things, that neither the so-called customer categorization nor the so-called appropriateness test will be performed with respect to the Tender Offer. Each Participant is therefore responsible for ensuring that it has sufficient experience and knowledge to understand the risks associated with the Tender Offer.

Important Information regarding NID and LEI

According to Directive 2014/65/ EU on markets in financial instruments (MiFID II), all investors must have a global identification code from 3 January 2018, in order to carry out a securities transaction. These requirements require legal entities to apply for registration of a Legal Entity Identifier (“**LEI**”) code, and natural persons need to state their NID (National ID or National Client Identifier) when accepting the Tender Offer. Each person’s legal status determines whether a LEI code or NID number is required and the book-entry account operator may be prevented from performing the transaction to any person if a LEI code or NID number is not provided. Legal persons who need to obtain a LEI code can contact the relevant authority or one of the suppliers available on the market. Instructions for the global LEI system can be found on the following website: <https://www.gleif.org/en/about-lei/get-an-lei-find-lei-issuing-organizations>. Those who intend to accept the Tender Offer are encouraged to apply for registration of a LEI code (legal persons) or to acquire their NID number (natural persons) well in advance, as this information is required in the acceptance at the time of submission.

Information about Processing of Personal Data

Shareholders who accept the Tender Offer will submit personal data, such as name, address and NID to OP, which is the controller for the processing. Personal data provided to OP will be processed in data systems to the extent required to administer the Tender Offer. Personal data obtained from sources other than the customer may also be processed. Personal data may also be processed in the data systems of companies with which OP cooperates and it may be disclosed to the Offeror and the members of the Consortium to the extent necessary for administering the Tender Offer. Address details may be obtained by OP through an automatic procedure executed by Euroclear Finland. Additional information on processing of personal data by OP, including details on how to exercise data subjects’ rights, may be found at www.op.fi/dataprotection/privacy-notices-and-contact-details.

PRESENTATION OF THE OFFEROR

Offeror in Brief

The Offeror is a private limited liability company (company registration number 3459109-9) incorporated and existing under the laws of Finland. The Offeror is domiciled in Helsinki, and its registered address is c/o Roschier, Attorneys Ltd., Kasarmikatu 21 A, FI-00130 Helsinki. As at the date of this Tender Offer Document, the Offeror is indirectly owned by Onni Topco Oy. Onni Topco Oy was incorporated to be the holding company in the acquisition structure and is currently owned by CapMan Growth. CapMan Growth, Sami Ensio, the Company's founder, CEO, and a member of the Board of Directors, through his controlled holding company, Ensio Investment Group, and Osprey Capital have formed the Consortium. It is expected that after the completion of the Tender Offer and the cash investments made by the Consortium members, CapMan Growth will own approximately 52.4 percent, Ensio Investment Group approximately 42.6 percent and Osprey Capital approximately 5.0 percent of the shares in Onni Topco Oy. CapMan Growth has reserved the right to invite also other members who are not shareholders of the Company to join the Consortium to syndicate its indirect ownership in the Offeror. The entry of any such other parties into the Consortium would reduce CapMan Growth's shareholding in Onni Topco Oy. The Consortium parties may terminate their participation in the Consortium only under certain limited circumstances, see "*The Consortium*".

Persons Related to the Offeror as Stipulated in Chapter 11, Section 5 of the Finnish Securities Markets Act

The parties acting in concert with the Offeror as referred to in Chapter 11, Section 5 of the Finnish Securities Markets Act include CapMan Growth, Sami Ensio, Ensio Investment Group, Osprey Capital and Timo Larjomaa and their affiliates.

The Offeror has after the Announcement acquired in public trading on Nasdaq Helsinki a total of 2,684,198 Shares, which represent approximately 7.5 percent of the Shares and votes. The highest price paid for the Shares was EUR 1.68 per Share.

Of the entities acting in concert with the Offeror as referred to in Chapter 11, Section 5 of the Finnish Securities Markets Act, Sami Ensio holds a total of 5,763,044 Shares in addition to which he controls a total of 2,173,760 Shares that are held by his children, as at the date of this Tender Offer Document. The Shares held and controlled by Sami Ensio are in total 7,936,804 Shares, which represent approximately 22.2 percent of the Shares and votes. Within a period of six (6) months preceding the Announcement, Sami Ensio has received fifty (50) percent of his annual Board remuneration as shares in Innofactor, in total 11,407 shares, in accordance with the decision by the general meeting held on March 27, 2024. The share-based board member incentive has been paid on May 2, 2024 by using the closing price of the Share on the publication date, April 23, 2024, of the interim report for January 1 – March 31, 2024, which is EUR 1.315 per Share.

At the end of 2023, Innofactor has set up a personnel bonus fund into which personnel can invest their own performance bonuses. In accordance with its rules, the fund invests in Shares in Innofactor. Sami Ensio has invested his performance bonus in the fund in question in early 2024, estimated at approximately EUR 40,000, but he has no control over the operation of the fund or its holdings.

The Shares held by the Offeror and the Shares held and controlled by Sami Ensio are in total 10,621,002 Shares, which represent approximately 29.7 percent of the Shares and votes.

Neither the Offeror nor any party related to the Offeror in the manner referred to in Chapter 11, Section 5 of the Finnish Securities Markets Act has during the period of six (6) months preceding the Announcement otherwise purchased any Shares in Innofactor in public trading or otherwise with a price that would exceed the Offer Price. Sami Ensio has irrevocably undertaken to sell all the Shares held and controlled by him to the Tender Offer, see "*Background and Objectives – Background to the Tender Offer and the Offeror's Strategic Plans*".

The following table sets forth the shareholdings of entities acting in concert with the Offeror as referred to in Chapter 11, Section 5 of the Finnish Securities Markets Act as at the date of this Tender Offer Document:

Entity	Business Identity Code	Domicile	Number of outstanding	Percentage of outstanding
			Shares and votes carried by the Shares in Innofactor	Shares and votes carried by the Shares in Innofactor
Onni Topco Oy	3459106-4	Helsinki, Finland	0	0
Onni Midco Oy	3459107-2	Helsinki, Finland	0	0
CapMan Growth Equity Fund III Ky	3388356-7	Helsinki, Finland	0	0
CapMan Growth Equity III GP Oy	3376731-2	Helsinki, Finland	0	0
CapMan AIFM Oy	2906461-4	Helsinki, Finland	0	0
Ensio Investment Group Oy	3461418-2	Espoo, Finland	0	0
Sami Ensio (control)	-	-	7,936,804	22.2 ¹
Osprey Capital Oy	2601954-3	Espoo, Finland	0	0
Timo Larjomaa	-	-	0	0

The Consortium

CapMan Growth, Sami Ensio through his controlled holding company, Ensio Investment Group, and Osprey Capital have formed the Consortium for the purposes of the Tender Offer. The Consortium members have entered into an agreement concerning the cooperation of the members of the Consortium in connection with the Tender Offer, the sale to the Tender Offer of the Shares held and controlled by Sami Ensio as well as their rights and obligations as Consortium parties. If the Tender Offer is completed, the Offeror will bear the costs and expenses for preparing and pursuing the Tender Offer, whereby the Consortium members will be liable for costs for preparing and pursuing the Tender Offer on a pro rata basis in relation to their above-mentioned contemplated shareholdings in Onni Topco Oy. If the Tender Offer is not completed, a cap has been imposed on the costs and expenses to be borne by Sami Ensio, if the non-completion of the Tender Offer is due to a reason over which Sami Ensio has had no control over.

Following completion of the Tender Offer, the purpose of the Consortium will be to develop Innofactor's business further, and each member of the Consortium has the prerequisites to bear the business risks and to actively take part in, and provide significant contributions to, the long-term development of Innofactor. The Consortium members have a strong joint commitment to both the successful execution of the Tender Offer and, following the completion of the Tender Offer, the joint development of the Company.

The Consortium believes that a private setting and the experience and diverse resources of the leading Finnish growth investor CapMan Growth, together with the founder, long-time CEO and board member of Innofactor, Sami Ensio, will provide the Company with the best possible basis for further business development.

The Consortium members are pursuing the Tender Offer in accordance with its terms and conditions, including the fulfilment of the Conditions to Completion (see "*Terms and Conditions of the Tender Offer*"). The Conditions to Completion may be waived at the sole discretion of CapMan Growth, after having first obtained approval by Sami Ensio.

Sami Ensio may withdraw from the Tender Offer following a competing offer, provided that such competing offer has an offer price at least 100 percent higher than the Offer Price, and provided further that such competing offer (i) is not subject to any outstanding due diligence, (ii) benefits from financing on certain funds basis, and (iii) in the event of a consortium offer, has completed necessary consultation processes with supervisory authorities, as applicable. This withdrawal right shall be available to Sami Ensio only if he has complied with, inter alia, certain exclusivity obligations binding upon him and given his consent to increase the Offer Price to match or exceed such

¹ Including the Restricted Shares (approximately 0.4 percent of the Shares).

higher offer price, but CapMan Growth has not confirmed to Sami Ensio within a certain period of time that CapMan Growth agrees to increase the Offer Price. In connection with such termination Sami Ensio has agreed to bear the costs and expenses for preparing and pursuing the Tender Offer on a pro rata basis. The termination rights of the Consortium members do not, however, apply in case all Conditions to Completion are fulfilled and the Offeror has an obligation to complete the Tender Offer. The consequences of termination, including the reimbursement of certain expenses, costs and fees incurred in connection with the Combination Agreement and the transactions contemplated in the Combination Agreement, are described in more detail in section “*Summary of the Combination Agreement – Termination*”.

The financing of the Tender Offer will be completed in respect of Sami Ensio by accepting the Tender Offer for the Shares held by him (excluding the Restricted Shares which will only become subject to the sale commitment after the lock-up restriction is waived or is no longer applicable) and the Shares controlled by him (that are held by Sami Ensio’s three children, two of whom are minors as at the date of this Tender Offer Document). With the proceeds of the acceptance of the Tender Offer, Sami Ensio and his children will capitalise Ensio Investment Group through equity investments in ordinary and preference shares and shareholder loans. Sami Ensio will continue to exercise control over Ensio Investment Group on the basis of the voting rights attached to his shares after this capitalisation. The total shareholdings in Ensio Investment Group will be divided between Sami Ensio and his children substantially in accordance with their current shareholdings in the Company. The bridge financing required for the arrangement described above has been agreed as part of a debt financing loan agreement with a reputable Nordic bank, see “*Background and Objectives – Financing of the Tender Offer*”.

PRESENTATION OF INNOFACTOR

All financial and other information presented in this Tender Offer Document concerning Innofactor has been extracted from, and has been exclusively based upon, the half-yearly report published by Innofactor as at and for the six months period ended 30 June, 2024, the annual report and audited financial statements published by Innofactor as at and for the year ended December 31, 2023, stock exchange releases published by Innofactor, entries in the Finnish trade register, Innofactor's shareholders' register maintained by Euroclear Finland and other publicly available information. Consequently, the Offeror does not accept responsibility for such information except for the accurate reproduction of such information herein.

General Overview

Innofactor is the leading promoter of the modern digital organization in the Nordic countries for its approximately 1,000 customers in the commercial and public sectors. Innofactor has the widest solution offering and leading know-how in the Microsoft ecosystem in the Nordics. Innofactor's offering includes planning services for business-critical IT solutions, project deliveries, implementation support and maintenance services, as well as own software and services. Innofactor employs approximately 600 experts in Finland, Sweden, Denmark and Norway.

Innofactor is a public limited liability company incorporated under the laws of Finland with its shares listed on the official list of Nasdaq Helsinki under the trading code "IFA1V". The ISIN code of the shares of Innofactor is FI0009007637. Innofactor is registered in the Finnish Trade Register under the business identity code 0686163-7. The legal entity identifier (LEI) code of Innofactor is 7437008OSKQFEDZYD835. The Company is domiciled in Espoo, and its registered address is Keilaranta 9, FI-02150 Espoo, Finland.

Shares and Share Capital

As at the date of this Tender Offer Document, the registered share capital of Innofactor amounts to EUR 2,100,000 and the number of issued shares in Innofactor is 36,343,691, of which 35,789,319 are outstanding Shares and 554,372 are held in treasury. The Shares have no nominal value. The articles of association of Innofactor do not include provisions on the minimum or maximum amount of share capital.

Innofactor has a single series of shares. The Shares are entered into the Finnish book-entry securities system. Each Share entitles its holder to one vote at Innofactor's general meeting. All Shares give equal rights to dividends and other distributable funds by Innofactor. The articles of association of Innofactor do not include any provisions or restrictions on voting rights that deviate from provisions of the Finnish Companies Act.

Ownership Structure

The following table sets forth the ten largest shareholders of Innofactor and their ownership of all issued shares and voting rights in Innofactor according to the shareholders' register maintained by Euroclear Finland Oy ("Euroclear Finland") as at July 31, 2024.

	Number of shares	Percent of shares and votes
Sami Ensio (control)	7,936,804	21.84 ²
Ilmarinen Mutual Pension Insurance Company	1,800,000	4.95
R. Linturi Oyj (control)	1,256,411	3.46
Innofactor Oyj	554,372	1.53
Hellen Stefan Andreas	486,000	1.34
Ingman Finance Oy Ab	450,000	1.24
Mäki Antti-Jussi	440,274	1.21
Mandatium Life Insurance Company Limited	439,558	1.21
Muukkonen Teemu Heikki	379,511	1.04
Kannisto Jaakko Mikael	285,966	0.79

² Approximately 22.2 percent of the Shares including the Restricted Shares (approximately 0.4 percent of the Shares).

	Number of shares	Percent of shares and votes
Ten largest shareholders, in total	<u>14,028,896</u>	<u>38.61</u>
Other shareholders	22,314,795	61.39
Total	<u>36,343,691</u>	<u>100.00</u>

Treasury Shares

As at the date of this Tender Offer Document, the Company holds 554,372 treasury shares in the Company.

Stock Options and Other Special Rights Entitling to Shares

Pursuant to the knowledge of the Offeror, Innofactor has no issued or outstanding stock options or other special rights entitling to shares. However, the annual general meeting of Innofactor has on March 27, 2024 authorised the Board of Directors of the Company to resolve on the issuance of shares as well as the issuance of special rights entitling to shares (see “– *Authorisations – Authorisation Regarding the Issuance of Shares and Special Rights Entitling to Shares*” below).

Authorisations

Authorisation Regarding the Issuance of Shares and Special Rights Entitling to Shares

On March 27, 2024, the annual general meeting of Innofactor authorised the Board of Directors of the Company to resolve on a share issue as well as the issuance of special rights entitling to shares referred to in Chapter 10, Section 1 of the Finnish Companies Act. A maximum of 3,600,000 new shares in the Company may be issued based on the authorisation and a maximum of 3,600,000 may be transferred in one or several tranches. The authorisation includes the right to derogate from the shareholders’ pre-emptive subscription right.

The authorisation, with certain restrictions, may be used to develop Innofactor’s capital structure, to widen the ownership base, in making a payment for an acquisition, when the Company buys property related to its business operations and execution of incentive or reward program for employees and management of the Group.

The Board of Directors of the Company is authorised to decide on other matters than those resolved by the general meeting, related to the issue of shares and of special rights entitling to shares.

The authorisation is valid until June 30, 2025.

Authorisation Regarding the Repurchase of Own Shares

On March 27, 2024, the annual general meeting of Innofactor authorised the Board of Directors of the Company to resolve on an acquisition of a maximum of 3,600,000 shares in one or several tranches with the Company’s unrestricted equity capital. The authorization entitles the Board to deviate from the shareholders’ proportional shareholdings (directed acquisition).

The shares may be used to carry out acquisitions or other arrangements pertaining to the Company’s business operations, to develop the capital structure of the Company, as part of the incentive plans, or to be otherwise invalidated or conveyed.

The Company’s Board of Directors has the right to decide on all other matters related to the acquisition of shares than other than those decided by the general meeting.

The authorisation is valid until June 30, 2025.

Shareholders' Agreements and Certain Other Agreements

Excluding the Shares held by Sami Ensio's children and controlled by him, the Offeror is not aware of any shareholders' agreements or other agreements or arrangements concerning the use of voting power or shareholding in Innofactor or containing information that would materially affect the assessment of the benefits of the Tender Offer.

Board of Directors, CEO and Auditor

In accordance with the provisions of the Finnish Companies Act, the Board of Directors of Innofactor is responsible for the Company's management and the proper organisation of its operations.

According to the articles of association of Innofactor, the Board of Directors of the Company shall comprise of a minimum of four (4) and a maximum of eight (8) ordinary members. The annual general meeting of shareholders of Innofactor elects the members of the Board of Directors. As at the date of this Tender Offer Document, the Board of Directors of the Company consists of the following persons: Anna Lindén (Chair), Sami Ensio, Risto Linturi and Heikki Nikku.

Pursuant to the Finnish Companies Act, the CEO is appointed by the Board of Directors of the Company. As at the date of this Tender Offer Document, the CEO of Innofactor is Sami Ensio.

The auditor of Innofactor is Ernst & Young Oy, with Juha Hilmola, Authorised Public Accountant, as the responsible auditor.

Innofactor's Ownership in the Offeror

Pursuant to the knowledge of the Offeror, Innofactor does not own any shares or securities entitling to shares in the Offeror or in any party related to the Offeror in the manner referred to in Chapter 11, Section 5 of the Finnish Securities Markets Act.

Financial Information

The audited consolidated financial statements of Innofactor as at and for the financial year ended December 31, 2023 and the Board of Directors' report as at and for the financial year ended December 31, 2023 are included in this Tender Offer Document (see "*Annex A: Financial Information of Innofactor*") in the form published by Innofactor. As at the date of this Tender Offer Document, the said financial statements have been presented to and adopted by the annual general meeting of shareholders of Innofactor. The unaudited consolidated half-yearly report of Innofactor as at and for the six months period ended June 30, 2024 is also included in this Tender Offer Document in the form published by Innofactor (see "*Annex A: Financial Information of Innofactor*").

Future Prospects Published by Innofactor

The future prospects and guidance for the year 2024 of Innofactor have been described in the unaudited half-yearly report of Innofactor as at and for the six months period ended June 30, 2024. See "*Annex A: Financial Information of Innofactor*".

Information on risks to which Innofactor is exposed has been presented in the annual report 2023 of Innofactor published on March 6, 2024 and in the half-yearly report of Innofactor published on July 18, 2024.

Articles of Association

The articles of association of Innofactor are included in this Tender Offer Document. See "*Annex B: Articles of Association of Innofactor*".

FINANCIAL INFORMATION OF INNOFACTOR

The unaudited consolidated half-yearly report published by Innofactor as at and for the six months period ended June 30, 2024 and the Board of Directors' report and the audited consolidated financial statements published by Innofactor as at and for the year ended December 31, 2023 as they have been included in this Tender Offer Document, are based on information made public by Innofactor. The Offeror does not accept any responsibility for such information except for the accurate reproduction of such information in this Tender Offer Document.

Index to Financial Information

- Unaudited consolidated half-yearly report published by Innofactor as at and for the six months period ended June 30, 2024.
- Board of Directors' report and the audited consolidated financial statements published by Innofactor as at and for the financial year ended December 31, 2023.

Innofactor Plc Half-Yearly Report July 18, 2024, at 9:00 Finnish time

Innofactor Plc's Half-Yearly Report for January 1–June 30, 2024 (IFRS)

In a challenging market situation, Innofactor fell short of its targets in the second quarter, and profitability was also significantly further reduced by legal expenses.

April–June 2024 in brief:

- Net sales were approximately EUR 19.9 million (2023: 20.1), representing a decrease of 1.1%
- The operating margin was approximately EUR 0.6 million (2023: 1.8), representing a decrease of 65.8%
 - The operating margin includes legal expenses of approximately EUR 0.75 million, without which the operating margin would have amounted to EUR 1.4 million and the comparable change would have been a decrease of 23.2%
- Operating profit was EUR -0.1 million (2023: 1.0), representing a decrease of 114.5%
 - The operating profit includes the corresponding legal expenses as the operating margin, without which the operating profit would have been approximately EUR 0.6 million and the comparable change would have been a decrease of 38.2%
- The order backlog at the end of the review period was EUR 70.4 million (2023: 77.3), representing a decrease of 8.9%

January–June 2024 in brief:

- Net sales were approximately EUR 41.1 million (2023: 40.3), representing an increase of 1.8%
- The operating margin was approximately EUR 3.2 million (2023: 4.3), representing a decrease of 24.6%
 - The operating margin includes legal expenses of approximately EUR 0.75 million, without which the operating margin would have amounted to EUR 4.0 million and the comparable change would have been a decrease of 7.0%
- Operating profit was EUR 1.7 million (2023: 2.7), representing a decrease of 37.2%
 - The operating profit includes the corresponding legal expenses as the operating margin, without which the operating profit would have been approximately EUR 2.4 million and the comparable change would have been a decrease of 9.3%

Key figures of the group, IFRS

	Apr 1– Jun 30, 2024	Apr 1– Jun 30, 2023	Change	Jan 1–Jun 30, 2024	Jan 1–Jun 30, 2023	Change
Net sales, EUR thousand	19,866	20,095	-1.1%	41,052	40,317	1.8%
Revenue in the previous period	20,095	16,946		40,317	33,911	
Growth of net sales	-1.1%	18.6%		1.8%	18.9%	
Operating result before depreciation and amortization (EBITDA), EUR thousand	604	1,765	-65.8%	3,204	4,252	-24.6%
percentage of net sales	3.0%	8.8%		7.8%	10.5%	
Operating profit/loss (EBIT), EUR thousand	-143	984	-114.5%	1,693	2,695	-37.2%
percentage of net sales	-0.7%	4.9%		4.1%	6.7%	
Earnings before taxes, EUR thousand	-202	813	-124.9%	1,541	2,124	-27.4%
percentage of net sales	-1.0%	4.0%		3.8%	5.3%	
Earnings, EUR thousand	-343	459	-174.8%	1,034	1,496	-30.8%
percentage of net sales	-1.7%	2.3%		2.5%	3.7%	
Order backlog	70,355	77,250	-8.9%	70,355	77,250	-8.9%
Net gearing	24.6%	46.6%	-22.0%	24.6%	46.6%	-22.0%
Net gearing without IFRS 16	15.2%	30.5%	-15.3%	15.2%	30.5%	-15.3%
Equity ratio	51.0%	46.6%	4.4%	51.0%	46.6%	4.4%
Equity ratio without IFRS 16	53.6%	50.4%	3.2%	53.6%	50.4%	3.2%
Active personnel on average during the review period*	587	584	0.5%	583	576	1.2%
Active personnel at the end of the review period*	591	588	0.5%	591	588	0.5%
Earnings per share (EUR)	-0.01	0.01	-174.8%	0.03	0.04	-30.8%

*) Innofactor Group monitors the number of active personnel. The number of active personnel does not include employees who are on leave for more than three months.

Innofactor's future outlook for 2024

Innofactor's net sales and operating margin (EBITDA) in 2024 are estimated to increase from 2023, during which net sales were EUR 80.3 million and the operating margin was EUR 9.1 million.

CEO Sami Ensio's review: In spite of the challenging market situation, we managed to increase our order backlog when compared to the previous quarter

Net sales in the second quarter of 2024 amounted to EUR 19.9 million, representing a year-on-year decrease of 1.1 percent. During the second quarter, net sales increased in Finland and Norway, but decreased in Sweden and Denmark. The operating margin (EBITDA) decreased by 65.8 percent year-on-year to EUR 0.6 million (3.0 percent of net sales), and was positive in Finland. The operating margin includes legal expenses of approximately EUR 0.75 million, without which the operating margin would have amounted to EUR 1.4 million and the comparable change would have been a decrease of 23.2%.

Net sales in the first half of 2024 amounted to EUR 41.1 million, representing a year-on-year increase of 1.8 percent. In the first half of the year, net sales increased in Finland and Norway, but decreased in Sweden and Denmark. The operating margin (EBITDA) decreased by 24.6 percent year-on-year to EUR 3.2 million (7.8 percent of net sales), and was positive in Finland and Norway. The operating margin includes legal expenses of approximately EUR 0.75 million, without which the operating margin would have amounted to EUR 4.0 million and the comparable change would have been a decrease of 7.0%.

The market situation remained difficult in the second quarter of 2024. New sales were challenging during the second quarter. The order backlog at the end of the review period was EUR 70.4 million, representing a year-on-year decrease of 8.9 percent. However, the order backlog increased by 2.2 percent when compared to the first quarter of the year. Our invoicing rate fell short of our target due to the challenging demand situation.

Innofactor wants to maintain its competitiveness when demand eventually turns to growth again. In our tendering activities, we have not priced our services below our cost. We are adapting our operations with a conservative approach. We have reduced the use of subcontracting, especially in Finland and Sweden. In the second quarter, we also reduced the number of our personnel by approximately 20 percent in Sweden, where profitability has been weak for an extended period of time and the challenging market situation has further exacerbated the situation. This resulted in expenses in the second quarter, but that will no longer be the case in the second half of the year.

According to a decision handed down by the arbitration tribunal of the Stockholm Chamber of Commerce, Innofactor Plc will not be able to collect the previously awarded damages of approximately EUR 2.3 million in relation to the 2016 Lumagate acquisition to the full extent of the awarded damages. Instead, Innofactor Plc's distribution share will be approximately EUR 1 million at a maximum. In addition to this, Innofactor Plc will bear its own legal costs of approximately EUR 309,000, the opposing party's legal costs of approximately EUR 310,000 and the costs of the arbitration, EUR 166,150. These expenses were recognised in full in the second quarter, and there should be no further costs related to the matter.

Innofactor's aim is to be the leading provider of organizations' digital transformation 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. Innofactor is still actively looking for new strategic partnerships in the Nordic countries. The Group's goal is to grow both organically and through acquisitions.

Strategy and its realization in the review period

Innofactor's strategy comprises our purpose, mission, vision, strategic choices, values, working principle, employer promise, and long-term financial goals.

Our purpose: Innovating to make the world work better

Our mission: Driving the modern digital organization

Our vision: Leading Nordic digital transformation partner in the Microsoft ecosystem

Our strategic choices:

- The most competent Nordic teams
- Productized and specialized offering
- Proactive and agile way of working
- Innovation with top customers

Our values:

- Accountability
- Empowerment
- Innovation
- Customer

Our working principle: Our principle is to put people first in everything we do. We want to provide solutions that make our customers' everyday work and life run smoothly and bring a smile to their faces.

Employer Value Proposition: Be the real you

Our long-term financial goals:

- To achieve annual growth of about 20 percent, the majority of which 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 good financial standing in all situations.

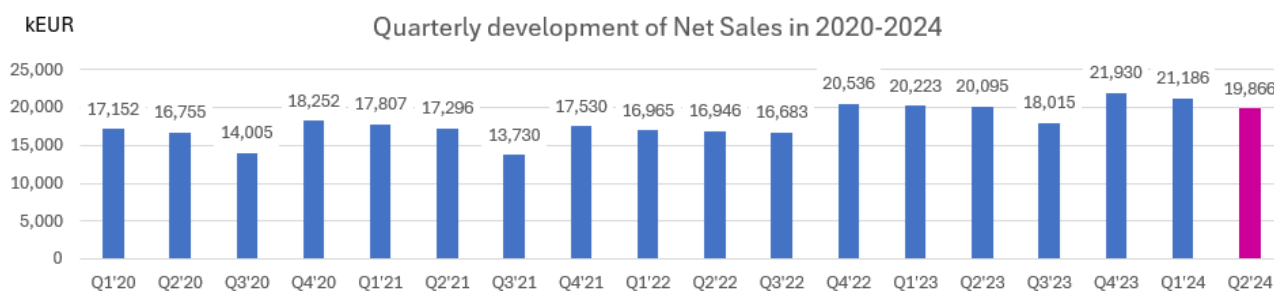
Innofactor's net sales in the first half of the year amounted to EUR 41.1 million (2023: 40.3), representing year-on-year growth of 1.8 percent. The prevailing weak market situation makes the

net sales growth target challenging at present. Innofactor aims to continue to take measures to support stronger net sales growth going forward.

The operating margin (EBITDA) was 7.8 percent of net sales (2023: 10.5%). In the period under review, the operating margin decreased by 24.6 percent year-on-year. The operating margin includes legal expenses of approximately EUR 0.75 million, without which the operating margin would have amounted to EUR 4.0 million and the comparable change would have been a decrease of 7.0%. While profitability has improved over the long term, continued attention and efforts by the management are still needed in the coming years to reach the long-term operating margin target of approximately 20 percent.

Innofactor’s operating cash flow for the review period January 1–June 30, 2024, amounted to EUR 5.5 million (2023: EUR 3.9 million) and the equity ratio at the end of the review period was 51.0 percent (2023: 46.6 percent). Innofactor’s strong operating cash flow supports the company’s strategic goal of profitable growth and securing a solid financial standing in all situations. The amount of interest-bearing liabilities has decreased considerably. At the end of the review period, the company’s interest-bearing liabilities to financial institutions amounted to only approximately EUR 4.0 million, consisting entirely of current liabilities.

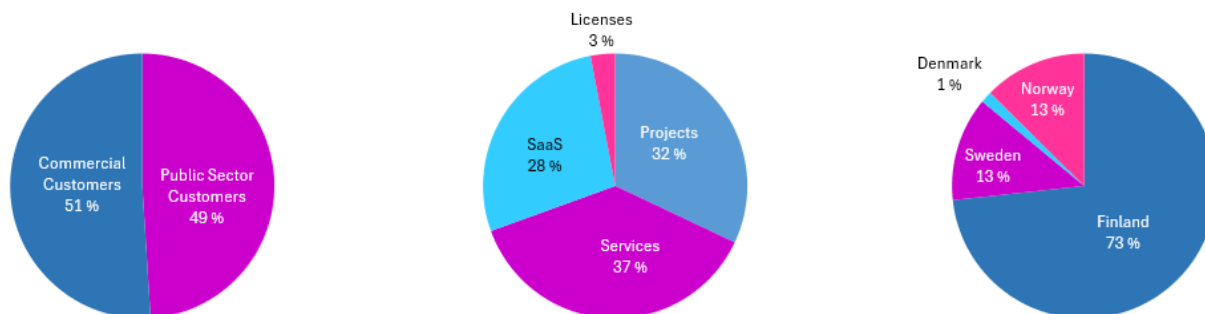
Innofactor’s Q2 net sales decreased year-on-year



Innofactor’s net sales for the period April 1–June 30, 2024, amounted to EUR 19,866 thousand (2023: 20,095), representing a decrease of 1.1 percent. Net sales per active employee amounted to approximately EUR 33.8 thousand (2023: 34.4), representing a decrease of 1.6 percent.

Innofactor’s net sales for the period January 1–June 30, 2024, amounted to EUR 41,052 thousand (2023: 40,317), which shows an increase of 1.8 percent. Net sales per active employee amounted to approximately EUR 70.4 thousand (2023: 70.0), which shows an increase of 0.6percent. We focus on continuing to increase our net sales per active employee, which is supported particularly by the growth of the invoicing rate.

Distribution of net sales in January 1–June 30, 2024



Innofactor’s business operations were focused on Finland, Sweden, Denmark and Norway. During the period January 1–June 30, 2024, approximately 73 percent of the net sales came from Finland, approximately 13 percent from Sweden, approximately 13 percent from Norway, and approximately 1 percent from Denmark. Compared with the corresponding period in 2023, net sales increased in Finland and Norway, but decreased in Sweden and Denmark.

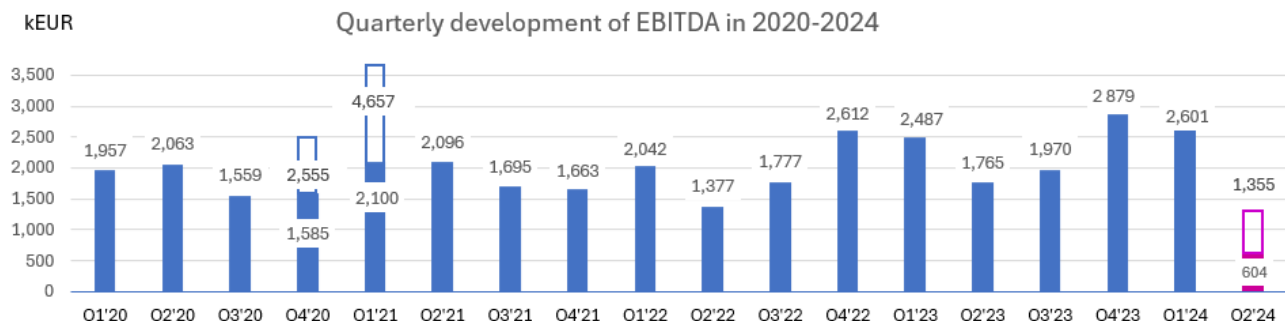
During the period January 1–June 30, 2024, approximately 51 percent of the net sales came from commercial customers (including third-sector customers) and approximately 49 percent came from public sector customers.

Innofactor’s net sales for the review period of January 1–June 30, 2024, were derived from the following sources:

- Licenses: 3 percent, including all non-recurring fees received for software
- SaaS: 28 percent, including recurring income from SaaS, cloud and hosting services and from software maintenance
- Services: 37 percent, including specialist work based on recurring service contracts, such as smaller customer-specific changes and the further development of IT systems
- Projects: 32 percent from IT system delivery projects and consulting

Innofactor’s 10 largest customers accounted for approximately 35.4 percent of net sales for the review period January 1–June 30, 2024.

Innofactor’s operating margin decreased year-on-year



Innofactor’s operating margin (EBITDA) for April 1–June 30, 2024, was EUR 604 thousand (2023: 1,765), representing a decrease of 65.8 percent. EBITDA represented 3.0 percent of net sales (2023: 8.8%). Innofactor’s operating margin was positive in Finland and negative in Sweden, Norway and Denmark. The operating margin includes legal expenses of approximately EUR 751 thousand, without which the operating margin would have amounted to EUR 1,355 thousand and the comparable change would have been a decrease of 23.2%.

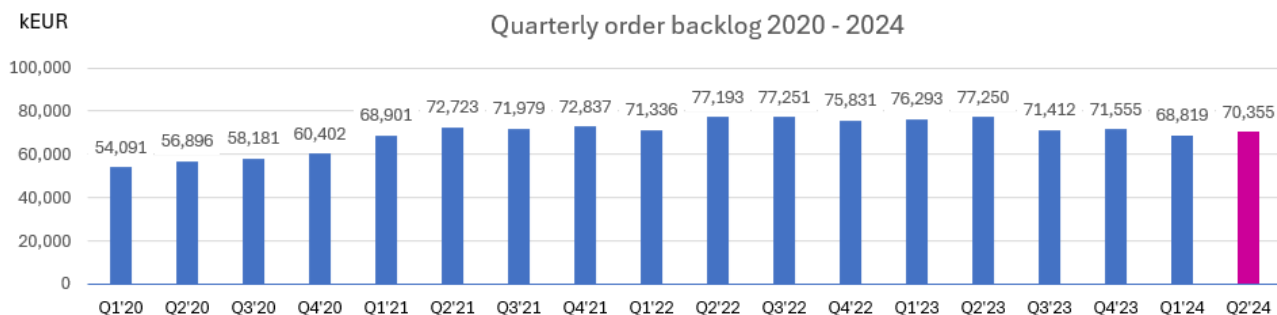
Innofactor’s operating margin (EBITDA) for January 1–June 30, 2024, was EUR 3,204 thousand (2023: 4,252), representing a decrease of 24.6 percent. EBITDA was 7.8 percent of net sales (2023: 10.5%). Innofactor’s operating margin was positive in Finland and Norway, and negative in Sweden and Denmark. The operating margin includes legal expenses of approximately EUR 751 thousand, without which the operating margin would have amounted to EUR 3,955 thousand and the comparable change would have been a decrease of 7.0%.

Innofactor’s operating profit for the period April 1–June 30, 2024, was EUR -143 thousand (2023: 984), representing a decrease of 114.5 percent. Operating profit was -0.7 percent of net sales (2023: 4.9%). The operating profit includes legal expenses of approximately EUR 751 thousand, without which the operating profit would have amounted to EUR 608 thousand and the comparable change would have been a decrease of 38.2%.

Innofactor’s operating profit for the period January 1–June 30, 2024, amounted to EUR 1,693 thousand (2023: 2,695), representing a decrease of 37.2 percent. Operating profit was 4.1 percent of net sales (2023: 6.7%). The operating profit includes legal expenses of approximately EUR 751 thousand, without which the operating profit would have amounted to EUR 2,444 thousand and the comparable change would have been a decrease of 9.3%.

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 according to what kind of schedule the resulting intangible rights will be depreciated. For this reason, the company’s view is that, instead of operating profit, the primary measure for profitability should be the operating margin (EBITDA), because it is not affected by the said depreciation.

Innofactor’s order backlog decreased year-on-year, but increased from the preceding quarter



Innofactor’s order backlog at the end of the review period was EUR 70,355 thousand (2023: 77,250), representing a year-on-year decrease of 8.9 percent. The decrease in the order backlog is due to the weak market situation, in which generating new sales has been challenging between Q2/2023 and Q2/2024. The order backlog improved from the preceding quarter (Q1/2024: EUR 68,819 thousand), representing an increase of 2.2 percent.

At the end of the review period, the value of the framework agreement backlog was EUR 30,692 thousand (2023: 28,410), which shows an increase of 8.0 percent. The framework agreement backlog remained largely on a par with the preceding quarter (Q1/2024: EUR 30,527 thousand), representing an increase of 0.5 percent.

Innofactor’s operating cash flow remained strong during the review period

Innofactor’s balance sheet total at the end of the review period was EUR 51,226 thousand (2023: 54,164). The Group’s liquid assets totaled EUR 262 thousand (2023: 226), consisting entirely of cash funds.

Operating cash flow for the review period January 1–June 30, 2024, was EUR 5,519 thousand (2023: 3,925). Cash flow from investing activities was EUR -257 thousand (2023: -394).

The equity ratio at the end of the review period was 51.0 percent (2023: 46.6%) and net gearing was 24.6 percent (2023: 46.6%).

At the end of the review period, the company had EUR 3,974 thousand in interest-bearing liabilities to financial institutions (2023: 7,508), consisting entirely of current liabilities (2023: non-current liabilities 2,747 and current liabilities 4,761). The company had IFRS 16 lease liabilities amounting to EUR 2,301 thousand (2023: 3,845) of which EUR 1,804 thousand in current leases (2023: 2,073) and EUR 497 thousand in non-current leases (2023: 1,772). The total amount of interest-bearing liabilities was EUR 6,275 thousand (2023: 11,353).

The return on invested capital for the rolling four quarters from January 1 to June 30, 2024, decreased slightly year-on-year and was 16.6 percent (2023: 16.7%). The return on equity for the rolling four quarters from January 1 to June 30, 2024, decreased year-on-year and was 13.1 percent (2023: 13.6%).

The non-current assets on Innofactor’s balance sheet at the end of the review period totaled EUR 33,788 thousand (2023: 37,203).

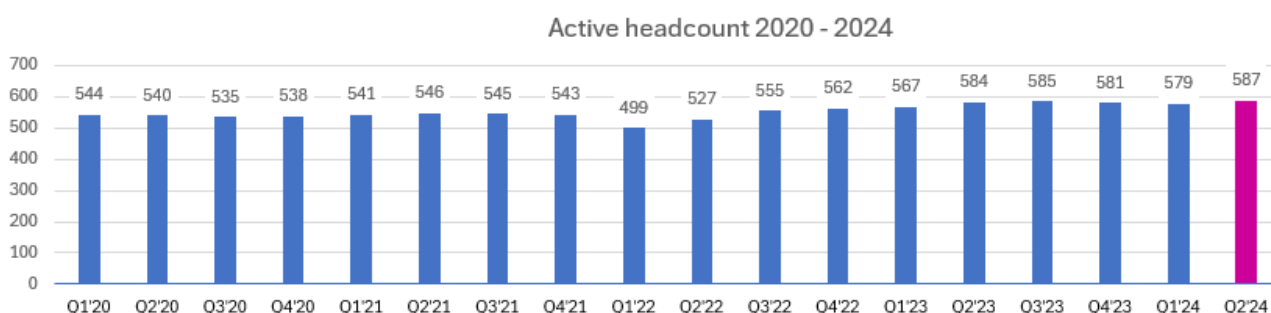
Innofactor’s gross investments in tangible and intangible assets during the review period of January 1–June 30, 2024, came to EUR 270 thousand (2023: 273), consisting of normal additional and replacement investments required by growth.

Innofactor’s research and product development investments increased from last year

During the review period, the focus of product development was on the renewal of existing products and services as well as continuous further development in order to support the growth of product-based business. The focus of the investments was particularly on the Innofactor Dynasty product family.

Innofactor’s research and development costs recognized in profit or loss for January 1–June 30, 2024, amounted to approximately EUR 3,033 thousand (2023: 2,453), representing 7.4 percent of net sales (2023: 6.1%).

Innofactor’s number of personnel increased slightly



Innofactor primarily monitors the number of active personnel. The number of active personnel does not include employees who are on leave for more than three months.

The average number of active personnel during the period April 1–June 30, 2024, was 587 (2023: 584), which shows an increase of 0.5 percent.

At the end of the review period, the number of active personnel was 591 (2023: 588), representing an increase of 0.5 percent.

At the end of the review period, the average age of the personnel was 42.2 years (2023: 42.2). Women accounted for 27 percent (2023: 27%) of the personnel. Men accounted for 73 percent (2023: 73%) of the personnel.

The reductions in personnel implemented in Sweden in the second quarter are not yet reflected in the figures.

Growth was achieved in Digital Services and Information and Case Management

During the period April 1–June 30, 2024, the net sales of the **Digital Solutions** solution area amounted to EUR 4,851 thousand (2023: 4,589), showing growth of 5.7 percent. The solution area's operating margin for the period April 1–June 30, 2024, was EUR 644 thousand (2023: 679), representing 13.3 percent of net sales (2023: 14.8%). The solution area's order backlog at the end of the review period amounted to EUR 12,943 thousand (2023: 31,421). We transferred part of the order backlog to the framework agreement backlog in the financial statements for 2023.

The solution area's net sales for the period January 1–June 30, 2024, amounted to EUR 10,475 thousand (2023: 9,286), showing an increase of 12.8 percent. The solution area's operating margin for the period January 1–June 30, 2024, was EUR 1,802 thousand (2023: 1,509), representing 17.2 percent of net sales (2023: 16.2%).

During the period April 1–June 30, 2024, the net sales of the **Business Solutions** solution area amounted to EUR 4,270 thousand (2023: 4,678), showing a decrease of 8.7 percent. The solution area's operating margin for the period April 1–June 30, 2024, was EUR -709 thousand (2023: -107), representing -16.6 percent of net sales (2023: -2.3%). The solution area's order backlog at the end of the review period amounted to EUR 14,009 thousand (2023: 11,107).

The solution area's net sales for the period January 1–June 30, 2024, amounted to EUR 8,714 thousand (2023: 9,510), showing a decrease of 8.4 percent. The solution area's operating margin for the period January 1–June 30, 2024, was EUR -737 thousand (2023: -36), representing -8.5 percent of net sales (2023: -0.4%).

During the period April 1–June 30, 2024, the net sales of the **Information and Case Management*** solution area amounted to EUR 5,001 thousand (2023: 4,919), showing growth of 1.7 percent. The solution area's operating margin for the period April 1–June 30, 2024, was EUR 827 thousand (2023: 1,032), representing 16.5 percent of net sales (2023: 21.0%). The solution area's order backlog at the end of the review period amounted to EUR 21,134 thousand (2023: 20,366).

The solution area's net sales for the period January 1–June 30, 2024, amounted to EUR 9,801 thousand (2023: 9,077), showing growth of 8.0 percent. The solution area's operating margin for the period January 1–June 30, 2024, was EUR 1,838 thousand (2023: 1,783), representing 18.8 percent of net sales (2023: 19.6%).

During the period April 1–June 30, 2024, the net sales of the **Cloud, Data, Modern Work and Data Security*** solution area amounted to EUR 5,745 thousand (2023: 5,909), showing a decrease of 2.8 percent. The solution area's operating margin for the period April 1–June 30, 2024, was EUR -159 thousand (2023: 160), representing -2.8 percent of net sales (2023: 2.7%). The solution area's order backlog at the end of the review period amounted to EUR 22,269 thousand (2023: 14,357).

The solution area's net sales for the period January 1–June 30, 2024, amounted to EUR 12,062 thousand (2023: 12,443), showing a decrease of 3.1 percent. The solution area's operating margin for the period January 1–June 30, 2024, was EUR 301 thousand (2023: 996), representing 2.5 percent of net sales (2023: 8.0%).

*) The figures for 2024 and 2023 are not fully comparable because, at the beginning of 2024, one team with annual net sales of approximately EUR 950 thousand moved from the Information and Case Management solution area to the Cloud, Data, Modern Work and Data Security solution area.

Other events in the review period

On May 2, 2024, Innofactor issued a stock exchange release to disclose that Innofactor Plc had transferred a total of 45,628 of its own shares held by the company to the members of the Board of Directors as part of their remuneration in accordance with the decision made at the Annual General Meeting held on March 27, 2024. The share-based board member incentive was paid using the closing price of the share on the publication date of the interim report for January 1–March 31, 2024, which was April 23, 2024. As a result of these transfers, the share-based board member incentive was fully paid off. Following the transfers, Innofactor holds 554,372 of its own shares.

On May 22, 2024, Innofactor issued a stock exchange release to disclose that Keva has chosen Innofactor to provide expert work and support services related to the development of their Microsoft Dynamics 365 services.

Shareholders

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 36,343,691. Innofactor Plc has one series of shares. Each share confers one vote.

During the period April 1–June 30, 2024, the highest price of the company's share was EUR 1.34 (2023: 1.29), the lowest price was EUR 1.25 (2023: 1.13) and the average price was EUR 1.30 (2023: 1.22). The closing price for the review period on June 30, 2024, was EUR 1.30 (2023: 1.20).

In public trading during the period April 1–June 30, 2024, a total of 1,871,403 shares were traded (2023: 1,531,497 shares), which corresponds to 5.1 percent (2023: 4.2%) of the average number of shares in the said period. During the period April 1–June 30, 2024, the average number of shares

was 36,343,691 (2023: 36,782,233). The share trading volume increased by 22.2 percent when compared to the corresponding period in 2023.

In public trading during the period January 1–June 30, 2024, a total of 4,035,169 shares were traded (2023: 3,832,968), which corresponds to 11.1 percent (2023: 10.3%) of the average number of shares in the said period. During the period January 1–June 30, 2024, the average number of shares was 36,343,691 (2023: 37,083,555). The share trading volume increased by 5.3 percent when compared to the corresponding period in 2023.

The market value of the share capital at the closing price of EUR 1.30 on June 30, 2024, was EUR 47,065 thousand (2023: 43,431), which shows an increase of 8.4 percent.

On June 30, 2024, the company had a total of 11,690 shareholders (2023: 11,807), including nominee-registered shares.

On June 30, 2024, the company held 554,372 treasury shares.

Decisions of the Annual General Meeting

On March 27, 2024, the Annual General Meeting decided, in accordance with the proposal of the Board of Directors, that a repayment of capital of EUR 0.07 per share be paid for the financial year 2023. The repayment of capital was paid to shareholders who, on the record date of the capital repayment on April 2, 2024, were recorded in the company's shareholders' register held by Euroclear Finland Oy. The repayment of capital was paid on April 9, 2024.

The Annual General Meeting of March 27, 2024, decided that the Board of Directors shall have four members. Mr. Sami Ensio, Ms. Anna Lindén, Mr. Risto Linturi, and Mr. Heikki Nikku were re-elected as members to the Board of Directors. At the organizing meeting held after the Annual General Meeting, the Board of Directors elected Anna Lindén as the Chairman of the Board.

The Annual General Meeting approved the proposal to appoint Ernst & Young Oy, an auditing firm authorized by the Central Chamber of Commerce, as the auditor for the company, with Juha Hilmola as the main responsible auditor.

The Board of Directors has been given the following authorizations:

- Until June 30, 2025, to decide on a share issue and granting of special rights entitling to shares, concerning a maximum of 3,600,000 new shares (decided by the Annual General Meeting of March 27, 2024); the authorization has not been used.
- Until June 30, 2025, to decide on an acquisition of a maximum of 3,600,000 treasury shares (decided by the Annual General Meeting of March 27, 2024); the authorization has not been used.

- Until the next Annual General Meeting, to distribute assets to shareholders as repayment of capital totaling a maximum of EUR 2,544,058, which allows the distribution of assets up to a maximum of EUR 0.07 per share; the authorization has not been used.

Management of the company

Innofactor Plc complies with the recommendations of the Corporate Governance Code 2022 for Finnish listed companies, published by the Securities Market Association.

Innofactor has drawn up a separate Corporate Governance Statement for the financial period 2023.

Innofactor Plc's entire Corporate Governance and statements are available on the company's website at: www.innofactor.com/invest-in-us/corporate-governance/

Related party transactions

The company's managers considered to be related parties have EUR 9 thousand in liabilities from the company's personnel issues to the company. The loan period is five years, and the loan is repaid in fixed monthly installments. There are also two-year loans that are repaid in four equal instalments every six months. The interest rate for the loan is 12-month Euribor 360. However, the interest rate is always a minimum of 0%. The accrued interest is paid to the company monthly.

Market outlook and business environment

The market outlook and business environment are published in their entirety in the financial statement and in the Annual Report.

There have been no other significant changes in market outlook and business environment during the review period, nor are other significant changes foreseen.

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.

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

Acquisitions and changes in the Group structure

There were no acquisitions or changes in the group structure during the review period.

Events after the review period

On July 3, 2024, Innofactor issued a stock exchange release to disclose that, according to a decision handed down by the arbitration tribunal of the Stockholm Chamber of Commerce, Innofactor Plc will not be able to collect the previously awarded damages of approximately EUR 2.3 million in relation to the 2016 Lumagate acquisition to the full extent of the awarded damages. Instead, Innofactor Plc's distribution share will be approximately EUR 1 million at a maximum. In addition to this, Innofactor Plc will bear its own legal costs of approximately EUR 309,000, the opposing party's legal costs of approximately EUR 310,000 and the costs of the arbitration, EUR 166,150.

Espoo, July 17, 2024

INNOFACTOR PLC

Board of Directors

Additional information:

CEO Sami Ensio, Innofactor Plc

tel. +358 50 584 2029

sami.ensio@innofactor.com

Briefings concerning Innofactor Plc's half-yearly report for January 1–June 30, 2024

Innofactor will publish its half-yearly report for January–June 2024 on Thursday, July 18, 2024, at approximately 9:00 Finnish time.

A briefing in Finnish concerning the half-yearly report will be held for media, investors and analysts on the same day at 10:00 Finnish time, at the company's premises at Keilaranta 9, Espoo. The report will be presented by CEO Sami Ensio. The corresponding video conference in English will be held at 12 noon Finnish time. The report will be presented by CFO Antti Rokala.

Please register for the briefing in advance by sending an e-mail to ir@innofactor.com.

The presentation materials will be available on Innofactor's website after the briefing.

Distribution:

NASDAQ Helsinki

Main media

www.innofactor.fi

Financial statement summary and notes January 1–June 30, 2024 (IFRS)

Accounting policies

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

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

The interim report adheres to the same accounting policies and calculation methods as the last annual financial statement 2023. However, as of January 1, 2024, 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 2023. 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, such as 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.

Translation differences

In the consolidated financial statements, exchange rate differences arising from the equity of foreign subsidiaries and loans comparable with foreign net investments are recognized in translation differences through the Group's other comprehensive income items. In the second quarter of the financial year 2022, the Group's management classified certain intra-group loans as loans comparable with net investments and the exchange rate differences arising from these loans are recognized in translation differences.

The figures in this interim report have not been audited.

**Comprehensive consolidated profit
and loss statement, IFRS**

EUR thousand	Apr 1–Jun 30, 2024	Apr 1–Jun 30, 2023	Jan 1–Jun 30, 2024	Jan 1–Jun 30, 2023
Net sales	19,866	20,095	41,052	40,317
Other operating income	29	28	54	48
Materials and services (–)	-3,238	-3,256	-6,871	-6,530
Employee benefit expenses (–)	-13,183	-13,140	-26,507	-25,916
Depreciation (–)	-747	-781	-1,512	-1,556
Other operating expenses (–)	-2,870	-1,962	-4,522	-3,667
Operating profit/loss	-143	984	1,693	2,695
Financial income	7	16	50	26
Financial expenses (–)	-66	-187	-201	-597
Profit/loss before taxes	-202	813	1,541	2,124
Income taxes	-141	-354	-507	-628
Profit/loss for the financial period	-343	459	1,034	1,496
Distribution of the result				
To shareholders of the parent company	-343	459	1,034	1,496
To non-controlling interests	0	0	0	0
Other comprehensive income				
Items that may be later recognized in profit or loss:				
Translation differences	-11	-581	-122	-361
Total comprehensive income	-354	-122	912	1,135
Distribution of the comprehensive income				
To shareholders of the parent company	-354	-122	912	1,135
To non-controlling interests	0	0	0	0
Earnings per share calculated from the profit attributable to equity holders of the parent:				
basic earnings per share (EUR)	-0.0094	0.0126	0.0283	0.0409
diluted earnings per share (EUR)	-0.0094	0.0126	0.0283	0.0409

Consolidated balance sheet, IFRS

ASSETS

EUR thousand	Jun 30, 2024	Jun 30, 2023	Dec 31, 2023
Non-current assets			
Tangible assets	986	1,182	1,080
Right-of-use assets	2,216	3,730	3,177
Goodwill	26,692	26,474	26,835
Other intangible assets	1,774	2,206	1,929
Shares and holdings	98	98	98
Receivables	44	108	44
Deferred tax assets	1,978	3,405	2,415
Non-current assets	33,788	37,203	35,578
Current assets			
Trade and other receivables	17,176	16,735	18,449
Cash and cash equivalents	262	226	425
Current assets	17,437	16,961	18,873
TOTAL ASSETS	51,226	54,164	54,451

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR thousand	Jun 30, 2024	Jun 30, 2023	Dec 31, 2023
Share capital	2,100	2,100	2,100
Share premium reserve	72	72	72
Other reserves (+/-)	59	59	59
Fund for invested unrestricted equity	13,105	15,069	15,069
Retained earnings	11,167	8,823	10,133
Translation differences	-2,073	-2,262	-1,950
Equity attributable to the shareholders of the parent company	24,431	23,861	25,483
Non-controlling interest	0	0	0
Total shareholders' equity	24,431	23,861	25,483
Non-current liabilities			
Loans from financial institutions	0	2,747	1,770
Lease liabilities	497	1,772	1,295
Deferred tax liabilities	1,714	1,828	1,779
Other non-current liabilities	0	0	0
Total non-current liabilities	2,211	6,346	4,845
Current liabilities			
Loans from financial institutions	3,974	4,761	4,555
Lease liabilities	1,804	2,073	1,996
Trade and other payables	18,806	17,122	17,573
Current liabilities total	24,584	23,957	24,123
Total liabilities	26,795	30,302	28,968
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	51,226	54,164	54,451

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 Jan 1, 2024	2,100	72	59	15,069	-2,119	12,252	-1,950	25,483
Comprehensive income								
Result for the financial period						1,034		1,034
Other comprehensive income:								
Translation differences							-122	-122
Total comprehensive income						1,033	-122	911
Repayment of capital				-1,963				-1,963
Change in treasury shares								0
Shareholders' equity Jun 30, 2024	2,100	72	59	13,106	-2,119	13,286	-2,073	24,431

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 Jan 1, 2023	2,100	72	59	17,247	-1,592	8,815	-1,902	24,799
Comprehensive income								
Result for the financial period						1,496		1,496
Other changes						-6		-6
Other comprehensive income:								
Translation differences							-361	-361
Total comprehensive income						1,489	-361	1,128
Repayment of capital				-2,177				-2,177
Change in treasury shares					111			111
Shareholders' equity Jun 30, 2023	2,100	72	59	15,069	-1,481	10,304	-2,262	23,861

Consolidated cash flow statement, IFRS

EUR thousand	Jan 1–Jun 30, 2024	Jan 1–Jun 30, 2023
Cash flow from operating activities		
Profit before taxes	1,541	2,124
Adjustments:		
Depreciation	1,512	1,556
Other transactions with no related cash flow	203	209
Operating profit before change in working capital	3,256	3,889
Change in trade and other receivables (+/–)	1,261	-2,198
Change in trade and other payables (+/–)	1,233	2,307
Change in working capital	2,493	108
Cash flow from operating activities before financing and income taxes paid	5,749	3,997
Interest received	48	26
Interest paid (–)	-57	-98
Taxes paid	-221	0
Net cash flow from operating activities	5,519	3,925
Investment cash flow		
Acquisition of subsidiaries	0	0
Purchase of shares in associated companies	0	-93
Investments in intangible and tangible assets (–)	-270	-273
Change in loan receivables	12	-28
Net cash flow from investments	-257	-394
Cash flow from financing		
Loans withdrawn	0	0
Loans paid	-2,351	-1,895
Lease liability payments	-1,111	-1,136
Dividend distribution/repayment of capital	-1,963	-2,177
Payment of equity loans	0	0
Purchase of own shares	0	-389
Transfer of own shares	0	336
Net cash flow from financing	-5,425	-5,261
Change in cash and cash equivalents (+/–)	-163	-1,730
Cash and cash equivalents, opening balance	425	1,956
Cash and cash equivalents, closing balance	262	226

**Consolidated profit and loss
statement by quarter, IFRS**

EUR thousand	Jan 1– Mar 31, 2024	Apr 1– Jun 30, 2024	Jul 1–Sep 30, 2024	Oct 1–Dec 31, 2024	Jan 1– Mar 31, 2023	Apr 1– Jun 30, 2023	Jul 1–Sep 30, 2023	Oct 1–Dec 31, 2023
Net sales	21,186	19,866			20,223	20,095	18,015	21,930
Other operating income	25	29			19	28	41	0
Materials (–)	-3,633	-3,238			-3,275	-3,256	-3,566	-3,411
Employee benefit expenses (–)	-13,324	-13,183			-12,776	-13,140	-11,101	-13,767
Depreciation (–)	-765	-747			-775	-781	-761	-948
Other operating expenses (–)	-1,653	-2,870			-1,704	-1,962	-1,419	-1,925
Operating profit/loss	1,836	-143			1,712	984	1,209	1,209
Financial income	43	7			42	16	91	0
Financial expenses (–)	-135	-66			-411	-187	128	-308
Profit/loss before taxes	1,744	-202			1,311	813	1,428	1,428
Income taxes	-366	-141			-274	-354	-363	-745
Profit/loss for the financial period	1,378	-343			1,036	459	1,064	1,064
EBITDA	2,601	604			2,487	1,765	1,970	2,879

	Digital Services	Business Solutions	Information and Case Management	Cloud, Data, Modern Work and Data Security	Total
Jan 1–Jun 30, 2024					
EUR thousand					
SaaS net sales	1,016	2,631	4,667	2,986	11,301
License net sales	50	319	441	428	1,238
Project net sales	3,387	2,956	3,328	3,464	13,135
Service net sales	6,021	2,808	1,365	5,184	15,378
Total net sales	10,475	8,714	9,801	12,062	41,052
Growth, %	12.8%	-8.4%	8.0%	-3.1%	1.8%
EBITDA	1,802	-737	1,838	301	3,204
percentage of net sales	17.2%	-8.5%	18.8%	2.5%	7.8%
Order backlog	12,943	14,009	21,134	22,269	70,355
percentage of net sales	124%	161%	216%	185%	171%
Research and product development expenses	36	297	2,496	1,271	3,033
percentage of net sales	0%	3%	25%	2%	7%
Jan 1–Jun 30, 2023					
EUR thousand					
SaaS net sales	1,067	2,734	4,345	2,248	10,394
License net sales	81	239	557	401	1,279
Project net sales	3,574	3,106	2,158	5,194	14,032
Service net sales	4,565	3,431	2,017	4,599	14,612
Total net sales	9,286	9,510	9,077	12,443	40,317
Growth, %	12.8%	6.5%	26.3%	30.5%	18.9%
EBITDA	1,509	-36	1,783	996	4,252
percentage of net sales	16.2%	-0.4%	19.6%	8.0%	10.5%
Order backlog	31,421	11,107	20,366	14,357	77,250
percentage of net sales	338%	117%	224%	115%	192%
Research and product development expenses	0	269	2,086	97	2,453
percentage of net sales	0%	3%	23%	1%	6%

Fair Values of Financial Assets and Liabilities

The table below shows the fair value and carrying amount of each item in financial assets and liabilities. These values correspond with the consolidated balance sheet values.

EUR thousand	Jun 30, 2024	Jun 30, 2023	Dec 31, 2023
	-	-	-
Trade and other receivables	17,176	16,735	18,449
Cash and cash equivalents	262	226	425
Total	17,437	16,961	18,873
Loans from financial institutions	3,974	7,508	6,325
Lease liabilities	2,301	3,845	3,291
Trade and other payables:			
Received advances	3,327	2,977	1,703
Trade payables	1,686	1,437	2,074
Other liabilities	3,012	3,155	5,139
Accrued expenses	10,781	9,554	8,657
Total	25,081	28,475	27,188

The Group's commitments and contingent liabilities

EUR thousand	Jun 30, 2024	Jun 30, 2023
Collateral given for own commitments		
Lease collateral	188	125
Mortgages on company assets	16,350	17,250
Bank guarantees	326	326
Other own liabilities		
Lease and rent liabilities		
Liabilities maturing in less than one year	48	45
Liabilities maturing in 1–5 years	59	10
Total	107	118
Other own liabilities total	107	118

Other commitments include leasing and other leases as well as liabilities arising from license agreements, to which the IFRS 16 standard has not been applied. Commitments due to long-term service contracts have not been included.

Largest shareholders

According to the share register maintained by Euroclear Finland Oy, the share ownership of the 20 largest Innofactor Plc shareholders at the end of the review period, on June 30, 2024, was as follows:

Name	Number of shares	% of share capital
1. Ensio Sami (under control of)	7,936,804	21.84%
<i>Sami Ensio</i>	5,763,044	15.86%
<i>Minor under guardianship</i>	724,588	1.99%
<i>Iiris Ensio</i>	724,586	1.99%
<i>Minor under guardianship</i>	724,586	1.99%
Ilmarinen Mutual Pension Insurance Company	1,800,000	4.95%
2. R. Linturi Oyj (under control of)	1,256,411	3.46%
<i>R. Linturi Oyj</i>	489,107	1.35%
<i>Linturi Kaija Anneli</i>	430,000	1.18%
<i>Linturi Risto Erkki Olavi</i>	337,304	0.93%
4. Hellen Stefan Andreas	486,000	1.34%
5. Mäki Antti-Jussi	459,236	1.26%
6. Ingman Finance Oy Ab	450,000	1.24%
7. Muukkonen Teemu Heikki	387,511	1.07%
8. Mandatum Life Insurance Company Limited	376,377	1.04%
9. Laiho Rami Tapani	230,480	0.63%
10. Kannisto Jaakko Mikael	227,946	0.63%
11. Kukkonen Heikki-Harri	213,606	0.59%
12. Järvenpää Janne-Olli	213,079	0.59%
13. Tilman Tuomo Tapani	209,028	0.58%
14. Varsio Jussi Ilari	200,000	0.55%
15. Mäkinen Antti Vilho Juhani	168,000	0.46%
16. Ärje Matias Juhanpoika	155,800	0.43%
17. Pesonen Tuomo Sakari	146,010	0.40%
18. Lindén Anna Sofia	144,665	0.40%
19. Saarnio Mikko Markus	138,000	0.38%
20. Heikkinen Janne Mikael	136,543	0.38%
Total	15,335,496	42.20%

Formulas for calculating the key figures

Operating margin (EBITDA):

Operating profit/loss - Depreciations

Order backlog:

Received license and project orders - realized net sales related to the order + net sales from recurring agreements for the next 12 months (does not include expected purchase activity not based on agreement, so called Run Rate)

Framework agreement backlog:

The management's estimate of future net sales to be derived from framework agreements concluded by the company. The net sales are transferred to the order backlog when a binding order is received from the customer.

Net sales/employee:

Net sales

Active personnel on average during the review period

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



Innofactor Oyj

Annual Report and Financial Statement

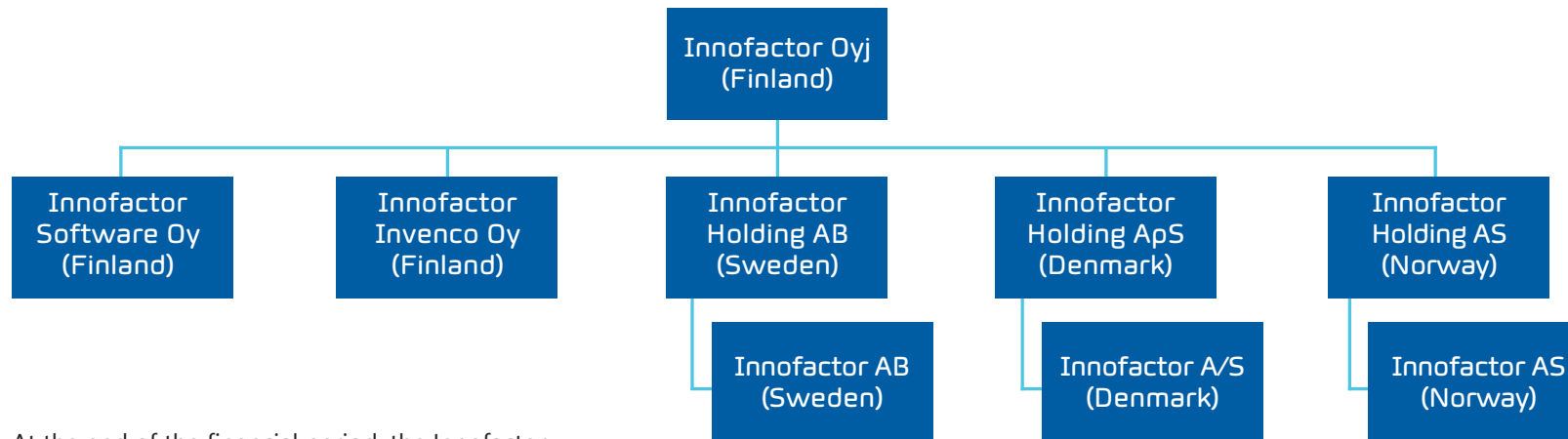
Financial period January 1–December 31, 2023

Report of Innofactor Plc's Board of Directors for 2023

Innofactor Group

Innofactor is one of the leading software providers focused on Microsoft solutions in the Nordic countries. Innofactor delivers to its customers IT projects as a system integrator and develops its own software products and services. The focus of Innofactor's product development is on cloud solutions for Microsoft and its ecosystem. Innofactor's customers include approximately 1,000 private and

public sector organizations in the Nordic Countries. In its operations, Innofactor strives for long-term customer relationships. Innofactor has approximately 600 motivated and skilled employees in approximately 16 locations in Finland, Sweden, Denmark and Norway. The structure of the Innofactor Group at the end of the financial period 2023 is presented below.



At the end of the financial period, the Innofactor Group included the following companies:

- ▶ Innofactor Plc, Finland (parent company)
- ▶ Innofactor Software Oy, Finland, 100%
- ▶ Innofactor Invenco Oy, Finland, 100%
- ▶ Innofactor Holding AB, Sweden, 100%
- ▶ Innofactor AB, Sweden, 100%
- ▶ Innofactor Holding ApS, Denmark, 100%
- ▶ Innofactor A/S, Denmark, 100%
- ▶ Innofactor Holding AS, Norway, 100%
- ▶ Innofactor AS, Norway, 100%

Financial Performance and Position	2023	2022	2021	2020	2019
Net sales, EUR thousand	80,263	71,130	66,364	66,164	64,198
Operating profit before depreciation and amortization (EBITDA), EUR thousand	9,101	7,808	10,111*	7,164	5,089
percentage of net sales	11.3%	11.0%	15.2%	10.8%	7.9%
Operating profit (EBIT), EUR thousand	5,835	4,751	6,519	2,501	795
percentage of net sales	7.3%	6.7%	9.8%	3.8%	1.2%
Earnings before taxes, EUR thousand	5,174	4,178	5,730	2,050	12
percentage of net sales	6.4%	5.9%	8.6%	3.1%	0.0%
Earnings, EUR thousand	3,438	3,320	4,504	1,761	418
percentage of net sales	4.3%	4.7%	6.8%	2.7%	0.7%
Shareholders' equity, EUR thousand	25,483	24,799	25,404	23,444	22,145
Interest bearing liabilities, EUR thousand	6,325	14,349	9,818	15,386	16,853
Cash and cash equivalents, EUR thousand	425	1,956	1,963	3,066	963
Deferred tax assets, EUR thousand	2,415	4,090	4,830	6,413	5,602
Return on equity	13.7%	13.2%	18.4%	7.7%	1.9%
Return on investment	18.0%	14.5%	20.6%	11.1%	2.3%
Net Gearing	36.1%	50.0%	30.9%	52.5%	71.8%
Equity ratio	48.3%	44.8%	51.1%	42.2%	40.2%
Balance sheet total, EUR thousand	54,451	55,815	51,057	56,607	55,720
Research and development, EUR thousand	5,108	4,153	3,504	3,618	2,795
percentage of net sales	6.4%	5.8%	5.3%	5.5%	4.4%
Personnel on average during the year	578	536	516	544	534
Personnel at the end of the year	581	564	500	541	538
Number of shares at the end of the year	36,343,691	37,388,225	37,388,225	37,388,225	37,388,225
Earnings per share (EUR)	0.09	0.09	0.12	0.05	0.01
Shareholders' equity per share (EUR)	0.70	0.68	0.68	0.63	0.59

* The operating margin in 2021 included a capital gain of approximately EUR 2.6 million from the sale of the Prime business.

Net Sales

Innofactor's net sales in 2023 were EUR 80,263 thousand (2022: 71,130), representing growth of 12.8 percent. Organic net sales growth was approximately 9.1 percent. Net sales per active employee amounted to approximately EUR 138.9 thousand (2022: 132.7), representing an increase of 4.6 percent.

Financial Performance

Innofactor's operating margin (EBITDA) in 2023 was EUR 9,101 thousand (2022: 7,808), which shows an increase of 16.6 percent. EBITDA represented 11.3 percent of net sales (2022: 11.0%).

Innofactor's operating profit in 2023 was EUR 5,835 thousand (2022: 4,751), representing an increase of 22.8 percent. Operating profit was 7.3 percent of net sales (2022: 6.7%).

Financial Position, Liquidity and Investments

Innofactor's balance sheet total at the end of 2023 was EUR 54,451 thousand (2022: 55,815). The Group's liquid assets totaled EUR 425 thousand (2022: 1,956), consisting entirely of cash funds.

Operating cash flow in 2023 was EUR 7,229 thousand (2022: 6,704). Cash flow from investing activities was EUR -533 thousand (2022: -3,593).

The equity ratio at the end of 2023 was 48.3 percent (2022: 44.8%) and net gearing was 36.1 percent (2022: 50.0%).

At the end of 2023, the company had EUR 4,555 thousand in current interest-bearing liabilities to financial institutions (2022: 4,886) and EUR 1,770 thousand in non-current interest-bearing liabilities to financial institutions (2022: 4,517). The company had IFRS 16 lease liabilities (leases for the duration of fixed-term leases) of EUR 3,291 thousand (2022: 4,947) of which EUR 1,996 thousand in current leases

(2022: 2,115) and EUR 1,295 thousand in non-current leases (2022: 2,832). The total amount of interest-bearing liabilities was EUR 9,616 thousand (2022: 14,349).

The return on investment in 2023 increased slightly year-on-year and was 18.0 percent (2022: 14.5%). The return on equity in 2023 increased year-on-year and was 13.7 percent (2022: 13.2%).

The non-current assets on Innofactor's balance sheet at the end of 2023 were EUR 35,578 thousand in total and consisted of the following items:

- ▶ Tangible assets and right-of-use assets totaling EUR 4,257 thousand
- ▶ Goodwill EUR 26,835 thousand*
- ▶ Other intangible assets EUR 1,929 thousand*
- ▶ Shares and holdings EUR 98 thousand
- ▶ Receivables EUR 44 thousand
- ▶ Deferred tax assets EUR 2,415 thousand

Innofactor's gross investments in tangible and intangible assets in 2023 were EUR 714 thousand (2022: 872), consisting of normal additional and replacement investments required by growth.

Write-offs on intangible assets amounted to EUR 512 thousand (2022: 568).

* 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.

Mergers, Acquisitions and Changes in Group Structure

During the review period, Innofactor simplified its group structure by dissolving Innofactor HRM Oy (the entire business operations of Innofactor HRM Oy had previously been transferred to Innofactor Software Oy by means of a business transfer, and there was

no longer any need for the company) and merging Innofactor Invenco Software Ltd with Innofactor Invenco Ltd.

During the review period, Innofactor increased its holding in LATO Leadership Automation Tools Ltd. At the end of 2023, Innofactor held 38.4 percent of the company's shares. The company's net sales amount to approximately EUR 0.6 million, and it provides strategic planning, implementation and monitoring software for organizations on a SaaS basis.

Personnel

Innofactor primarily monitors the number of active personnel. The number of active personnel does not include employees who are on leave for more than three months.

The average number of active personnel in 2023 was 578 (2022: 536), representing an increase of 7.8 percent. At the end of 2023, the number of active personnel was 581 (2022: 564), representing an increase of 3.0 percent.

At the end of 2023, the average age of the personnel was 42.1 (2022: 42.7). Women accounted for 26 percent (2022: 26%) of the personnel. Men accounted for 74 percent (2022: 74%) of the personnel.

Strategy and Its Realization in 2023

Innofactor's strategy comprises our purpose, mission, vision, strategic choices, values, working principle, and long-term financial goals.

Our purpose: Innovating to make the world work better

Our mission: Driving the modern digital organization

Our vision: Leading Nordic digital transformation partner in the Microsoft ecosystem

Our strategic choices:

- ▶ The most competent Nordic teams
- ▶ Productized and specialized offering
- ▶ Proactive and agile way of working
- ▶ Innovation with top customers

Our values:

- ▶ Accountability
- ▶ Empowerment
- ▶ Innovation
- ▶ Customer

Our working principle: Our principle is to put people first in everything we do. We want to provide solutions that make our customers' everyday work and life run smoothly and bring a smile to their faces.

Employer promise: Be The Real You

Our long-term financial goals:

- ▶ To achieve annual growth of about 20 percent, the majority of which 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 good financial standing in all situations

Innofactor's net sales in 2023 totaled EUR 80.3 million (2022: 71.1), representing year-on-year growth of 12.8 percent. Of the growth, approximately 9.1 percent was organic, excluding net sales derived from the Invenco acquisition of June 30, 2022. We are lagging behind our strategic growth target. We aim to further improve our operational performance to drive growth. Our goal is to increase the number of chargeable personnel, taking the order backlog into consideration. During the review period, the number of personnel at Innofactor increased by 7.8 percent year-on-year. We look for acquisition targets to enable inorganic growth.

The operating margin (EBITDA) for the full year 2023 increased from EUR 7.8 million in the previous year to EUR 9.1 million (11.3 percent of net sales). While profitability has improved, continued attention and efforts by the management are still needed in the coming years to reach the long-term target of approximately 20 percent. We aim to further enhance our operational performance to improve profitability. We will pay particular attention to improving profitability in our operating countries outside Finland.

Innofactor's operating cash flow in 2023 was EUR 7.2 million (2022: EUR 6.7 million) and the equity ratio at the end of 2023 was 48.3 percent (2022: 44.8%). Innofactor's strong operating cash flow supports the company's strategic goal of profitable growth and securing a solid financial standing in all situations.

The key actions to be taken to achieve growth of approximately 20 percent and EBITDA of approximately 20 percent:

1. We will improve the efficiency of our operations and increase our invoicing rate. This will be achieved by, for example, enhancing sales, improving the management of project and service contracts, enhancing the allocation of human resources, and developing our self-organized team models.
2. We will increase the share of SaaS services and licenses to over 33 percent of net sales from the current level of approximately 32 percent. This will be achieved by, for example, developing our offering and focusing our sales efforts on customers and solution areas with the highest growth potential and that present the best opportunities for scaling our existing offering in each of the Nordic countries.
3. We will increase the number of employees engaged in invoiced services. This will be achieved by, for example, maintaining a high annual level of recruitment of new university

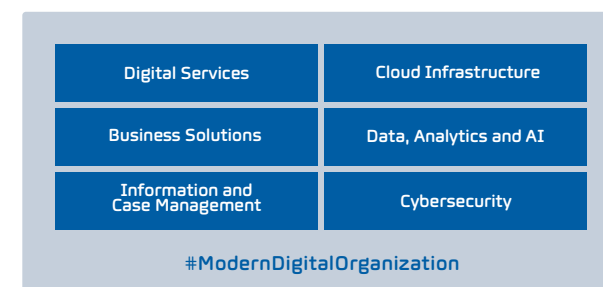
graduates, concentrating the recruitment of senior professionals to our Nordic recruitment team, increasing the competence of our employees through certifications, keeping employee turnover low, improving the efficiency of subcontracting and investing in the development of our employer image.

4. We will become an even more proactive player in the Nordic M&A field. This will be achieved by, for example, through the internal reorganization of operations, emphasizing the role of country directors in actively seeking new potential acquisition targets in their respective countries.

Business Operations

Innofactor focuses on the Microsoft ecosystem in its business operations. Innofactor both operates as a system integrator and develops its own software products and services, which offers Innofactor significant competitive edge and synergy benefits. System integrator operation increases Innofactor's understanding of the customers' product and service needs and also acts as a delivery channel for its own products and services. Focusing on the Microsoft ecosystem creates insurmountable know-how for Innofactor and also makes it the most desirable partner in the Nordic Countries for Microsoft, which helps Innofactor to get the best deals.

Innofactor's offering is divided into the following areas:



Our comprehensive solutions, which are integrated into each other, are based on real customer needs and on utilizing the latest technology. We achieve high-quality deliveries and provide our customers with fast benefits due to our experience and understanding of our customers combined with our knowledge of the latest cloud services. We have been cooperating with Microsoft and the leading operators within its ecosystem for more than 20 years. This enables us to provide our customers with the best possible support.

Innofactor provides its solutions through the Microsoft Cloud or installed in the Innofactor Service Center or on the customer's own servers. SaaS services that are typically paid for annually or monthly (including cloud services, hosting services and software maintenance) play a significant role in Innofactor's business operations. SaaS services substantially reduce cyclicity in business.

Innofactor's business operations were focused on Finland, Sweden, Denmark and Norway. In 2023, approximately 73 percent of the Group's net sales came from Finland, approximately 12 percent from Sweden, approximately 11 percent from Norway, and approximately 4 percent from Denmark. Net sales increased in Finland and Norway, but decreased in Sweden and Denmark.

In 2023, approximately 52 percent of the net sales came from commercial clients (including third-sector clients) and approximately 48 percent came from public sector clients.

Net sales of licenses and SaaS grew throughout the year, from 27 percent in the first quarter to 32 percent in the fourth quarter, which improved profitability. Simultaneously, the share of projects decreased throughout the year, from 35 percent in the first quarter to 33 percent in the fourth quarter, which also had a positive effect on profitability.

Innofactor's net sales in 2023 came from the following sources:

- ▶ Licenses: 5 percent, including all non-recurring fees received for software
- ▶ SaaS: 27 percent, including recurring income from SaaS, cloud and hosting services and from software maintenance
- ▶ Services: 35 percent, including specialist work based on recurring service contracts, such as smaller customer-specific changes and the further development of IT systems
- ▶ Projects: 33 percent from IT system delivery projects and consulting

Innofactor's 10 largest clients accounted for about 30.7 percent of the net sales in 2023.

Major Events in the Financial Period

- ▶ On February 13, 2023, Innofactor issued a stock exchange release to announce that Innofactor and Metso Outotec Plc have signed a contract to continue the digitalization of the company's quotation process. Innofactor will continue the development work started in 2020 to design and implement, using agile methods, a cloud-based solution for managing the quotation process and handling and storing related information and documents. The solution is implemented using Microsoft Azure PaaS cloud services. The value of the agreement (excluding VAT) is at most EUR 0.70 million and the services were to be delivered during the year 2023.
- ▶ On February 16, 2023, Innofactor announced in a stock exchange release that Senate Properties has selected Innofactor with a procurement decision to continue the development and maintenance of an HR system. The system is based on the Innofactor Kide HR solution. Innofactor estimates the total value of the procurement at approximately EUR 0.8 million.
- ▶ On February 17, 2023, Innofactor announced in a stock exchange release that the Board of Directors of Innofactor Plc has decided, based on the authorization granted to it by the Annual General Meeting, on a share-based incentive plan for all of Innofactor Group's personnel in order to commit the personnel to the company and its goals ("Personnel Share Issue"). In the Personnel Share Issue, a maximum total of 400,000 shares ("Personnel Shares") of the company will be issued to the Innofactor Group's personnel, deviating from the shareholders' pre-emptive subscription rights. At the time of making the decision Innofactor Plc had 37,388,225 shares. Innofactor Plc's shares which are in the company's possession will be used for the Personnel Share Issue. The subscription price for the Personnel Shares will be EUR 1.01 per share. The share subscription price is based on the trade volume weighted average price of the company's share on Nasdaq Helsinki Ltd for the previous month and on a discount of 10 percent thereof.
- ▶ On March 1, 2023, Innofactor issued a stock exchange release to announce that Innofactor Plc has completed its share buy-back program. The repurchases of the shares began on September 29, 2022, and ended on February 28, 2023. During that period, Innofactor repurchased 800,000 of its own shares for an average price per share EUR 1.0550. The shares were acquired at the current market price in the public trading arranged by Nasdaq Helsinki. The purpose of the acquisition of the company's own shares is to develop the company's capital structure. Following the repurchases, Innofactor holds a total of 1,491,410 of its own shares.
- ▶ On March 20, 2023, Innofactor issued a stock exchange release to announce that Innofactor Plc's directed personnel share issue was fully subscribed. Subscriptions were made by a total of 211 of the Group's employees. Subscriptions were made in all of Innofactor's operating countries: Finland, Sweden,

- Denmark and Norway. The shares subscribed for in the personnel issue are subject to a transfer restriction until March 31, 2024. The subscribed shares will be transferred to the subscribers by the end of March 2023, after which the company will hold 1,091,410 shares. The subscription price of EUR 404,000 for the personnel shares will be recognized in total in Innofactor Plc's unrestricted equity.
- ▶ On May 10, 2023, Innofactor issued a stock exchange release announcing that the Board of Directors of Innofactor Plc had decided to cancel a total of 1,044,534 Innofactor shares owned by the company. The treasury shares to be cancelled were acquired within the company's acquisition of own shares announced by the company on October 5, 2021, and September 28, 2022. Prior to the cancellation of the own shares, the total number of registered Innofactor shares was 37,388,225. After the cancellation was registered in the trade register, the total number of Innofactor shares would be 36,343,691 and the total number of votes carried by the shares would be 36,343,691. The cancellation of the shares would have no effect on the share capital of Innofactor Plc.
 - ▶ On June 8, 2023, Innofactor issued a stock exchange release announcing that Innofactor Plc's CFO Markku Puolanne had decided to assume responsibilities with another employer and resigned from his position on June 7, 2023. His notice period is four months, and his last working day with Innofactor will be October 7, 2023.
 - ▶ On June 12, 2023, Innofactor issued a stock exchange release confirming that the cancellation of shares announced on May 10, 2023, has been registered in the trade register maintained by the Finnish Patent and Registration Office on June 12, 2023. After the register entry, Innofactor Plc has a total of 36,343,691 shares and the total number of votes carried by the shares is 36,343,691. After the cancellation, Innofactor Plc does not hold any shares in the company.
 - ▶ On July 20, 2023, Innofactor issued a stock exchange release announcing that, at its meeting on July 19, 2023, the Board of Directors of Innofactor Plc had decided to commence the acquisition of the company's own shares for the purpose of developing the company's capital structure. The company will acquire a maximum of 600,000 shares, which corresponds to approximately 1.7% of the total number of shares. The maximum amount to be used for the acquisition of shares is EUR 1,000,000. The decision was made on the basis of the authorization given by Innofactor Plc's Annual General Meeting on March 31, 2023, to acquire a maximum of 3,600,000 shares. The repurchase of shares would commence on July 24, 2023, at the earliest and would end at the latest on March 22, 2024, or at an earlier Annual General Meeting. Innofactor Plc has a total of 36,343,691 shares. The company held no treasury shares on the date of the stock exchange release, July 20, 2023. The company's own shares will be acquired at the current market price in public trading arranged by NASDAQ Helsinki Ltd using the company's unrestricted equity.
 - ▶ On August 28, 2023, Innofactor issued a stock exchange release announcing that the Board of Directors had appointed Antti Rokala as Innofactor Group's Chief Financial Officer (CFO) and that he will take up his post on January 2, 2024. At present, Rokala is working as Group CFO at the educational company YrkesAkademin in Stockholm. Rokala has previously worked in several financial management and leadership positions for the elevator company Schindler, such as Nordic CFO. As CFO, will become a member of Innofactor's Executive Board and report to CEO Sami Ensio.
 - ▶ On September 11, 2023, Innofactor issued a stock exchange release after Protector Forsikring ASA informed Innofactor Plc that its holdings of Innofactor's shares and voting rights exceeded the 5% disclosure limit on September 8, 2023.
 - ▶ On October 31, 2023, Innofactor issued a stock exchange release to announce that Innofactor will provide a comprehensive system delivery to Tampereen Infra Oy. The system will be based on Microsoft's D365 Business Central ERP solution, complemented by the Power PPM project vertical extension, and the Kiho equipment management and work scheduling solution. Innofactor acts as the responsible supplier of the solution under the dynamic procurement system framework tendered by Kuntien Tiera Oy. The agreement period is four years. Innofactor's estimate of the total value of the procurement is approximately EUR 1.6 million.
 - ▶ On December 13, 2023, Innofactor issued a stock exchange release to announce that the Swedish labor union Industriarbetarförbundet Metall (IF Metall) has selected Innofactor to continue the development, maintenance and support of a membership management system. The system has been provided earlier by Innofactor, and it is based on Microsoft's Dynamics CRM and Innofactor's own IPs. The contract period is 2.5 years. Innofactor's estimate of the total value of the procurement is approximately EUR 1.6 million.
 - ▶ On December 15, 2023, Innofactor issued a stock exchange release to announce that Innofactor Plc has completed its share buy-back program. The repurchases of the shares began on July 24, 2023, and ended on December 15, 2023. During that period, Innofactor repurchased 600,000 of its own shares for an average price per share EUR 1.12. The shares were acquired to the current market price in public trading arranged by NASDAQ Helsinki Ltd.

Major Events After the Financial Period

Innofactor has had no other significant events after 2023.

Future Outlook

Innofactor's net sales and operating margin (EBITDA) in 2024 are estimated to increase from 2023, during which net sales were EUR 80.3 million and the operating margin was EUR 9.1 million.

Major Risks and Uncertainties

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, which may lead to short employment relationships and high personnel turnover. 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 personnel and their success in their work. Innofactor invests in the continuous development of its personnel and in high personnel satisfaction, a good employer image, efficient recruitment and, if necessary, the use of subcontracting.

Increase in personnel costs: A majority of Innofactor's costs consists of salaries and other personnel costs (in 2023, about 68% of all costs, including depreciation). 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 moderate 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 significant part of Innofactor's net sales is still derived from the project business. The 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 monitored key performance indicators. The relative share of the project business has decreased and the company aims to decrease it further, which reduces the risks associated to project business.

Competition: Innofactor's main competitors are companies offering traditional information technology services and software in the Nordic countries. Some competitors have larger financial resources, wider product selection, cheaper workforce and larger existing customer base than Innofactor does and also notable legal resources, and they can use these when competing with Innofactor for the same deliveries. Additionally, new startup companies increase competition in certain deliveries. The price competition in the field is expected to remain intense. If the competition becomes tougher, it may have an adverse effect on Innofactor's business, operating result and financial position. Innofactor continuously strives to improve its competitiveness.

Research and product development: In Innofactor's operation, research and product development play a central role. In 2023, approximately 6.4 percent of net sales was used on research and product development. 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. By constantly updating its offering and 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. The most significant ongoing change is the transition to making extensive use of artificial intelligence. 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 and agree on customer deliveries in new areas. We have paid special attention to developing our offering related to artificial intelligence.

Information security and data protection: From the point of view of Innofactor's business, it is important to ensure adequate data security and data protection for customers. The realization of the risks relating to data security and data protection may lead to losses in net sales or penalties imposed by a supervisory authority. Innofactor has acknowledged the risks related to data security and data protection, on the basis of which the company has implemented standard-based data security and data protection management processes. Innofactor has a data security policy approved by the management, defining Innofactor's key data security objectives and means of implementation, as well as the organization of data security and related responsibilities. The data security policy is written in accordance with the ISO 27001 data security standard and legislation.

Compliance: It is important for Innofactor to comply with the laws and regulations applicable to Innofactor's business activities, and to conduct business ethically. Violations of laws and regulations may lead to administrative fines, penalties, criminal proceedings and liability, and claims for damages. The materialization of this risk may also have an adverse impact on Innofactor's reputation and lead to the loss of business opportunities. Innofactor has internal procedures and processes to ensure compliance in day-to-day business operations. Innofactor's Code of Conduct lays out ethical guidelines and standards for Innofactor and its subcontractors. Innofactor has an internal whistleblowing channel.

Risk of a pandemic: An epidemic spreading into a global pandemic may hinder Innofactor's business operations. If there is no significant pandemic in Innofactor's operating area in the Nordic countries, the detriment will be limited mostly to a decrease in the availability of tools, especially computers, which are needed in Innofactor's business operations. If

there is a significant pandemic also in Innofactor's operating area in the Nordic countries, it could mean introducing remote work, either for a part of or the entire personnel, a temporary decrease in customers' purchases, and delays in some customer deliveries, increasing absence rates connected directly to the disease caused by the pandemic, quarantine or mental symptoms caused indirectly by isolation and increased personnel turnover due to remote work.

Reaching the growth targets: Realizing the desired 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. Also, 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 backlog on a sufficient level as regards the business operations.

Globalization: In accordance with its strategy, Innofactor seeks growth also in the global markets, outside of Finland, 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 systems that will decrease the risks in global operations.

Uncertainties and risks related to acquisitions: Innofactor's growth has been partially driven by acquisitions, and this may also be the case in the future. 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. Each acquisition, after it has been made, also carries some risks, which include the success of the integration, the stability of the key personnel, 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. At the end of 2023, Innofactor had a total of approximately EUR 4.5 million in loans from financial institutions and a credit limit of approximately EUR 5.0 million, of which approximately EUR 1.8 million was in use. Innofactor has committed 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 goal of managing the financing risks is to minimize the negative effects of the changes in the financial markets on the result of the Group. Financing 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 would have a negative effect on the Group's business and its development, especially on making acquisitions.

Interest risk: An interest risk in 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. Interest rate hedging has been applied to more than half of the Group's loans.

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 business 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 overdraft facilities 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 may be 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, on a monthly basis.

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 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.

Corporate Governance Report

Innofactor Plc complies with the recommendations of the Corporate Governance Code 2020 for Finnish listed companies, published by the Securities Market Association.

The Annual General Meeting of March 31, 2023, decided that the Board of Directors shall have four members. Mr. Sami Ensio, Ms. Anna Lindén, Mr. Risto Linturi, and Mr. Heikki Nikku were re-elected as members to the Board of Directors. At the organizing meeting held immediately after the General Meeting, the Board of Directors elected Anna Lindén as the Chairman of the Board.

The General Meeting approved the proposal to appoint Ernst & Young Oy, an auditing firm authorized by the Central Chamber of Commerce, as the auditor for the company, with Juha Hilmola as the main responsible auditor.

Innofactor has drawn up a separate Corporate Governance Statement for the financial period 2023.

Innofactor Plc's entire Corporate Governance policy and statements are available on the company's web site at:

<https://www.innofactor.com/invest-in-us/corporate-governance/>

Research and Product Development

In product development in 2023, the focus was on the renewal of existing products and services and continuous further development to support the growth of product-based business. Most of the product development was focused on the Innofactor Dynasty product.

Innofactor's research and development costs recognized in profit or loss for 2023 were approximately EUR 5,108 thousand (2022: 4,153), representing 6.4 percent of net sales (2021: 5.8%).

Reporting Non-Financial Information

This statement describes Innofactor's corporate responsibility in accordance with the Chapter 3a, Sections 1–6 of the Finnish Accounting Act.

Business Model

Innofactor's business model is based on offering aimed at the IT service market and on Innofactor's strong partnership with Microsoft, with the focus on solutions developed on Microsoft platforms and solutions that use them. In accordance with its strategy, Innofactor is increasingly focusing on implementing cloud solutions and digitalization as well as AI-driven solutions. Innofactor is a system integrator and software development company. Thus, the core of the business model and enabler of company growth and development is the competent personnel with the ability to advance. The digital solutions delivered by Innofactor help the customers to reach their sustainability related goals and reduce their environmental impacts. Innofactor can impact the environmental effects of its own operation by developing even more environmentally friendly work environment.

Principles Guiding Sustainability

Innofactor's operations are guided by our Code of Conduct and environmental policy, in addition to which we comply with the leading international sustainability standards, such as the ILO Declaration on Fundamental Principles and Rights at Work, UN Universal Declaration of Human Rights, UN Sustainable Development Goals, and the principles of the ICC Business Charter for Sustainable Development.

Innofactor's internal operations are managed through predefined core processes and standards. Innofactor's quality system describes the company's business model and it is divided into eight documented business processes and eight support service processes. These processes are monitored by means of process indicators and audits, for example. The company's support service processes relating to risk management and legal issues, and business processes related to the personnel and resource allocation, define the main issues with regard to corporate responsibility. Each process has its own Process Performance Indicators that are monitored within the company and set annually for the process owner. The framework for Innofactor's operations is provided by the ISO 9001, ISO 27001, ISO 13485 and AQAP2110 standards, which the company's various processes adhere to. In the external audits conducted in 2023, one deviation was observed that concerned all of the standards. The deviation has been corrected.

Innofactor is committed to supporting the achievement of the UN Sustainable Development Goals (SDGs) by 2030. Accordingly, we have assessed the main objectives from the perspective of our business operations.



Decent Work and Economic Growth

We contribute to economic growth through innovation and new technologies. The measures we have taken to employ young people support this goal to a significant degree. During the COVID-19 pandemic, we focused even more on the remote work opportunities of our employees and sought to offer new jobs in spite of the difficult circumstances. In the Nordic region, we recruited 31 new graduates or students nearing their graduation for the DigiStar Trainee Program in 2023.



Gender Equality

Our personnel's diversity is in key position at Innofactor, and we see diversity as an important factor in creating innovation and supporting the organization's operating and renewal capacity.

We want to provide an equal workplace culture where everyone is respected and has equal opportunities regardless of gender, age, sexual or gender orientation, or other factors. In our recruitment activities, we welcome all qualified candidates and they have an equal opportunity to be selected. We are pleased to receive applications from people of different genders and ages for our vacancies, and we do not ask about gender or age during our recruitment processes. We provide both genders with equal opportunities for competence development and training.

Parental leave is also a key part of equality. Under Innofactor's company-specific collective agreement, the first 36 days of the parental leave period after pregnancy leave are compensated equally for the non-birthing parent.



Good Health and Well-being

In the fall of 2023, we organized a well-being day for our employees at our Espoo Campus in cooperation with Mehiläinen. At the well-being day event, employees were offered the opportunity to measure their body composition, blood pressure, and hand grip strength. We also had an occupational health physiotherapist visit the Espoo Campus to help with workstation ergonomics by making individual adjustments to interested employees' workstations. Healthy snacks were also served.

Innofactor takes care of its personnel's well-being by providing diverse health services and offering regular occupational physiotherapy services to improve ergonomics, for example. We also offer influenza vaccinations to our employees through our occupational health care partner.

Environmental Responsibility

As an organization operating in the IT sector, Innofactor has a unique opportunity to be part of the solution in reducing environmental impacts. The digital solutions we deliver to our customer organizations play an important role in mitigating and adapting to climate change. The digitalization of manual processes and digital healthcare are examples of solutions by which Innofactor promotes its customers' – and thereby the entire society's – sustainable development.

Our environmental policy guides the actions we take to reduce our adverse environmental impacts and respond to the challenges caused by climate change. Our environmental policy defines the principles we always follow in our own operations and in the deliveries to our customers. The principles of Innofactor's environmental policy include continuous development, improvement of preventative actions, and reacting to the changing operating environment. Innofactor complies with all applicable laws and regulations and expects the same from its partners and suppliers. The environmental policy concerns the entire Innofactor Group and is available on Innofactor's website.

Innofactor has a policy aimed at extending the lifecycle of computers. Factors considered in the renewal of computer hardware include the user's needs and the possibility of updating existing devices.

We recycle all recyclable materials such as cardboard, organic waste, metal, plastic and glass. Our electronic waste is recycled by Kuusakoski Recycling.

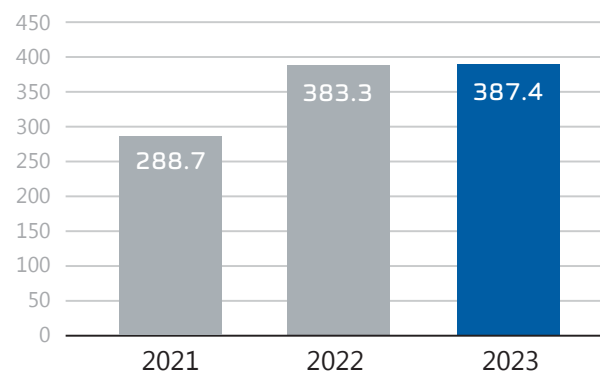
Remote work is an essential part of the operations of a modern digital organization. We provide our employees with good opportunities for location-independent work. Using Microsoft Teams as a meeting tool brings added value to the operations of both Innofactor and its customers.

We conducted an extensive stakeholder survey regarding our sustainability efforts in 2023. In connection with the survey, we made a donation to the

John Nurminen Foundation to save a piece of the Baltic Sea off the Espoo Campus.

In 2023, the Innofactor Group's total carbon footprint was 387.4 tCO₂e. The calculation included the emissions arising from the electricity and heating consumption of our operating locations (Scope 2), the emissions generated by our leased vehicles (Scope 1) and our most significant Scope 3 emissions. Scope 3 included business travel by car, flights, nights spent at hotels, computer and telephone purchases and the water consumption of our offices. The calculation did not include emissions arising from commuting by employees. A separate estimate has been prepared on commuting emissions.

Total Emissions
tCO₂e



The total carbon footprint for 2023 increased by approximately one percent from the previous year. This was mainly due to an increase in business travel and flights. At the same time, there was a decrease in the number of computers and mobile phones purchased. The year 2021 differs significantly from 2022 and 2023 due to the very low level of business travel caused by COVID-19 restrictions.

Resource, tCO ₂ e	2023	2022	2021
Company cars	9.4	11.4	13.0
Heating	176.6	174.9	178.9
Electricity	11.2	9.4	11.7
Business travel by car	38	32.4	23.9
Flights	111.5	96.4	18.9
Hotel nights	16.8	14.4	2.7
Computers and mobile phones	22.3	43.2	38.8
Water	1.6	1.2	1.2
Total	387.4	383.3	288.7

We actively seek ways to reduce our carbon footprint. According to our calculations, the heating of business premises is our largest source of emissions. In 2023, the heating of Innofactor's Espoo Campus accounted for 62 percent of our Scope 2 emissions. With this in mind, the district heating of our Espoo location has been produced from fully renewable energy sources starting from December 2023. This will significantly reduce our Scope 2 emissions from 2024 onwards.

We compensate our total calculated emissions through certified international projects, which has made Innofactor a carbon-neutral company since 2021.

Social Responsibility

In accordance with our #PeopleFirst theme, we put people first in everything we do. This applies to our customers — who are the focus of our operations — and our employees and investing in their well-being and development. The theme #BeTheRealYou promotes authenticity, courage and diversity at work.

We revised our employee satisfaction survey considerably in 2023 to support good leadership and the development of our operations. The new survey is a pulse-style questionnaire in which the employees answer six rotating questions each week. Examples of the key themes in the survey include leadership, meaningful work, satisfaction with one's job, development opportunities, team spirit and commitment. Innofactor's employee satisfaction is at a good level. The new employee satisfaction survey also enables anonymous communication between the respondent and their supervisor or the HR function. In 2023, we received 1,360 comments and questions from our employees, which reflects our open and participatory culture. The voice of our employees is an important part of the development of our operations.

Innofactor has zero tolerance for bullying and harassment. Our employee satisfaction survey includes questions on harassment and bullying, and we outperform our IT industry peer group in these areas by a clear margin.

We want to do our part to promote equality and diversity in the IT industry. In 2023, Innofactor continued the recruitment and training of students nearing their graduation by recruiting new specialists in the early stages of their careers for the Innofactor DigiStar Trainee Program in the Nordic countries. In 2023, Innofactor recruited and trained a total of 40 students nearing their graduation. We do not ask candidates about their age or gender in our recruitment process. We also encourage our employees to "be the real you", and we enable flexible work arrangements in all life circumstances.

We focus on the quality of supervisory work in various ways. We have focused on building a Nordic manager community to establish a consistent leadership culture and practices. We want to provide our managers with the best possible tools for supporting and coaching our specialists. This was supported in 2023 by our new employee satisfaction survey.

The IT industry is constantly evolving, and an innovative operating environment plays a key role

in the success of organizations. At Innofactor, we are increasingly focused on harnessing the potential and strategic capabilities of our employees and giving them the freedom to apply their skills in the workplace. Self-organization is a strategic choice that empowers our teams. This gives them the opportunity to change the world and innovate with our customers.

Our employees chose UNICEF as the recipient of our Christmas donation in 2023. The donation supported children in Ukraine. We also give our teams the opportunity to use working hours for volunteering. In addition to volunteer work, some of our employees used the opportunity to donate blood.

Data Security and Data Protection

Innofactor's customers require appropriate information security in their services and that the services enable operation in accordance with the EU General Data Protection Regulation (GDPR). Innofactor's management has identified several critical cyber risk scenarios against which a company needs to protect itself. The company is committed to protecting its customers' and partners' information and systems and naturally, Innofactor as a company itself. In order to ensure the level of information security corresponding to the risks, Innofactor maintains a certified information security management system in accordance with the ISO 27001 standard.

In its operations, Innofactor is committed to maintaining a high level of data protection and respects the privacy and rights of its personnel, customers and users. Through regular internal audits and the continuous development of information security, we aim to continuously develop data protection and information security in our operations and processes. Information security and data protection are mandatory parts of induction training in addition to continuous training on information security and data protection. Innofactor's information security group meets regularly to guide the development and implementation of information security and data protection at Innofactor. The company has a designated information security

manager and a data protection officer. Additionally, the company's main personal data registers have been assigned to the persons responsible for them.

Anti-Corruption and Anti-Bribery

Innofactor's Code of Conduct sets out the general principles and guidelines that the company's employees and partners adhere to. We arrange training activities concerning the Code of Conduct at regular intervals. Innofactor's Code of Conduct prohibits all types of corruption and bribery. In the Nordic countries, Innofactor operates in a very regulated environment, and in 2023, all subcontracting took place within the EEA or USA. This operating environment and in Finland, for example, the strict compliance to the Act on Contractor's Obligations and Liability, training the employees, continuous dialog within the company's management, and monitoring subcontractors are important factors related to preventing the risk of corruption and bribery.

Transparent business in accordance with the highest ethical standards is the basis of our company's operations. We use our anonymous whistleblowing channel for reporting suspected infringements that are against our Code of Conduct. All reports received via the channel are processed in strict confidence.

Risks Related to Corporate Responsibility

Innofactor's main risks related to corporate responsibility can be divided into the following categories: personnel turnover, risks to reputation regarding data protection and information security, risks to reputation due to corruption and bribery, and risk of being cut off from public procurement competitions. Innofactor's operations do not include actual significant environmental risks, even though the energy consumption is being monitored and there is a continuous effort to decrease it. The risks related to personnel turnover, data protection and data security are described earlier in this Report of the Board of Directors under the heading Major Risks and Uncertainties.

EU Taxonomy Disclosures

The EU Taxonomy Regulation aims to steer investments towards environmentally sustainable investments and to contribute to the achievement of the EU's environmental objectives. The disclosure requirement for 2023 concerns climate change mitigation and adaptation, the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems.

Innofactor has reviewed its economic activities against the criteria set by the EU. Innofactor has not identified activities aligned with the environmental objectives of the taxonomy. Therefore, Innofactor's taxonomy-eligible activities account for 0 percent of the company's net sales and capital expenditure.

Share of Taxonomy-eligible Activities

KPI	EUR thousand	Taxonomy-eligible %	Taxonomy non-eligible %
Turnover	80,263	0.0	100.0
Capital expenditure*	714	0.0	100.0
Operating expenditure	7,011	0.0	100.0

*The Group's reported gross capital expenditure including related advance payments

Theme	Operating model	Goal	Performance indicator	2023
Environmental Responsibility	Innofactor is committed to decreasing the environmental impact of its operations and to react to the challenges set by climate change.	Promoting and developing environmental responsibility in Innofactor's operations.	Number of actions that promote environmental responsibility	2
Social Responsibility	Innofactor's personnel plays a key role, and we consider them to be in a central role with regards to the organization's ability to operate and renew itself and creation of new innovations.	To be an inspiring and sought-after employer.	Hired students and recent graduates	41
Data Protection and Information Security	Innofactor is committed to protecting its customers' and partners' information and systems as well as its own information and information systems.	Reliable operator that takes information security and data protection into consideration.	Number of administrative sanctions	0
Anti-corruption and Anti-bribery	Innofactor's Code of Conduct defines the general principles and guidelines that the company's employees and partners adhere to.	Transparent business operations in accordance with the highest ethical standards.	No violations	No violations

Share and Shareholders

At the end of 2023, Innofactor Plc's share capital was EUR 2,100,000.00 and the total number of shares was 36,343,691. Innofactor Plc has one series of shares. Each share confers one vote.

In 2023, the highest price of the company share was EUR 1.34 (2022: 1.54), the lowest price was EUR 1.03 (2022: 0.83), and the average price EUR 1.18 (2022: 1.17). The closing price for 2023 on December 31, 2023, was EUR 1.23 (2022: 1.05).

In public trading in 2023, a total of 6,841,002 shares were traded (2022: 14,193,868), which corresponds to 18.6 percent (2022: 38.0%) of the average number of shares in the said period. In 2023, there were 36,810,154 shares on the average (2022: 37,388,225). The share trading volume decreased by 51.8 percent compared to the corresponding period in 2022.

The market value of the share capital at the closing price of EUR 1.23 on December 31, 2023, was EUR 45,092,439 (2022: 39,332,413), which shows an increase of 14.6 percent.

On December 31, 2023, the company had a total of 11,663 shareholders (2022: 11,798), including nominee-registered shares.

On December 31, 2023, the company held 600,000 treasury shares.

The Board of Directors has been given the following authorizations:

- ▶ Until June 30, 2023, to decide on the acquisition of a maximum of 3,600,000 treasury shares (decided by the General Meeting of March 31, 2022). The repurchases of the shares began on September 29, 2022, and ended on February 28, 2023. During that period, Innofactor repurchased 800,000 of its own shares.
- ▶ Until June 30, 2024, to decide on a share issue and granting of special rights entitling to shares,

concerning a maximum of 3,600,000 new shares (decided by the Annual General Meeting of March 31, 2023); the authorization has not been used.

- ▶ Until June 30, 2024, to decide on the acquisition of a maximum of 3,600,000 treasury shares (decided by the General Meeting of March 31, 2023); the Board of Directors decided on July 19, 2023, to commence the repurchase of the company's shares. The company will repurchase a maximum of 600,000 shares. A total of 600,000 shares were acquired under the authorization in 2023. At the end of 2023, the company held a total of 600,000 treasury shares.
- ▶ Until the start of the next Annual General Meeting, to distribute assets to shareholders as repayment of capital totaling a maximum of EUR 2,459,293, which allows the distribution of assets up to a maximum of EUR 0.06 per share; the authorization has not been used.

Own Shares

The General Meeting of March 31, 2023, authorized the Board of Directors to decide on acquiring a maximum of 3,600,000 of the 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 on 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, 2024. This authorization replaces the Board's earlier authorizations concerning share repurchase.

On March 1, 2023, Innofactor completed the share repurchase program that was initiated in 2022 according to the authorization granted to the Board of Directors by the Annual General Meeting. Repurchases of treasury shares began on September 29, 2022, and ended on February 28, 2023. During this period, Innofactor acquired 800,000 treasury shares, of which 311,289 were acquired in January and March 2023. The treasury shares were acquired at an average price of EUR 1.055. The shares were acquired at the current market price in public trading arranged by Nasdaq Helsinki Ltd. Following the repurchase program, Innofactor held a total of 1,491,410 own shares of which 400,000 were transferred to the personnel as part the personnel share issue, and 46,876 were transferred to the members of the Board of Directors as part of their compensation. The remaining 1,044,534 shares were cancelled in June 2023. After the cancellation, Innofactor Plc did not hold any shares in the company.

On July 19, 2023, the Board of Directors decided to commence the repurchasing of the company's own shares. The share repurchase program began on July 24, 2023, and ended on December 15, 2023. During the repurchase program, Innofactor repurchased 600,000 shares that are now held by the company. The average purchase price of the shares was EUR 1.12. The shares were acquired to the current market price in public trading arranged by NASDAQ Helsinki Ltd.

At the end of 2023, the company held 600,000 treasury shares (1.65 percent of all shares).

Shareholdings of the Management

Shareholdings of the Board of Directors on December 31, 2023:

- ▶ Under control of Sami Ensio, 7,925,397 shares, 21.81%
- ▶ *Sami Ensio, 5,751,637 shares, 15.83%*
- ▶ *under control, 724,588 shares, 1.99%*
- ▶ *under control, 724,586 shares, 1.99%*
- ▶ *under control, 724,586 shares, 1.99%*
- ▶ Anna Lindén, 121,851 shares, 0.34%
- ▶ Under control of Risto Linturi, 1,256,411 shares, 3.46%
- ▶ *Risto Linturi, 337 304 shares, 0.93%*
- ▶ *shares owned through controlled companies, 489 107 shares, 1.35%*
- ▶ *under control of a controlling company, 430 000 shares, 1.18%*
- ▶ Heikki Nikku, 41,488 shares, 0.11%

Shareholdings of the CEO on December 31, 2023:

- ▶ Under control of Sami Ensio, 7,925,397 shares, 21.81%
- ▶ *Sami Ensio, 5,751,637 shares, 15.83%*
- ▶ *under control, 724,588 shares, 1.99%*
- ▶ *under control, 724,586 shares, 1.99%*
- ▶ *under control, 724,586 shares, 1.99%*

Shareholdings of the Other Members of the Executive Board on December 31, 2023:

- ▶ Jørn Ellefsen, 93,999 shares, 0.26%
- ▶ Janne Heikkinen, 136,543 shares, 0.38%
- ▶ Anni Pokkinen, 32,296 shares, 0.09%
- ▶ Markku Puolanne (member of the Executive Board until October 7, 2023), 30,000 shares, 0.08%
- ▶ Vesa Syrjäkari, 0 shares, 0.0%
- ▶ Martin Söderlind, 10,000 shares, 0.03%
- ▶ Antti Rokala (joined the Executive Board on January 2, 2024), 10,000 shares, 0.03%

Largest Shareholders

According to the share register maintained by Euroclear Finland Oy, the share ownership of the 20 largest Innofactor Plc shareholders at the end of the year, on December 31, 2023, was as follows.

Name	Number of shares	% of share capital
1. Ensio Sami	7,925,397	21.81%
<i>Ensio Sami</i>	<i>5,751,637</i>	<i>15.83%</i>
<i>minor under guardianship</i>	<i>724,588</i>	<i>1.99%</i>
<i>liris Ensio</i>	<i>724,586</i>	<i>1.99%</i>
<i>minor under guardianship</i>	<i>724,586</i>	<i>1.99%</i>
2. Ilmarinen Mutual Pension Insurance Company	1,800,000	4.95%
3. Linturi Kaija ja Risto R. Linturi Oyj	1,256,411	3.46%
<i>Linturi Kaija Anneli</i>	<i>489,107</i>	<i>1.35%</i>
<i>Linturi Risto Erkki Olavi</i>	<i>430,000</i>	<i>1.18%</i>
<i>Linturi Risto Erkki Olavi</i>	<i>337,304</i>	<i>0.93%</i>
4. Mäki Antti-Jussi	490,000	1.35%
5. Hellen Stefan Andreas	486,000	1.34%
6. Ingman Finance Oy Ab	450,000	1.24%
7. Laiho Rami Tapani	425,113	1.17%
8. Muukkonen Teemu Heikki	410,357	1.13%
9. Tilman Tuomo Tapani	345,538	0.95%
10. Mandatum Life Insurance Company Limited	253,366	0.70%
11. Kannisto Jaakko Mikael	226,533	0.62%
12. Kukkonen Heikki-Harri	213,606	0.59%
13. Järvenpää Janne-Olli	213,079	0.59%
14. Varsio Jussi Ilari	190,000	0.52%
15. Mäkinen Antti Vilho Juhani	168,000	0.46%
16. Ärje Matias Juhanpoika	155,800	0.43%
17. Saarnio Mikko Markus	138,000	0.38%
18. Heikkinen Janne Mikael	136,543	0.38%
19. Pesonen Tuomo Sakari	130,737	0.36%
20. Muurinen Hannu Olavi	125,750	0.35%
Total	15,540,230	42.76%

Board of Directors

Board of Directors

In 2023, the members of Innofactor Plc's Board of Directors were:

- ▶ Sami Ensio
- ▶ Anna Lindén (Chairman of the Board of Directors)
- ▶ Risto Linturi
- ▶ Heikki Nikku

The Chairman of the boards of directors of Innofactor's Finnish group companies was Group CEO Sami Ensio, and the ordinary member of their boards of directors was Chief People Officer Anni Pokkinen (until May 29, 2023 Executive Vice President, Business Development and Operational Excellence Vesa Syrjäkari) with General Counsel Eija Theis as the deputy member (until May 29, 2023 General Counsel Michaela Skrabb).

The Board of Directors of Innofactor Plc's Swedish holding company consisted of Group CEO Sami Ensio (Chairman), with Chief People Officer Anni Pokkinen as an ordinary member (until June 29, 2023 Executive Vice President, Business Development and Operational Excellence Vesa Syrjäkari) and General Counsel Eija Theis as a deputy member (until June 29, 2023 General Counsel Michaela Skrabb). The Board of Directors of Innofactor Plc's Norwegian holding company consisted of Group CEO Sami Ensio (Chairman) and Chief People Officer Anni Pokkinen (until March 28, 2023 Executive Vice President, Business Development and Operational Excellence Vesa Syrjäkari). The Board of Directors of Innofactor Plc's Danish holding company consisted of Group CEO Sami Ensio (Chairman), with Chief People Officer Anni Pokkinen and General Counsel Eija Theis (until June 28, 2023 Executive Vice President, Business Development and Operational Excellence Vesa Syrjäkari) as members.

The Board of Directors of Innofactor Plc's Swedish operative country company consisted of Group CEO Sami Ensio (Chairman), with Martin Söderlind, Country Manager, Sweden, and Chief People Officer Anni Pokkinen (until June 29, 2023 Executive Vice President, Business Development and Operational Excellence Vesa Syrjäkari) as ordinary members and General Counsel Eija Theis as a deputy member (until June 29, 2023 General Counsel Michaela Skrabb). The Board of Directors of Innofactor Plc's Norwegian operative country company consisted of Group CEO Sami Ensio (Chairman), with Jørn Ellefsen, Country Manager, Norway, and Chief People Officer Anni Pokkinen as ordinary members (until March 28, 2023 Executive Vice President, Business Development and Operational Excellence Vesa Syrjäkari as an ordinary member and General Counsel Michaela Skrabb as a deputy member). The Board of Directors of Innofactor Plc's Danish operative country company consisted of Group CEO Sami Ensio (Chairman), with Chief People Officer Anni Pokkinen and General Counsel Eija Theis (until June 28, 2023 Executive Vice President, Business Development and Operational Excellence Vesa Syrjäkari) as ordinary members.

CEO

Innofactor Plc's CEO is Sami Ensio. Mr. Ensio also acts as the CEO of the Innofactor Plc's Finnish group companies. In Sweden, Denmark, and Norway, the local Country Managers act as the CEOs of the operative companies.

Executive Board

In 2023, Innofactor Group's Executive Board consisted of:

- ▶ Sami Ensio, CEO, Country Manager Finland, Chairman of the Executive Board and CFO for the period October 8, 2023–December 31, 2023.
- ▶ Anni Pokkinen, Chief People Officer
- ▶ Markku Puolanne, CFO (until October 7, 2023)
- ▶ Jørn Ellefsen, Country Manager, Norway and Denmark
- ▶ Martin Söderlind, Country Manager, Sweden
- ▶ Janne Heikkinen, Executive Vice President, Products and Services
- ▶ Vesa Syrjäkari, Executive Vice President, Business Development and Operational Excellence

Loans of Related Parties

The company's managers considered to be related parties have EUR 21 thousand in liabilities from the company's personnel issues to the company. The loan period is five years, and the loan is repaid in fixed monthly installments. The interest rate is the 12-month Euribor 360 interest rate. However, the interest rate is always a minimum of 0%. The accrued interest is paid to the company monthly. Innofactor Plc's total loan receivables from subsidiaries amount to EUR 17.9 million. The company does not have any other major related party transactions.

Auditor

The auditor of Innofactor Plc was Ernst & Young Oy Authorized Public Accounting Firm, with Juha Hilmola (APA) as the auditor with principal responsibility.

Board of Directors' Proposal on the Distribution of Profits

Innofactor is a growing company and intends to use its operating profit on actions promoting growth, for example, on realizing mergers. According to the dividend policy, Innofactor aims to pay a dividend regularly each year. The target is to pay about half of the result for the financial period in dividends, taking into account the company's financial position, possible corporate reorganizations, and other development needs. For 2023, the Group's result for the financial period was EUR 3,437,985.22. 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 year 2023, the distributable assets of the Group's parent company amounted to EUR 21,277,171.60.

The Board of Directors proposes that Innofactor Plc distribute EUR 0.07 per share as a repayment of capital.

The Board of Directors further proposes that the Annual General Meeting authorize the Board to decide on a repayment of capital amounting to a maximum of EUR 2,544,058 (EUR 0.07 per share, taking into account the share issue authorization proposed to the Board of Directors).

Consolidated Financial Statements

Comprehensive Consolidated Profit and Loss Statement, IFRS

EUR thousand	Note	2023	2022
Net sales	3	80,263	71,130
Other operating income	3	141	290
Materials and services		-13,508	-10,762
Employee benefits/expenses	6	-50,784	-45,644
Depreciation	5	-3,266	-3,057
Other operating expenses	4	-7,011	-7,205
Operating profit		5,835	4,751
Financial income	8	116	46
Financial expenses	9	-777	-619
Profit before taxes		5,174	4,178
Income taxes	10	-1,736	-858
Profit/loss for the period		3,438	3,320
Other comprehensive income			
Items that may be later recognized in profit or loss:			
Exchange differences		-49	-551
Total comprehensive income		3,389	2,769
Distribution of the profit and comprehensive income			
To shareholders of the parent company		3,389	2,769
Earnings per share calculated from the profit attributable to equity holders of the parent:			
basic earnings per share (EUR)	11	0.09	0.09
diluted earnings per share (EUR)	11	0.09	0.09

Consolidated Balance Sheet, IFRS

EUR thousand	Note	Dec 31, 2023	Dec 31, 2022
ASSETS			
Non-current assets			
Tangible assets	13	1,080	1,076
Right-of-use assets	13	3,177	4,843
Goodwill	14	26,835	26,831
Other intangible assets	14	1,929	2,398
Shares and holdings		98	5
Non-current assets		44	77
Deferred tax assets	15	2,415	4,090
		35,578	39,319
Current assets			
Trade and other receivables	16, 20	18,449	14,540
Cash and cash equivalents	19	425	1,956
		18,873	16,495
TOTAL ASSETS		54,451	55,815

Consolidated Balance Sheet, IFRS

EUR thousand	Note	Dec 31, 2023	Dec 31, 2022
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity attributable to the shareholders of the parent company			
Share capital	18	2,100	2,100
Share premium reserve	18	72	72
Reserve fund	18	59	59
Fund for invested unrestricted equity	18	15,069	17,247
Retained earnings		10,660	7,669
Own shares		-527	-447
Translation differences		-1,950	-1,902
Total shareholders' equity		25,483	24,799
Non-current liabilities			
Loans from financial institutions	19, 23	1,770	4,517
Lease liabilities	21	1,295	2,832
Deferred tax liabilities	15	1,779	1,851
		4,845	9,200
Current liabilities			
Loans from financial institutions	19, 23	4,555	4,886
Lease liabilities	21	1,996	2,115
Trade and other payables	20	17,573	14,815
		24,123	21,816
Total liabilities		28,968	31,016
Total shareholders' equity and liabilities		54,451	55,815

Consolidated Cash Flow Statement, IFRS

EUR thousand	Note	2023	2022
Cash flow from operating activities			
Profit before taxes		5,174	4,178
Adjustments:			
Depreciation	5	3,266	3,057
Other transactions with no related cash flow:		143	42
Changes in working capital:			
Change in non-interest-bearing current receivables		-3,951	-102
Change in non-interest-bearing current liabilities		2,758	-630
Interest paid		-206	-40
Interest received		46	198
Taxes paid		0	0
Net cash flow from operating activities		7,229	6,704
Investment cash flow			
Acquisition of subsidiaries		200	-2,825
Purchase of shares in associated companies		-93	0
Investments in intangible and tangible assets		-714	-872
Change in loan receivables		74	103
Net cash flow from investments		-533	-3,593
Cash flow from financing			
Loans withdrawn		0	4,679
Loans paid		-3,077	-2,236
Lease liability payments		-2,282	-2,187
Payment of dividend and capital repayment		-2,177	-2,927
Purchase of own shares		-1,027	-447
Transfer of own shares		336	0
Net cash flow from financing		-8,227	-3,118
Change in cash and cash equivalents		-1,531	-7
Cash and cash equivalents, opening balance		1,956	1,963
Cash and cash equivalents, closing balance		425	1,956

Consolidated Statement of Change in Shareholders' Equity, IFRS

Shareholders' equity attributable to equity holders of the parent									
EUR thousand	Note 17	Share capital	Share premium reserve	Reserve fund	Fund for invested unrestricted equity	Own shares	Retained earnings	Exchange differences	Total shareholders' equity
Shareholders' equity Jan 1, 2023		2,100	72	59	17,247	-1,592	8,816	-1,901	24,799
Comprehensive income									
Result for the financial period							3,438		3,438
Other comprehensive income:									
Translation differences								-49	-49
Total comprehensive income							3,437	-49	3,388
Repayment of capital					-2,177				-2,177
Changes in own shares						-527			-527
Shareholders' equity Dec 31, 2023		2,100	72	59	15,069	-2,119	12,254	-1,950	25,483

Shareholders' equity attributable to equity holders of the parent									
EUR thousand	Note 17	Share capital	Share premium reserve	Reserve fund	Fund for invested unrestricted equity	Own shares	Retained earnings	Exchange differences	Total shareholders' equity
Shareholders' equity Jan 1, 2022		2,100	72	59	20,174	-1,146	5,495	-1,351	25,404
Comprehensive income									
Result for the financial period							3,320		3,320
Other comprehensive income:									
Translation differences								-551	-551
Total comprehensive income							3,320	-551	2,769
Repayment of capital					-2,927				-2,927
Changes in own shares						-447			-447
Shareholders' equity Dec 31, 2022		2,100	72	59	17,247	-1,592	8,816	-1,901	24,799

Notes to the Consolidated Financial Statements (IFRS)

1. Basic Information on the Group

Innofactor Plc is a Finnish public company established in accordance with Finnish legislation. The domicile of the parent company is Espoo and its registered address is Keilaranta 9, 02150 Espoo. Innofactor Group is one of the leading software providers focused on Microsoft solutions in the Nordic countries. Innofactor delivers to its customers IT projects as a system integrator and develops its own software products and services. A copy of the consolidated financial statements is available at the company's Internet address www.innofactor.com or at the head office at Keilaranta 9, 02150 Espoo, Finland. Innofactor Plc's Board of Directors has approved these financial statements for publication in its meeting on March 5, 2024. According to the Finnish Companies Act, shareholders may approve or reject the financial statements at a General Meeting held after their publication. The Meeting may also decide to amend the financial statements.

2. Accounting Policies

Accounting Policies

Innofactor Plc's consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS), observing the IAS and IFRS standards as well as SIC and IFRIC interpretations valid on December 31, 2023. In the Finnish Accounting Act and provisions issued thereunder, International Financial Reporting Standards refer to standards and related interpretations

approved for adoption within the EU in accordance with the procedure laid down in regulation (EC) No. 1606/2002. The notes to the consolidated financial statements also comply with the provisions of Finnish accounting and corporate legislation that supplement the IFRS provisions. The consolidated financial statements have been prepared on a historical cost basis, unless otherwise stated in the accounting policies. The consolidated financial statements are presented in thousands of euros unless otherwise stated. As the figures are presented in thousands of euros, rounding may cause differences.

Application of New and Amended IFRS Norms

Innofactor Group has applied the amendments and annual improvements to the IFRS standards that entered into force on January 1, 2023. The amendments and annual improvements to the standards have not had a material effect on the financial statements.

The Group applies new and amended standards from the date of their entry into force. Future IFRS standards or IFRIC interpretations that were known at the time of drawing up the financial statements are not expected to have a material effect on the consolidated financial statements.

Segment Structure

Innofactor Group provides comprehensive solutions in a Microsoft-based environment. The Group has one reportable segment. The operations are reviewed as a whole to estimate the profitability and to manage the resources.

Subsidiaries

Subsidiaries are companies over which the Group exercises control. This control arises from the Group holding more than half of the voting rights or otherwise being in a position to exercise control. The existence of potential control has also been taken into account in assessing the conditions under which control arises when instruments entitling to potential control are currently exercisable. Control refers to the right to stipulate the principles of the company's finances and business operations to gain from the operations.

Mutual holdings in the Group are eliminated using the acquisition cost method. The consideration transferred and the acquired company's identifiable assets and assumed liabilities are measured at fair value at the acquisition date. The acquisition costs, excluding the costs to issue debt or equity securities, have been recognized as a cost. The consideration transferred does not include transactions treated separately from the acquisition. The impact of these is recognized in profit or loss in connection with the acquisition. Possible contingent additional consideration has been measured at fair value at the acquisition date and has been classified as liability or equity. Contingent additional consideration classified as debt is measured at fair value at the closing date, and the gain or loss arising is recognized in profit or loss. Contingent additional consideration classified as equity is not remeasured.

The subsidiaries acquired are consolidated from the date when control commences, and the subsidiaries disposed of are included in the consolidated financial statements until control ceases. All internal transactions, receivables, liabilities and unrealized

profits, as well as internal profit distribution are eliminated in the consolidated financial statements. In a phased acquisition, the previously held equity interest is measured at fair value, and the resulting gain or loss is recognized in profit or loss. If the Group no longer has a controlling stake in a subsidiary, the remaining asset is measured at fair value at the date the control is lost, and the resulting gain or loss is recognized in profit or loss.

Tangible Assets

Tangible assets have been measured at acquisition value less accumulated depreciation and impairment losses. If an item of tangible assets consists of several parts with economic lives of different lengths, the parts are treated as separate assets. When a part is renewed, the costs are capitalized and the possible remaining carrying amount is written off. In other cases, subsequent costs are included in the carrying amount of the item of tangible assets only when it is probable that the future economic benefits that are attributable to it will flow to the Group and the acquisition cost of the item can be determined reliably. Other repair and maintenance costs are recognized in profit or loss as incurred. Depreciation of assets is calculated using the straight-line method over the estimated useful lives. The estimated useful lives are as follows:

- ▶ Machinery and equipment 2–10 years

The residual values and useful lives of assets are reviewed at the end of each financial period and, if necessary, adjusted to reflect the changes in the expected economic benefits. The sales gains or losses from the sale or disposition of items of tangible assets are recognized in profit or loss under other operating income or expenses. The sales profit is defined as the difference between the sales price and the remaining purchase price.

Government Grants

Government grants received for realized costs are recognized in profit or loss as income for the period that the grant becomes receivable. These grants are recognized in other income.

Intangible Assets

Goodwill

Goodwill arising in business combinations is recognized at the amount exceeding the Group's share of the fair value of the net assets of the acquired company at the time of acquisition.

Goodwill is not subject to depreciation, but it is tested annually for impairment. If the net present value of the expected cash flows was lower than the depreciated book value of consolidated goodwill, the difference would be booked as impairment. Goodwill is measured at original acquisition cost less impairment losses.

Research and Development Costs

Research and development costs are recognized as costs in profit or loss.

The development costs incurred by the design of new or advanced products are capitalized in the balance sheet as intangible assets from the date on which the product is regarded as technically feasible, commercially utilizable and able to generate future economic benefits. Capitalized development costs include the material, work and testing expenses that result directly from completing an asset for the intended purpose. The development costs recognized as expenses are not capitalized later

Depreciation is recognized from the date the asset is ready for use. An asset which is not ready for use is tested annually for impairment. After initial recognition, capitalized development costs are measured at cost less accumulated depreciation

and impairment losses. The useful life of capitalized development costs is 3–5 years, during which time capitalized costs are amortized on a straight-line basis.

In 2023 and 2022, no development costs were capitalized as the requirements were not met.

Other Intangible Assets

An intangible asset is recognized in the balance sheet at acquisition cost, if the cost can be reliably determined and it is likely that the expected economic benefit from the asset will flow to the Group. Intangible assets with a limited useful life are recognized in profit or loss and amortized on a straight-line basis over their known or estimated useful lives. The major part of other intangible assets has been formed in relation to business acquisitions and consists of customer relationships and technology. The amortization period is defined separately for each acquisition and is 5-9 years. The amortization period for software is 3–5 years.

Leases

Group as a Lessee

Lease agreements, which fulfill the requirements of the IFRS 16 standard, are recognized in the balance sheet as right-of-use assets and corresponding lease liabilities. Initially, lease liabilities are measured at the commencement date at the present value of the lease payments, discounted using the interest rate implicit in the lease, if it can be readily determined. If the rate can't be readily determined, such as in real estate leases, the incremental borrowing rate is used. The incremental borrowing rate reflects the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The lease term covers the non-cancellable period during which the Group has the right to use the

underlying asset. For leases that are valid indefinitely, the probable minimum lease term is estimated. Subsequently, lease liabilities are measured at amortized cost by increasing or reducing the carrying amount to reflect interest on the lease liability or the lease payments made. Lease liabilities are remeasured for lease reassessments, amendments to lease agreements or to reflect revised in-substance fixed lease payments. Interest expenses are recognized in profit or loss. Right-of-use assets are amortized over the shorter of the lease term or economic useful life of the asset.

Impairment

Impairment of Tangible Assets and Intangible Assets

The Group assesses at the closing date of each reporting period whether there is any indication of impairment of an asset. If there are such indications, the asset's recoverable amount is estimated. In addition, the recoverable amount is estimated annually for the following assets regardless of whether there are any indications of impairment: goodwill and intangible assets with an infinite useful life.

The recoverable amount is the asset's fair value less costs to sell or its value in use, whichever is higher. Value in use refers to the estimated future net cash flows, discounted to their present value, expected to be derived from the said asset or cash-generating unit. The discount rate used is the interest rate before tax that represents the market's view of the time value of money and special risks associated with the asset. An impairment loss is recognized, if the carrying amount of the asset is higher than its recoverable amount. The impairment loss is recognized immediately in profit or loss. An impairment loss of a cash-generating unit is first allocated to reduce the carrying amount of any goodwill allocated to the cash-generating unit

and then to reduce the carrying amounts of the other assets of the unit pro rata. The useful life of the depreciated asset is re-evaluated in connection with the recognition of an impairment loss. An impairment loss recognized for an asset other than goodwill is reversed, if a change has taken place in the estimates used to determine the recoverable amount of the asset. However, the maximum reversal of an impairment loss amounts to the carrying amount of the asset had no impairment loss been recognized. An impairment loss recognized for goodwill is not reversed in any situation. No impairment losses were recognized in 2023 and 2022.

Employee Benefits

Pension Obligations

Pension arrangements are classified as benefit pension plans or contribution plans. In the contribution plans, the Group makes fixed payments to an external unit. The Group does not have a legal or constructive obligation to make additional payments, if the recipient is not able to pay the pension benefits concerned. All such arrangements that do not meet these conditions are benefit pension plans. The Group's pension arrangements have been implemented through a pension insurance company, and they are based on contribution plans. In the contribution plan arrangement, payments are recognized in the profit and loss statement during the period to which the payment applies.

Taxes Based on Taxable Income and Deferred Taxes for the Financial Period

The tax expense comprises taxes on taxable income and deferred taxes for the financial period. Taxes are

recognized in profit or loss, except when they are directly connected with items recognized in shareholders' equity or other items of the comprehensive income. In this case, also the tax is recognized in the items concerned. The tax based on taxable income for the financial period is calculated on taxable income according to the tax rate in the country concerned. Deferred taxes are calculated on temporary differences between the carrying amount and the taxable value. However, deferred tax liabilities are not recognized for taxable temporary differences when the deferred tax liability arises from the initial recognition of goodwill, or if the liabilities arise from the initial recognition of an asset or liability in a transaction which is other than a business combination and which affects neither accounting nor taxable profit (or loss recognized in taxation) at the time of the transaction. The largest temporary differences arise from the depreciation of tangible assets, previously unrecognized tax losses, and adjustments based on fair value measurement on business combinations. Deferred taxes are calculated by using the tax rates enacted or approved in practice by the closing date of the reporting period. Deferred tax assets are recognized to the extent that it is probable that such future taxable profit will be available against which the temporary difference can be utilized. An estimate is made at the closing date of the reporting period on whether the conditions for recognizing deferred tax assets are met.

Revenue Recognition Principles

Revenue from the sale of products and services is presented as net sales measured at fair value and adjusted for indirect taxes, discounts and currency translation differences from sales in foreign currencies. Revenue is measured based on the consideration to which the Group expects to be entitled in a contract

with a customer and excludes consideration collected on behalf of third parties. The Group recognizes revenue when it transfers control of a good or service to a customer.

Services Sold

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.

Projects

Projects include planning, implementation, project management and commissioning services related to software and solutions to be implemented for the customer. Fixed-price projects are recognized using the percentage of completion method when the outcome of the project can be estimated reliably. For contracts comprising fixed-price projects, revenue is recognized based on the actual service provided by the reporting date as a proportion of the total services to be provided. This is determined based on the cost of actual labor hours spent relative to the total expected cost of labor hours, as it best reflects the transfer of control to the customer. Estimates of revenues, costs or progress towards completion are revised if circumstances change and any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by the management. Invoicing and customer payments in fixed-price projects follow the payment schedule defined in the customer contract. If the services rendered by the Group exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized. If the estimate of the outcome of the project changes, the recognized sales are adjusted in the financial period during which

the change is discovered and can be estimated. An expected loss on a project is recognized in profit or loss immediately when it is identified. The Group does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Consequently, the Group does not adjust any of the transaction prices for the time value of money. The management exercises judgment in estimating the recognition of revenue from fixed-price projects and the amount of retrospective discounts.

SaaS

Maintenance fees are recognized over the contract period.

Licenses

License revenue is recognized at a point in time when the license is delivered, the legal title has passed, the customer has accepted the license, and has access to the licensed software. Distinct licenses that provide a right to access the software are recognized over the contract period. Contract assets or liabilities do not typically arise in the businesses described above.

Financial Items

Financial Assets

Innofactor's financial assets have been categorized according to IFRS 9 into the following categories: financial assets at allocated acquisition cost and financial assets at fair value through profit or loss. The financial assets are categorized as they are first registered, and the categorization is based on the business model applied by the company as regards financial assets and nature of contract-based cash flows. Valuing an instrument, which belongs to financial assets, at allocated acquisition cost requires

that the contract-based cash flows consist entirely of an interest and capital reimbursement (the so called SPPI criteria). The fulfilling of the SPPI criteria is assessed separately for each financial instrument. If the SPPI criteria are not fulfilled, the financial assets are valued at fair value through profit or loss. Financial assets are presented as current assets, if their maturity is under 12 months, or if the investment is planned to be relinquished within 12 months. In other cases, the asset is presented as a non-current asset. Transaction costs are included in the original carrying amounts of the financial assets, when the asset has been valued at allocated acquisition cost. The purchases and sales of financial instruments are registered at the clearance date. The fair values of financial instruments have been defined through discounted cash flows.

Cash and Cash Equivalents

Cash and cash equivalents comprise bank deposits. Bank overdrafts are included in the current liabilities in the balance sheet.

Impairment of Financial Assets

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. Sales receivables and assets based on contracts are written off the profit or loss as final credit losses, when it is not reasonable to expect a payment to be received for them. If the amount of the impairment loss decreases during a future financial period and the deduction can be objectively considered to be related to a transaction taking place after the impairment entry, the recognized loss will be reversed as incurred in profit or loss.

Financial Liabilities

Initially, financial liabilities are measured at fair value. Transaction costs are included in the original carrying amount of financial liabilities measured at amortized cost. Financial liabilities are classified as current liabilities when they are due to be paid within 12 months from the end of the reporting period.

The lending costs that are directly attributable to the acquisition, construction or production of a qualifying asset are recognized as part of the cost of that asset, if it is probable that future economic benefits that are attributable to the asset will flow to the Group and the costs can be determined reliably. Other lending costs are recognized as expenses in the period in which they have incurred. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. When the draw-down occurs, the fees paid on the establishment of loan facilities are recognized as part of transaction costs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Derivative Agreements

Initially, derivative agreements are recognized at fair value on the date when the Group becomes a party of the agreement, and later they will continue to be valued at fair value. Profit and loss for valuing at fair value are treated in the accounting in a way defined by the purpose of use of the derivative agreement. Initially, derivative agreements are recognized at fair value on the date when the Group becomes a party of the agreement, and later they will be valued at fair

value at the time of reporting. Changes in fair value are recognized in financial income or expenses in the profit and loss statement.

Shareholders' Equity

Ordinary shares are presented as share capital. Costs relating to the issue or acquisition of equity instruments are presented as a deduction in shareholders' equity. If Innofactor repurchases its own equity instruments, the purchase price of such instruments is deducted from the shareholder's equity.

Operating Profit

The IAS 1 Presentation of Financial Statements standard does not define the concept of operating profit. The Group has defined the concept as follows: Operating profit is the net total which is formed when other operating income is added to the net sales and the following items are deducted: materials and services, cost of employee benefits, depreciation and possible impairment losses, and other operating expenses. All other items of the profit and loss statement are presented below the operating profit. Currency translation differences are included in operating profit if they arise from business related items; otherwise they are recognized in financial items.

Translation Differences

In the consolidated financial statements, exchange rate differences arising from the equity of foreign subsidiaries and loans comparable with foreign net investments are recognized in translation differences through the Group's other comprehensive income

items. In the second quarter of the financial year 2022, the Group's management classified certain intra-group loans as loans comparable with net investments and the exchange rate differences arising from these loans are recognized in translation differences.

Critical Accounting Judgments and Key Sources of Estimation Uncertainty

The preparation of financial statements requires estimates and assumptions concerning the future. The end results may deviate from these estimates and assumptions. The application of the accounting policies also requires judgment. The estimates made in the preparation of the financial statements are based on the best view of the management at the closing date of the reporting period. The estimates are based on the previous experiences and on assumptions concerning the future that are considered the most probable at the closing date. They may be related to the expected development of the Group's financial operating environment in terms of sales and cost level. The Group regularly monitors the realization of the estimates and assumptions and the factors behind them by using several both internal and external sources of information. Possible changes in the estimates and assumptions are recognized in the financial period during which the estimate or assumption is adjusted and in the subsequent financial periods. The key assumptions concerning the future and those key sources of estimation uncertainty at the closing date of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are presented later in this report. The Group management considers these sections of the financial statements

the most essential, because the accounting policies concerning them are the most complicated and their application requires the use of the most significant estimates and assumptions concerning, for example, the measurement of financial assets. In addition, the impact of possible changes in the assumptions and estimates used in these sections of the financial statements is estimated as the most significant.

Determination of the Fair Value of Assets Acquired in Business Combinations

The estimation of the fair value of intangible assets is based on an estimate of the cash flows related to the assets as there is no information available in the market concerning the purchase of similar assets. The Group management believes that the used estimates and assumptions are sufficiently exact for determining fair value. Additionally, the Group examines at every closing date of a reporting period or, if necessary, more frequently, if there are any indications of impairment in tangible and intangible assets.

Determination of the Measurement of Goodwill

The management makes significant estimates and judgment-based decisions when assessing the development of the Group's net sales and expense, the applicable tax rates and the effects of changes in market conditions on the Group's profit performance. Cash flow projections are based on the Group's actual result and the management's best estimates of future financial performance. Cash flow forecasts include the budgeted amount for the next financial year and the forecasted amounts for the three subsequent years. The growth rates are based on the management's estimate of growth in the coming years.

Partial Recognition of Revenue

Revenue and expenses from projects recognized over time are recognized using the percentage of

completion method when the outcome of the project can be estimated reliably. Recognition is based on estimates of the expected revenue and expenses from the project, as well as the reliable measurement and assessment of the progress of the project. If the estimate of the outcome of a project changes, the recognized project revenue and profit/margin are correspondingly changed in the period in which the change is discovered and can be estimated reliably. Loss-making contracts are recognized as expenses without delay.

3. Net Sales

EUR thousand	2023	2022
Projects	26,803	25,654
Services	28,088	26,069
SaaS	21,272	16,807
Licenses	4,100	2,599
Total	80,263	71,130

Projects in 2023 include EUR 5.4 million (2022: EUR 2.5 million) in revenue recognized from projects based on the percentage of completion. From projects in progress on the closing date, a total of EUR 5.2 million (2022: EUR 2.1 million) in revenues had been recognized.

The items that were included in the contract liability in the previous financial statements were recognized in full as revenue in the reporting period.

During the period January 1–December 31, 2023, approximately 73% of the net sales came from Finland, approximately 12% from Sweden, approximately 4% from Denmark, and approximately 11% from Norway.

The warranty period for system deliveries is 6–12 months and work under warranty is, as a rule, carried out during maintenance.

Unfulfilled Long-Term Customer Contracts

EUR thousand	2023	2022
Total transaction price for partially or entirely unfulfilled long-term customer contracts	71,555	75,831

Estimated time of recognition

Estimated recognition within the next year	42,207	42,451
Estimated recognition later	29,348	33,380
Total	71,555	75,831

For continuing service contracts, the value of long-term customer contracts is calculated as the value of the net sales in one year. On December 31, 2023, this was EUR 23,034 thousand and on December 31, 2022, it was EUR 19,200 thousand. The company transferred part of the order backlog to the framework agreement backlog at the end of 2023. The framework agreement backlog was valued at EUR 29,783 thousand (2022: EUR 18,852 thousand).

Net Sales by Customer Location

EUR thousand	2023	2022
Finland	58,021	46,942
Rest of Europe	22,241	24,188
Rest of the world	0	0
Total net sales	80,263	71,130

Other Operating Income

EUR thousand	2023	2022
Compensation for damages awarded on the basis of legal proceedings	0	231
Government Grants	0	0
Rent	75	43
Other	66	15
Total other operating income	141	290

Key figures for the solution areas are presented in note 12.

4. Other Operating Expenses

EUR thousand	2023	2022
The following table shows four of the most significant items included in other operating expenses:		
Voluntary indirect employee costs	1,521	1,276
ICT expenses	1,010	987
Marketing expenses	438	744
Expenses for business premises	852	583
Total	3,821	3,590
Other unspecified operating expenses	3,190	3,615
Other operating expenses, total	7,011	7,205

Remuneration of the Auditors

EUR thousand	2023	2022
Auditing	140	130
Other services	18	3
Total	158	134

5. Depreciation, Amortization and Impairment

EUR thousand	2023	2022
Depreciation by asset group		
Intangible Assets	512	568
Total	512	568
Tangible Assets		
Real estate	2,129	2,044
Machinery and equipment	624	446
Total	2,754	2,489
Total depreciation	3,266	3,057

6. Employee Benefits/Expenses

EUR thousand	2023	2022
Wages and salaries	41,113	37,003
Pension expenses – defined contribution plans		
	6,336	5,517
Other indirect employee costs	3,334	3,123
Total	50,784	45,644
Group personnel		
Average in the financial period	578	536
At the end of the financial period	581	564

Information on management benefits is presented in Note 24. Related party transactions.

7. Research and Development Costs

In 2023, the research and development costs recognized as expenses totaled EUR 5,108 thousand (EUR 4,153 thousand in 2022). The Group did not capitalize any research and development costs during the financial period 2023.

8. Financial Income

EUR thousand	2023	2022
Interest income	0	1
Other financial income *	116	45
Financial income, total	46	359

* In the second quarter of the financial year 2022, the Group's management classified certain intra-group loans as loans comparable with net investments and the exchange rate differences arising from these loans are recognized in translation differences.

9. Financial Expenses

Items Recognized in Profit or Loss

EUR thousand	2023	2022
Interest and other financial expenses *	615	464
Interest expenses for lease liabilities	162	154
Financial expenses, total	777	619

* In the second quarter of the financial year 2022, the Group's management classified certain intra-group loans as loans comparable with net investments and the exchange rate differences arising from these loans are recognized in translation differences.

10. Income Taxes

EUR thousand	2023	2022
Tax based on the taxable income of the financial period	0	0
Other taxes	-154	-3
Deferred tax related to the creation or cancellation of temporary differences	-1,582	-855
Total	-1,736	-858

Reconciliation between the income tax expense and the taxes calculated at the 20.0% tax rate valid in the Group's home country:

EUR thousand	2023	2022
Earnings before taxes	5,174	4,178
Taxes calculated at the domestic tax rate	-1,035	-836
Non-deductible expenses	-12	-16
Tax-free income	15	42
Difference in foreign tax rate	0	0
Change in deferred taxes	-543	-19
Other	-162	5
Taxes in the profit and loss statement	-1,736	-858

11. Earnings per Share

Basic earnings per share are calculated by dividing the profit attributable to the shareholders of the company by the weighted average number of outstanding shares during the financial period.

	2023	2022
Profit for the year attributable to shareholders of the parent company (EUR)	3,437,985	3,319,797
Weighted average of the number of shares during the financial period	36,810,154	36,546,578
Basic earnings per share (EUR/share)	0.09	0.09

* There is no dilution effect in the Group.

12. Other Notes to the Profit and Loss Statement

Starting from the financial statements for 2023, the Group reports key figures separately for its four solution areas. The reportable solution areas are as follows: 1) Digital Services, 2) Business Solutions, 3) Information and Case Management, and 4) Cloud, Data, Modern Work and Data Security.

Key Figures for the Solution Areas

EUR thousand	Jan 1–Dec 31, 2023	Digital Services	Business Solutions	Information and Case Management	Cloud, Data, Modern Work and Data Security	Total
SaaS net sales		1,846	5,253	9,519	4,654	21,272
License net sales		168	423	2,305	1,204	4,100
Project net sales		7,433	6,166	4,281	8,923	26,803
Service net sales		9,584	6,024	3,425	9,055	28,088
Total net sales		19,031	17,866	19,530	23,836	80,263
Growth, %		17.9%	0.5%	27.9%	8,6%	12.8%
EBITDA		3,159	-364	4,733	1,572	9,101
% of net sales		16.6%	-2.0%	24.2%	6,6%	11.3%
Unfulfilled long-term customer contracts		15,938	14,373	23,147	18,097	71,555
% of net sales		84%	80%	119%	76%	89%
Research and product development expenses		0	502	4,043	564	5,108
% of net sales		0.0%	2.8%	20.7%	2,4%	6.4%

EUR thousand	Jan 1–Dec 31, 2022	Digital Services	Business Solutions	Information and Case Management	Cloud, Data, Modern Work and Data Security	Total
SaaS net sales		2,260	3,392	7,877	3,277	16,806
License net sales		179	610	913	897	2,599
Project net sales		6,425	5,496	3,992	9,741	25,654
Service net sales		7,269	8,321	2,492	7,987	26,069
Total net sales		16,132	17,819	15,275	21,902	71,130
Growth, %		4.5%	-3.4%	3.5%	23.5%	7.2%
EBITDA		2,448	-107	3,337	2,129	7,808
% of net sales		15.2%	-0.6%	21.8%	9.7%	11.0%
Unfulfilled long-term customer contracts		26,035	11,957	16,727	21,111	75,831
% of net sales		161%	67%	110%	96%	107%
Research and product development expenses		0	500	3,252	401	4,153
% of net sales		0.0%	2.8%	21.3%	1.8%	5.8%

13. Tangible Assets

EUR thousand	Machinery and equipment	Buildings and structures *	Total
Acquisition cost, Jan 1, 2023	6,255	11,914	18,169
Additions in 2023	658	469	1,128
Deductions in 2023	0	0	0
Acquisition cost, Dec 31, 2023	6,913	12,384	19,297
Accumulated depreciation, amortization and impairment, Jan 1, 2023	-5,186	-7,089	-12,274
Depreciation related to deductions/exchange differences of tangible assets	-23	11	-12
Depreciation in 2023	-624	-2,129	-2,754
Carrying amount, Jan 1, 2023	1,076	4,843	5,919
Carrying amount, Dec 31, 2023	1,080	3,177	4,257
Acquisition cost, Jan 1, 2022	5,277	8,194	13,471
Additions in 2022	978	3,720	4,698
Deductions in 2022	0	0	0
Acquisition costs, Dec 31, 2022	6,255	11,914	18,169
Accumulated depreciation, amortization and impairment, Jan 1, 2022	-4,740	-5,045	-9,785
Depreciation related to deductions/exchange differences of tangible assets	7	17	24
Depreciation in 2022	-446	-2,044	-2,489
Carrying amount, Jan 1, 2022	537	3,164	3,701
Carrying amount, Dec 31, 2022	1,076	4,843	5,919

* IFRS 16 (leases)

EUR thousand	Jan 1, 2023	Dec 31, 2023
Tangible assets	1,076	1,080
Right-of-use assets	4,843	3,177
Total	5,919	4,257

EUR thousand	Jan 1, 2022	Dec 31, 2022
Tangible assets	535	1,076
Right-of-use assets	3,166	4,843
Total	3,701	5,919

Right-of-use assets

EUR thousand	Machinery and equipment	Buildings and structures	Total
Acquisition cost, Jan 1, 2023	0	4,843	4,843
Additions in 2023	0	469	469
Depreciation in 2023	0	-2,134	-2,134
Carrying amount, Dec 31, 2023	0	3,177	3,177
Acquisition cost, Jan 1, 2022	1	3,164	3,166
Additions in 2022	0	3,720	3,720
Depreciation in 2022	-1	-2,043	-2,044
Carrying amount, Dec 31, 2022	0	4,843	4,843

Lease liabilities are described in Note 21.

14. Intangible Assets

EUR thousand	Goodwill	Other Intangible Assets	Total
Acquisition cost, Jan 1, 2023	28,047	18,779	46,826
Additions in 2023	0	0	0
Change in value from exchange rate changes	4	43	47
Acquisition cost, Dec 31, 2023	28,051	18,822	46,873
Accumulated depreciation, amortization and impairment, Jan 1, 2023	-1,216	-16,381	-17,597
Depreciation in 2023	0	-512	-512
Accumulated depreciation, amortization and impairment, Dec 31, 2023	-1,216	-16,894	-18,110
Carrying amount, Jan 1, 2023	26,831	2,398	29,229
Carrying amount, Dec 31, 2023	26,835	1,929	28,764
Acquisition cost, Jan 1, 2022	27,609	16,446	44,055
Additions in 2022	951	2,339	3,290
Change in value from exchange rate changes	-512	-7	-519
Acquisition cost, Dec 31, 2022	28,047	18,779	46,826
Accumulated depreciation, amortization and impairment, Jan 1, 2022	-1,216	-15,813	-17,029
Depreciation in 2022	0	-568	-568
Accumulated depreciation, amortization and impairment, Dec 31, 2022	-1,216	-16,381	-17,597
Carrying amount, Jan 1, 2022	26,393	633	27,026
Carrying amount, Dec 31, 2022	26,831	2,398	29,229

Intangible Assets

Impairment Testing

The Group has one cash-generating unit (CGU), software business, to which all the goodwill created in business acquisitions is allocated.

In impairment testing, all the Group's recoverable amounts are determined on the basis of value in use. The cash flow forecasts are based on the forecasts approved by the management and they cover a period of three years. The cash flows after the forecast period approved by the management have been extrapolated by using a growth factor of 1.0%.

The essential variables in the calculation of value in use are the following:

1. Budgeted operating margin – The value of the variable is based on the budget approved by the Board of Directors and the management's estimate on the development of the operating margin during the next three years. During the forecast period, no essential changes are expected in the operating margin. Although EBITDA in value improved in 2023, the realized EBITDA did not meet the goals set by the board. The reason is mainly the invoicing rate falling below the target. Below is a summary of key measures to grow business and improve EBITDA:
 - ▶ We increase our invoicing rate by improving order intake and by using the personnel resources more effectively.
 - ▶ We increase the share of SaaS services and licenses by focusing on those customers and solution areas with the highest growth potential.

- ▶ We increase the number of our billable employees by keeping the annual recruitment of university graduates at a high level, by increasing our employees' skills through certifications and keeping personnel turnover low.
- ▶ We are more proactive in M&A in Nordic area.

2. Change in working capital – The value of the variable is based on the average working capital in relation to the net sales and the management's estimate on changes in the working capital during the next three years. During the forecast period, no essential changes are expected in the change in the working capital.
3. Discounting rate – Determined by using Weighted Average Cost of Capital (WACC), which defines the overall cost of equity and debt, taking the special risks concerning the items into consideration. The discount rate has been determined before taxes. The discount rate used in the calculations is 11.39% (14.0% in 2022). The discount rate after taxes is 9.24% (11.4% in 2022).
4. Growth rate in the forecast period – the company considers the used net sales to be conservative, considering the realized long-term growth of the field and of Innofactor's business.

According to the impairment testing, the recoverable amounts exceed the corresponding balance sheet values by approximately EUR 54 million. No impairment losses were recognized in 2023 and 2022.

According to the sensitivity analysis that the Group carried out on goodwill, a decrease of 25% in the net sales compared to the estimated net sales of 2023–2025 or a decrease of 28% in profitability compared

with the estimate for 2023–2025 would indicate a need for impairment. On the basis of the sensitivity analysis, an 15.4% increase in the discount rate would cause a need for impairment.

Recognition of Goodwill

EUR thousand	2023	2022
IT service business	26,835	26,831
Goodwill	26,835	26,831

15. Deferred Tax Assets and Liabilities

Changes in Deferred Taxes in 2023:

EUR thousand	Dec 31, 2022	Recognized in profit or loss	Exchange differences	Increase in deferred tax assets and liabilities	Dec 31, 2023
Deferred tax assets					
From Group combinations *	4,090	-1,654	-21	0	2,415
Total	4,090	-1,654	-21	0	2,415
Deferred tax liabilities					
Measurement of intangible assets and tangible assets at market value in business combinations					
	1,852	-72	0	0	1,780
Total	1,852	-72	0	0	1,780

* Of the deferred tax assets, approximately EUR 2,134 thousand consists of historical, confirmed losses.

At the end of 2023, the amount of losses, which have not been used in the Group's taxation and which have not been recognized as deferred taxes in accordance with the prudence concept, is EUR 1.6 million. These losses are from the other Nordic countries outside Finland. The losses in other Nordic countries will not expire, but strong evidence of their utilization in the next few years is required. The figures do not include the losses to be used in the taxation for 2023, which have not yet been confirmed.

To assess whether the convincing evidence threshold per IAS 12 is met, the company has prepared profit and loss forecasts for future periods that take into consideration the tax regulations in effect at the time of calculation. The management has recognized a deferred tax asset from the Group's operations in Denmark based on the forecast of taxable income in these calculations.

16. Trade and Other Receivables

EUR thousand	2023	2022
Trade and other receivables		
Trade receivables	12,309	10,708
Receivables from customers for long-term projects	4,809	1,971
Loan receivables	37	79
Accrued income	1,284	1,768
Other receivables	10	14
Total	18,449	14,540

Credit loss provision for receivables

EUR thousand	2023	2023	2022
	After credit loss entry	Before credit loss entry	

Breakdown of trade receivables by age

Not past due	10,220	11	10,232	9,462
Past due				
Past due 1–90 days	1,710	4	1,714	1,073
Past due over 90 days	378	26	404	173
Total	12,309	41	12,350	10,708

Trade receivables have been adjusted by a credit loss provision in accordance with IFRS 9. The balance sheet values correspond best to the maximum amount of the credit risk, excluding the fair value of collateral, in cases where the other parties to the agreement are unable to fulfill their obligations related to financial instruments. The Group's operating practices do not include the acquisition of collateral for trade and other receivables. The principles for managing credit risks are described in Note 19.

Assets Based on Customer Contracts

EUR thousand	2023	2022
Receivables based on project contracts	4,809	1,971
Total	4,809	1,971

EUR thousand	2023	2022
Liabilities based on project contracts	1,703	504
Total	1,703	504

Liabilities and receivables based on project contracts are stated in the accrued income and liabilities in the balance sheet. Innofactor does not expect to enter into contracts in which the time between the handover of projects or services to the customer and the payment made by the customer would be longer than one year. For this reason, the transaction prices are not adjusted to take the time value of money into account.

17. Cash and Cash Equivalents

EUR thousand	2023	2022
Bank accounts	425	1,956
Total	425	1,956

Current deposits have a maturity of three months at most. Cash and cash equivalents are presented at nominal value, which corresponds to their fair value.

18. Notes Concerning Shareholders' Equity

Number of Shares in 2023	2023	2022
Outstanding shares, Jan 1	36,208,104	36,626,225
Own shares held by the company	600,000	1,180,121
Outstanding shares, Dec 31	35,743,691	36,208,104

Innofactor Plc has one class of shares. The share has no nominal value. All the issued shares have been paid in full.

The equity funds are described below:

Share Premium Reserve

In the cases in which option rights have been decided upon while the old Companies Act (29.9.1978/734) was in force, the cash payments received for subscriptions have been recognized in the share capital and share premium reserve in accordance with the conditions of the arrangement, with the transaction costs deducted.

Reserve Fund

The reserve fund is a fund for unrestricted equity formed on the basis of the decision of the General Meeting.

Fund for Invested Unrestricted Equity

The fund for invested unrestricted equity contains other equity type investments and the subscription price of shares to the extent that they are not, based

on a specific decision, recognized in the share capital. For the option programs that have been decided on after the new Companies Act (21.7.2006/624) entered into force (September 1, 2006), the fees for subscriptions are recognized in full in the fund for invested unrestricted equity.

Dividends and Capital Repayment

In 2023, a capital repayment of EUR 0.06 per share was distributed. The Board of Directors has proposed that Innofactor Plc distribute a capital repayment of EUR 0.07 per share for the financial period 2023.

The Board of Directors further proposes that the Annual General Meeting authorize the Board to decide on a repayment of capital amounting to a maximum of EUR 2,544,058 (EUR 0.07 per share).

Own Shares

The General Meeting of March 31, 2023, authorized the Board of Directors to decide on acquiring a maximum of 3,600,000 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 on 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, 2024. This authorization replaces the Board's earlier authorizations concerning share repurchase.

At the end of the review period, the company held 600,000 treasury shares.

19. Financial Risk Management

In its normal business operations, the Group is susceptible to several financial risks. The goal of the Group's risk management is to minimize the negative effects of the changes in the financial markets on the result of the Group. The main financial risks are credit risks, exchange rate risks, and interest risks. The general principles of the Group's risk management are approved by the Board of Directors and the practical implementation of financial risk management is the responsibility of the Group's financial department.

Interest Risk

At the closing date, the company had fluctuating rate bank loans totaling EUR 6.3 million (EUR 9.4 million on December 31, 2022). The company has been subjected to the cash flow interest risk through the loan portfolio. The goal of the company's risk management as concerns the interest risk is to minimize the negative impacts of interest rate changes on the company's result. The average interest rate of the loans was 2.8 percent (3.2% in 2022). Interest rate hedging has been applied to more than half of the Group's loans.

The realized average balances of the fluctuating rate loans during the financial period have been used in the sensitivity analysis. At the closing date, the effect of the fluctuating rate interest-bearing loans on the result before taxes would have been EUR +/- 33 thousand (2022: EUR +/- 30 thousand) had the interest rate been increased or decreased by 1 percentage point.

Exchange Rate Risk

Innofactor Group operates globally and is exposed 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. Innofactor has significant business 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.

The sensitivity analysis of exchange rate risk shows the effect on the profit and loss statement if the exchange rate against the euro were to change by 10 percent. According to a sensitivity analysis of exchange rate risk calculated in accordance with IFRS 7, the effect on profit before taxes would have been EUR -0.3 million to EUR +0.3 million on the closing date.

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.

The aging analysis of the trade receivables is presented in Note 16. Trade and Other Receivables.

Risks Related to Receivables from Projects

A large part of Innofactor's net sales comes from project business. A 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.

Risks Related to the Cash Position

The Group continually estimates and monitors the amount of financing required for the business operations, for example, by analyzing cash flow forecasts monthly to ensure that the Group has sufficient liquid funds to finance its operations. The Group analyzes the liquidity forecasts regularly and assesses the effect of possible acquisitions on the cash position.

The Group has not identified significant liquidity risk concentrations in the financial assets.

Maturity Distribution of Financial Liabilities

EUR thousand				
Balance sheet value	0-6 months	6 months-1 year	over 1 year	2-4 years
Dec 31, 2023				
Loans from financial institutions				
6,325	1,770	3,201	1,354	0
Trade and other payables				
2,074	2,074	0	0	0
Dec 31, 2022				
Loans from financial institutions				
9,402	1,770	3,116	2,707	1,809
Trade and other payables				
1,715	1,715	0	0	0
Lease liabilities are described in Note 21.				

Capital Structure Management

The shareholders' equity in the consolidated balance sheet is managed as capital assets. The goal of capital structure management is to ensure operational preconditions of the Group and increase shareholder value in the long term. The capital structure can be managed through decisions concerning, for example, dividend distribution, acquisition and transfer of treasury shares, and share issues. The shareholders' equity in the consolidated balance sheet is managed as capital assets. No external capital requirements are applied to the Group.

The development of the capital structure of the Group is monitored continually by means of Net Gearing.

EUR thousand	2023	2022
Interest-bearing loans from financial institutions	6,325	9,402
Lease liabilities	3,291	4,947
Cash and cash equivalents	425	1,956
Total shareholders' equity	25,483	24,799
Net Gearing	36.1%	50,0%

Financial Risk Management

In its normal business operations, Innofactor Group is exposed to normal financing risks. In total at the end of the review period, Innofactor had approximately EUR 6.3 million in interest bearing debts to financial institutions, which have been taken out to finance acquisitions and working capital. Of the debts, approximately EUR 1.8 million is non-current and approximately EUR 4.5 million is current liabilities. Additionally, the company had lease liabilities in accordance with the IFRS 16 standard (leases for the duration of fixed-term leases) for EUR 3.3 million, of which EUR 2.0 million was current and EUR 1.3 million non-current. The total of interest-bearing liabilities was EUR 9.6 million.

Innofactor has committed to the following covenants: Equity ratio calculated every six months is at least of 40%, and interest bearing liabilities calculated every six months divided by the 12-month operating margin (EBITDA) is a maximum of 2.5, and certain other normal conditions for loans.

The goal of managing the financing risks is to minimize the negative effects of the changes in the

financial markets on the result of the Group. Financing 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 would have a negative effect on the Group's business and its development, especially on making acquisitions.

20. Fair Values of Financial Assets and Liabilities

The table below shows the fair value and carrying amount of each item in financial assets and liabilities. These values correspond with the consolidated balance sheet values.

EUR thousand	Note	Dec 31, 2023	Dec 31, 2022
Trade and other receivables	16	18,449	14,540
Cash and cash equivalents	17	425	1,956
Total		18,873	16,495
Loans from financial institutions		6,325	9,402
Lease liabilities		3,291	4,947
Total		9,616	14,349
Trade and other payables:			
Trade payables		2,074	1,715
Other liabilities		5,139	4,951
Total		7,213	6,665

Trade and Other Receivables

The original carrying amount of the receivables corresponds to their fair values, as the effect of discounting is not essential considering the maturity of the receivables.

Loans From Financial Institutions

The carrying amount of loans corresponds with their fair value.

Trade and Other Payables

The original carrying amount of the trade and other payables corresponds to their fair values, as the effect of discounting is not essential considering the maturity of the payables.

Derivatives

Fair value of derivative agreements has been defined based on available market information.

21. Lease Liabilities

Maturity

EUR thousand	Total	Less than 1 year	1–5 years	Over 5 years
Dec 31, 2023				
Lease liabilities (IFRS 16)	3,291	1,996	1,295	0
Other lease liabilities	114	48	66	0
Interests of lease liabilities	105	91	14	0
Total	3,510	2,134	1,375	0

Balance Sheet

EUR thousand	2023	2022
Non-current lease liabilities	1,295	2,832
Current lease liabilities	1,996	2,115
Total	3,291	4,947

Impact on the Result for the Financial Period

EUR thousand	2023	2022
Deduction of other expenses (lease liabilities)	2,282	2,187
Addition of right-of-use asset deductions	-2,129	-2,044
Addition of operating profit	152	143
Addition of financial expenses	-162	-152
Impact on the result for the financial period	-10	-9

Current lease liabilities have been recognized	159	168
Low value lease liabilities have been recognized	26	26

The cash flow effect of the company's lease agreements was EUR -2,282 thousand in 2023 (EUR -2,187 thousand in 2022).

Interest on lease liabilities is shown in Note 9. Financial Expenses. Right-of-use assets are presented in Note 13. Tangible assets

22. Contingent Liabilities and Assets and Acquisition Commitments

Collateral

EUR thousand	2023	2022
Collateral given for own commitments		
Lease collateral	167	125
Mortgages on company assets	16,650	17,750
Mortgages on company assets have been given as collateral for the credit limit and a loan.		
Bank guarantees	312	327
Bank guarantees have been given as collateral for lease agreements.		

23. Statement of Changes in Interest Bearing Debts

EUR thousand	Non-current	Current	Total
Liabilities Jan 1, 2023	7,349	7,000	14,349
Loans withdrawn	0	0	0
Loans paid	0	-3,077	-3,077
Changes with no related cash flow:			
Changes between non-current and current			
	-2,747	2,747	0
Change in lease liabilities *			
	-1,537	-119	-1,656
Liabilities Dec 31, 2023	3,065	6,550	9,616

* IFRS 16 lease liabilities (Note 21)

EUR thousand	Non-current	Current	Total
Liabilities Jan 1, 2022	6,342	3,476	9,818
Loans withdrawn	2,500	2,219	4,719
Loans paid		-1,874	-1,874
Changes with no related cash flow:			
Changes between non-current and current			
	-2,667	2,667	0
Change in lease liabilities *			
	1,173	512	1,686
Liabilities Dec 31, 2022	7,349	7,000	14,349

* IFRS 16 lease liabilities (Note 21)

24. Related Party Disclosures

Innofactor's related parties consist of subsidiaries, the management (Board of Directors, CEO and the Executive Board), their close family members and companies, associated companies and joint ventures controlled by them or their close family members. The company's financial administration maintains a list of the company's related parties. The company's financial administration defines Innofactor's related parties, when the status as a related party is not due to the IAS related party definition concerning persons.

The company sends an annual query to the company's key management persons, as defined in IAS 24, about the natural and legal persons which are their related parties.

Persons discharging managerial duties in the company, who are considered related parties, owe EUR 21 thousand to the company (EUR 70 thousand in 2022) as a result of personnel share issues. As a rule, the loan period is five years, and the loan is repaid in fixed monthly installments. There are also two-year loans that are repaid in four equal instalments every six months. The interest rate on the loans is the 12-month Euribor 360. However, the interest rate is always a minimum of 0%. The accrued interest is paid monthly to the company.

The company does not have any other major related party transactions.

Management's Employment Benefits

EUR thousand	2023	2022
Salaries and fees paid to the CEO and Group management during the financial period, including benefits in kind, as follows:		
CEO (including Board fees)	375	338
Other Group management	1,274	1,463
Total	1,649	1,801

Management's Employment Benefits

EUR thousand	2023	2022
Short-term employee benefits	1,649	1,801
Post-employment benefits	0	0
Other long-term benefits	0	0
Benefits paid upon termination	0	0
Share-based payments	0	0
Total	1,649	1,801

Management's Employment Benefits

EUR thousand	2023	2022	
Board members and deputy members			
Lindén Anna	Chairman of the Board of Directors	59	48
Ensio Sami	Board Member	29	24
Linturi Risto	Board Member	29	24
Heikki Nikku	Board Member	29	24
Total		146	120

The CEO's retirement age and the basis for calculating the pension comply with the effective Employee Pensions Act. The mutual term of notice of the CEO is 6 months. If the company terminates the CEO's contract, the CEO will be paid the salary for the period of notice and also, as a compensation for the termination, a one-time payment equaling to the CEO's 12 months' salary.

25. Group Companies

At the end of the financial period, the Innofactor Group included the following companies:

- ▶ Innofactor Plc, Finland (parent company)
- ▶ Innofactor Software Oy, Finland, Espoo, 100%
- ▶ Innofactor Invenco Oy, Finland, Espoo, 100%
- ▶ Innofactor Holding AB, Sweden, 100%
- ▶ Innofactor AB, Sweden, 100%
- ▶ Innofactor Holding ApS, Denmark, 100%
- ▶ Innofactor A/S, Denmark, 100%
- ▶ Innofactor Holding AS, Norway, 100%
- ▶ Innofactor AS, Norway, 100%

26. Events After the Closing Date

Events After the Review Period

Innofactor had no significant events after the review period.

Parent Company Financial Statement, FAS

EUR

PARENT COMPANY PROFIT AND LOSS STATEMENT	Note	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
NET SALES	1	13,388,169	10,933,459
Other operating income	2	83,860	274,316
Materials and services			
Purchases during the financial period	3	-6,212,819	-4,785,967
Personnel expenses	4	-3,314,204	-2,874,652
Depreciation			
Planned depreciation	5	-81,516	-133,143
Other operating expenses	6	-3,804,616	-3,375,867
OPERATING RESULT		58,876	38,146
Financial income and expenses	7		
Interest and financial income		1,509,089	602,749
Interest and other financial expenses		-426,945	-348,897
Total financial income and expenses		1,082,144	253,852
RESULT BEFORE APPROPRIATIONS AND TAXES		1,141,020	291,997
Group contribution		-677,279	-320,587
EARNINGS BEFORE TAXES		463,741	-28,590
RESULT FOR THE FINANCIAL PERIOD		463,741	-28,590

Balance Sheet, FAS

EUR

ASSETS	Note	Dec 31, 2023	Dec 31, 2022
NON-CURRENT ASSETS			
Intangible assets			
Intangible rights	8	28,152	64,425
Tangible assets			
Machinery and equipment	8	147,503	32,776
Investments			
Shares in Group companies	9	37,490,528	36,496,610
TOTAL NON-CURRENT ASSETS		37,666,183	36,593,811
CURRENT ASSETS			
Receivables			
Non-current			
Loan receivables		44,363	52,571
Other receivables		24,177,056	24,568,285
Current			
Trade receivables		23,067,430	12,113,012
Loan receivables		38,712	76,327
Accrued income	11	517,322	987,039
Cash and bank receivables		230,258	0
TOTAL CURRENT ASSETS		48 075,140	37,797,233
ASSETS		85,741,323	74,391,044

EUR

LIABILITIES	Note	Dec 31, 2023	Dec 31, 2022
SHAREHOLDERS' EQUITY			
	12		
Share capital		2,100,000	2,100,000
Revaluation fund		2,000,000	2,000,000
Fund for invested unrestricted equity		23,163,166	25,340,516
Profit from previous financial periods		-2,349,736	-1,697,310
Profit/loss for the financial period		463,741	-28,590
Total shareholders' equity		25,377,172	27,714,616
LIABILITIES			
	13		
Non-current			
Loans from financial institutions		1,770,000	4,476,667
Non-current total		1,770,000	4,476,667
Current			
Loans from financial institutions		4,554,770	5,073,683
Trade payables		556,763	1,029,753
Other liabilities		51,659,732	34,988,834
Accrued expenses	14	1,822,886	1,107,492
Current total		58,594,151	42,199,761
Total liabilities		60,364,151	46,676,428
LIABILITIES		85,741,323	74,391,044

Parent Company Cash Flow Statement

EUR	Jan 1–Dec 31, 2023	Jan 1–Dec 31, 2022
Cash flow from operating activities		
Operating profit/loss	58,876	38,146
Adjustments:		
Depreciation	81,516	133,143
Transactions with no related cash flow	34,467	-367,827
Change in working capital		
Change in trade and other receivables	-7,548,198	-1,576,417
Change in trade and other payables	16,236,024	1,750,731
Interest received	0	0
Paid interest and other financial expenses	-356,695	-345,290
Total operating activities cash flow	8,505,989	-367,514
Investment cash flow		
Investments in subsidiary shares	-2,424,801	-2,424,801
Investments in fixed assets	-193,944	-33,975
Loan receivables repaid	45,822	72,797
Loans paid	0	0
Loans granted	391,229	1,734,098
Total investment cash flow	-2,181,694	-651,880
Cash flow before financing	6,324,295	-1,019,394
Financing cash flow		
Loans withdrawn	0	2,500,000
Loans paid	-3,077,359	-1,875,000
Group account debt withdrawn	39,843	2,180,619
Group account debt repaid	0	0
Payments received from share issue	335,661	0
Purchase of own shares	-1,026,769	-446,715
Dividends paid and repayment of capital	-2,177,349	-2,927,058
Total financing cash flow	-5,905,973	-568,154
Change in cash and cash equivalents as per cash flow statement	418,322	-1,587,548
Change in cash and cash equivalents	230,258	-1,587,548
Cash and cash equivalents, opening balance	0	1,587,548
Cash and cash equivalents, closing balance	230,258	0

Notes to the Parent Company's Financial Statements

Accounting Principles Used in the Parent Company's Financial Statements

The financial statements of Innofactor Plc for the financial period of 2023 have been prepared in accordance with the Finnish accounting regulations.

Intangible and Tangible Assets

The intangible and tangible assets have been recognized at historical cost less planned depreciation. Planned depreciation has been calculated on the basis of the assets' economic lives as follows:

- intangible rights 3–5 years
- goodwill 5 years
- tangible assets 3–5 years

Acquisition costs for non-current asset items, which have a probable economic life of under three years, and small purchases (under EUR 850) have been recognized as cost in their entirety in the financial period in which they were purchased.

Securities Included in Financial Assets

Securities included in financial assets have been measured at the acquisition price or the market price, whichever is lower.

Items in Foreign Currency

Items in foreign currency have been converted using the weighted average rate quoted by the European Central Bank at the closing date.

Derivatives

Derivatives are measured at acquisition cost in accordance with Section 5.2 of the Accounting Act, or at fair value if the probable market price on the financial statements data is lower than the acquisition cost.

Notes to the Financial Statements (EUR)

1. Net sales (EUR) by market area	2023	2022
Finland	11,987,647	9,997,361
Rest of Europe	1,400,522	936,097
Total net sales	13,388,169	10,933,459

2. Other operating income	2023	2022
Lease revenue	74,515	42,959
Other operating income	9,345	231,357
Total other operating income	83,860	274,316

3. Materials and services	2023	2022
Purchases during the financial period	6,212,819	4,785,967
Total	6,212,819	4,785,967

4. Personnel expenses	2023	2022
Salaries and fees	2,778,552	2,426,382
Pension expenses	470,800	403,676
Other indirect employee costs	64,852	44,595
Total personnel expenses	3,314,204	2,874,652

Management salaries and fees

CEO and Board Member Sami Ensio	375,000	338,000
Board members and deputy members	113,000	95,000
Total	488,000	433,000

The CEO's retirement age and the basis for calculating the pension comply with the effective Employee Pensions Act. The mutual term of notice of the CEO is 6 months. If the company terminates the CEO's contract, the CEO will be paid the salary for the period of notice and also, as a compensation for the termination, a one-time payment equaling the CEO's 12 months' salary.

Average number of personnel	37	31
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5. Planned depreciation	2023	2022
On intangible rights	57,680	126,971
On goodwill	0	0
On machinery and equipment	23,836	6,172
Total	81,516	133,143

6. Other operating expenses	2023	2022
Leases and other expenses for premises	1,139,191	999,785
IT hardware, licenses and communications	848,982	1,283,717
Travel expenses	93,494	46,729
Training expenses	49,652	90,802
Entertainment expenses	16,366	24,450
Other operating expenses	1,656,930	930,385
	3,804,616	3,375,867

The Group's internal expenses	0	0
Other operating expenses, total	3,804,616	3,375,867

Remuneration of the Auditors

Auditing	68,950	62,250
Other services	17,600	5,500
Total	86,550	67,750
Fees in total	86,550	67,750

7. Financial income and expenses	2023	2022
Total interest and other financial income		
From Group companies	1,042,162	600,514
From others	466,928	2,234
Total interest and other financial income	1,509,089	602,749

Interest and other financial expenses		
To Group companies	-21 830	-4 464
Interest expenses to others*	-405 115	-344 433
Total interest and other financial expenses	-426 945	-348 897

*In 2023, other interest and financial expenses included EUR 48 thousand in exchange rate losses (2022: EUR 97 thousand).

Total financial income and expenses	1 082 144	253 852
Group contributions received/granted	-677 279	-320 587

Balance Sheet Notes (EUR)

8. Intangible and Tangible Assets	Intangible	Goodwill	Tangible	Total
Acquisition cost, Jan 1, 2023	1,058,947	603,840	160,302	1,823,089
Additions	21,406	0	138,563	159,969
Acquisition cost, Dec 31, 2023	1,080,353	603,840	298,866	1,983,058
Accumulated depreciation, amortization and impairment, Jan 1, 2023	994,521	603,840	127,526	1,725,887
Depreciation for the financial period	57,680	0	23,836	81,516
Accumulated depreciation, Dec 31, 2023	1,052,201	603,840	151,362	1,807,403
Carrying amount, Dec 31, 2023	28,152	0	147,503	175,656

	Intangible	Goodwill	Tangible	Total
Acquisition cost, Jan 1, 2022	1,047,111	603,840	138,163	1,789,114
Additions	11,836	0	22,139	33,975
Acquisition cost, Dec 31, 2022	1,058,947	603,840	160,302	1,823,089
Accumulated depreciation, amortization and impairment, Jan 1, 2022	867,551	603,840	121,354	1,592,744
Depreciation for the financial period	126,971	0	6,172	133,143
Accumulated depreciation, Dec 31, 2022	994,521	603,840	127,526	1,725,887
Carrying amount, Dec 31, 2022	64,426	0	32,776	97,202

9. Investments	
Acquisition cost, Jan 1, 2023	36,496,610
Acquisition cost, Dec 31, 2023	37,490,528
Carrying amount, Dec 31, 2023	37,490,528

Acquisition cost, Jan 1, 2022	32,198,940
Acquisition cost, Dec 31, 2022	36,496,610
Carrying amount, Dec 31, 2022	36,496,610

10. Receivables	2023	2022
Non-current assets		
Loan receivables	44,363	52,571
Receivables from associated companies	0	0
Other receivables from Group companies	24,177,056	24,568,285
Non-current receivables total	24,221,419	24,620,855

Current receivables		
Trade receivables	6,641	2,994
Loan receivables	38,712	76,327
Trade receivables from Group companies	23,060,789	12,110,017
Current receivables total	23,106,142	12,189,338

Total receivables from Group companies	47,237,845	36,678,302
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11. Accrued income	2023	2022
Pre-paid licenses	465,624	472,012
Receivables related to legal proceedings	0	470,393
Periodical personnel expenses	37,215	2,544
Other	14,483	42,089
Accrued income in total	517,322	987,039

12. Shareholders' equity	2023	2022
Shareholders' equity, opening balance	2,100,000	2,100,000
Shareholders' equity, closing balance	2,100,000	2,100,000

Revaluation fund, opening balance	2,000,000	2,000,000
Revaluation fund, closing balance	2,000,000	2,000,000

Unrestricted shareholders' equity

Fund for invested unrestricted equity opening balance	25,340,515	28,267,517
Repayment of capital	-2,177,349	-2,927,002

Fund for invested unrestricted equity closing balance	23,163,165	25,340,515
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Profit from previous financial periods, opening balance	-1,725,899	-1,250,595
Dividend payment	0	0
Purchase of own shares	-623,837	-446,714

Profit from previous financial periods, closing balance	-2,349,736	-1,697,309
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Result for the financial period	463,741	-28,590
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Total unrestricted shareholders' equity	21,277,171	23,614,616
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Total shareholders' equity	25,377,171	27,714,616
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Calculation of distributable funds	2023	2022
Result from previous financial periods	-2,349,736	-1,697,309
Result for the financial period	463,741	-28,590
Fund for invested unrestricted equity	23,163,165	25,340,515
Yhteensä	21,277,171	23,614,616

13. Liabilities	2023	2022
Non-current liabilities		
Loans from financial institutions	1,770,000	4,476,667
Total non-current liabilities	1,770,000	4,476,667
Current liabilities		
Loans from financial institutions	4,554,770	5,073,683
Trade payables	556,763	1,029,753
Trade payables to Group companies	0	0
Trade payables in total	556,763	1,029,753
Other liabilities	2,731,708	1,973,466
Other payables to Group companies	48,928,024	33,015,368
Other liabilities in total	51,659,732	34,988,834
Accrued expenses	1,822,886	1,107,492
Liabilities to Group companies	48,928,024	33,015,368
Total current liabilities	58,594,151	42,199,761
Total liabilities	60,364,151	46,676,428

14. Accrued expenses	2023	2022
Periodical personnel expenses	538,937	508,223
Rent	106,526	106,526
Other	1,177,423	492,742
Accrued expenses in total	1,822,886	1,107,492

15. Commitments and contingent liabilities	2023	2022
Bank guarantees		
A bank guarantee has been given as collateral for a lease agreement.	273,975	273,975
Lease liabilities		
To be paid in the next financial period	0	0
To be paid later	0	0
Total	0	0
Lease liabilities		
To be paid in the next financial period	1,273,826	1,142,724
To be paid later	674,812	1,142,724
Total	1,948,638	2,285,449
Mortgages on company assets as collateral for loan		
Mortgages on company assets as collateral for loan	4,000,000	4,000,000

Board of Directors' Proposal on the Distribution of Profits

At the end of the financial period of 2023, the distributable assets of Innofactor Plc are EUR 21,277,172. The Board of Directors proposes that Innofactor Plc distributes EUR 0.07 per share as a repayment of capital.

The Board of Directors further proposes that the Annual General Meeting authorize the Board to decide on an additional dividend or repayment of capital amounting to a maximum of EUR 2,544,058 (EUR 0.07 per share).

Company Shares

Innofactor Plc has one series of shares. The number of shares is 36,343,691. The share has no nominal value. One share entitles the holder to one vote at the General Meeting. All shares entitle their holders to dividends of equal value. Innofactor Plc's share capital, paid in full and entered in the Trade Register, is EUR 2,100,000.00.

On December 31, 2023, the company held 600,000 treasury shares.

Location of Accounting Records

Innofactor Plc, Keilaranta 9, 02150 Espoo

INNOFACTOR PLC

SIGNATURES TO THE FINANCIAL STATEMENTS AND ANNUAL REPORT

Espoo, March 5, 2024

Sami Ensio
CEO, Board Member

Anna Lindén
Chairman of the Board of Directors

Heikki Nikku
Board Member

Risto Linturi
Board Member

AUDITOR'S NOTE

A report on the audit has been issued today.

Helsinki, March 6, 2024

Ernst & Young Oy
Authorized Public Accountants

Juha Hilmola
Authorized Public Accountant

Auditor's Report (Translation of the Finnish Original)

To the Annual General Meeting of Innofactor Plc

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Innofactor Corporation (business identity code 0686163-7) for the year ended 31 December, 2023. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including material accounting policy information, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- ▶ the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with IFRS Accounting Standards as adopted by the EU.
- ▶ the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Board of Directors.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 4 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Key Audit Matter

Revenue Recognition of Fixed Price Projects

Refer to note summary of significant accounting policies and note 3.

The company provides its customer with services based on fixed price contracts. Revenue is recognized over time which involves the use of management judgement when determining the percentage of completion of the projects.

The group focuses on revenue as a key performance measure which could create an incentive for revenue to be recognized before the control has been transferred.

Revenue recognition of fixed price projects was determined to be a key audit matter and a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2) due to the management's judgement used when determining the percentage of completion of the projects.

How our audit addressed the Key Audit Matter

Our audit procedures to address the significant risk of material misstatement related to revenue recognized over time, included amongst other:

- ▶ assessing the Group's accounting policies over revenue recognition of fixed-price projects.
- ▶ gaining an understanding of the Percentage of Completion (PoC) revenue recognition process.
- ▶ examination of the fixed-price project documentation and testing the PoC calculations and inputs of estimates in the calculations and comparing the estimates to actuals.
- ▶ analytical procedures
- ▶ assessing the progress and overall situation of the fixed price projects and key ratios by performing inquiries to persons on different levels in the organization.

- ▶ analyzing key elements of the estimates, for instance, estimated revenue and estimated hours to complete.
- ▶ Assessing the Group's disclosures in respect of revenue recognition.

Key Audit Matter

Valuation of Goodwill

Refer to note summary of significant accounting policies and note 14.

At the balance sheet date 31 December 2023, the value of goodwill amounted to 26.8 M€ representing 49 % of the total assets and 105 % of the total equity. Valuation of goodwill was a key audit matter because:

- ▶ goodwill represents a significant proportion of the balance sheet
- ▶ annually performed impairment testing estimation process is complex and is judgmental
- ▶ it is based on assumptions relating to market and economic conditions.

Valuation of goodwill is tested annually through goodwill impairment test. Innofactor has allocated goodwill to one cash generating unit (CGU) which is the level for goodwill impairment test. The recoverable amount of the cash generating unit is based on value in use calculations, and the outcome could vary significantly if different assumptions were applied. There are a number of assumptions used to determine the value in use of the cash generating units, including revenue growth, EBITDA, working capital and the discount rate applied. Changes in the above-mentioned assumptions may result in an impairment of goodwill.

How our audit addressed the Key Audit Matter

In our audit procedures related to valuation of goodwill we involved our internal valuation specialist to assist us in evaluating the assumptions and methodologies used by the management. Procedures included comparison of management assumptions with external market data and peer group average calculated by us focusing particularly on

- ▶ forecasted revenue growth
- ▶ change in working capital
- ▶ EBITDA percentage and
- ▶ weighted average cost of capital used in discounting cash flows.

We reviewed the goodwill impairment test performed by the management and compared the discounted cash flows to the company's market value. We also assessed the historical accuracy of managements' estimates. In addition, we assessed the Group's disclosures in the financial statements regarding the impairment test.

Key Audit Matter

Valuation of Deferred Tax Assets

Refer to note summary of significant accounting policies and note 15.

As of balance sheet date 31 December 2023, the group had deferred tax assets arising from the unused tax losses carry forward amounting to 2.1 M€ and from the consolidation entries 0.3 M€.

The amount of deferred tax asset is material to financial statements. Management assessment related to the recognition of deferred tax assets and the likelihood of future income is judgmental and based on assumptions affected by future market and economic developments. Due to above mentioned judgmental factors, valuation of deferred tax assets was determined to be a key audit matter.

How our audit addressed the Key Audit Matter

When auditing deferred tax assets we evaluated company's evidence that there will be future taxable income available to utilize the deferred tax assets.

As part of our audit procedures we

- ▶ assessed the key assumptions in the calculations prepared by the management focusing on forecasted future economic development and the company's ability to generate taxable income.
- ▶ tested deferred tax assets including the assessment of recognizing judgmental tax positions.
- ▶ assessed disclosures related to deferred taxes.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those

risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 2 April 2019 and our appointment represents a total period of uninterrupted engagement of five years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 6.3.2024

Ernst & Young Oy
Authorized Public Accountant Firm

Juha Hilmola

Authorized Public Accountant

Additional Information

Key Figures per Share

	2023	2022
Earnings per share (EUR)	0.09	0.09
Highest price of the share (EUR)	1.34	1.54
Lowest price of the share (EUR)	1.03	0.83
Market value of the shares (EUR thousand)	45,092,439	39,332,413
Turnover of shares (pcs)	6,841,002	14,193,868
Turnover of shares (%)	19%	38%
Weighted average of the number of shares during the financial period	36,810,154	37,388,225
Own shares held by the company	600,000	1,180,121
Number of shares at the end of the financial period	36,343,691	37,388,225
Earnings per share (EUR)	0.09	0.09
Shareholders' equity per share (EUR)	0.70	0.68
Dividend per share and repayment of invested unrestricted equity, % of profit, total	74.5%	63.8%
Effective dividend yield, %	6.7%	5.7%
Price to earnings ratio	13.1	11.2

Shareholding

On December 31, 2023, Innofactor Plc had 11,658 shareholders including the administrative registers (9). The share of administratively registered shares was 13.97% of the total number of shares.

Distribution of Shareholding at December 31, 2023

Shares	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of shares
1-100	6,005	51.51	178,794	0.49
101-1 000	3,443	29.53	1,571,427	4.32
1 001-10 000	1,916	16.44	6,064,753	16.69
10 001-100 000	255	2.19	6,200,537	17.06
yli 100 000	39	0.34	22,328,180	61.44
Total	11,658	100.00	36,343,691	100.00

Largest Shareholders by Sector, December 31, 2023

	Number of shares	Percentages of shares
Households	25,702,944	71%
Private sector	2,758,584	8%
Nominee-registered	5,076,411	14%
Public entities	1,800,000	5%
Financial and insurance institutions	874,721	2%
Foreign shareholders	78,061	0%
Non-profit organizations	52,970	0%
All shares total	36,343,691	100%

Calculation of Key Figures

Percentage of Return on Equity:

$$\frac{\text{Profit or loss before taxes} - \text{Taxes}}{\text{Shareholders' equity}}$$

Percentage of Return on Investment:

$$\frac{\text{Profit or loss before taxes} + \text{Interest and other financial expenses}}{\text{Shareholders' equity} + \text{Interest bearing financial liabilities}}$$

Net Gearing:

$$\frac{\text{Interest bearing liabilities} - \text{Cash funds}}{\text{Shareholders' equity}}$$

Equity Ratio, %:

$$\frac{\text{Shareholders' equity}}{\text{Balance sheet total} - \text{Advances received}}$$

Result / Share:

$$\frac{\text{Profit before taxes attributable to equity holders of the parent} - \text{Taxes}}{\text{Average number of shares on the financial period adjusted after the share issue}}$$

Shareholders' Equity / Share:

$$\frac{\text{Shareholders' equity attributable to equity holders of the parent}}{\text{Undiluted number of shares on the date of the financial statement}}$$

Dividend Payout and Return of Capital, Total of Result, %

$$\frac{(\text{Dividend/share}) + (\text{return of capital/share})}{\text{Earnings / share}}$$

Effective Dividend Yield, %

$$\frac{(\text{Dividend} + \text{return of capital}) / \text{share}}{\text{Share price at balance sheet date}}$$

Price/Earnings Ratio (P/E)

$$\frac{\text{Share price at balance sheet date}}{\text{Earnings per share, basic}}$$

Operating Margin (EBITDA):

Operating profit/loss - Depreciations

Order Backlog:

Received license and project orders - realized net sales related to the order + net sales from recurring agreements for the next 12 months (does not include expected purchase activity not based on agreement, so called Run Rate)

Framework Agreement Backlog:

The management's estimate of future net sales to be derived from framework agreements concluded by the company. The net sales are transferred to the order backlog when a binding order is received from the customer.

Net Sales/Employee:

$$\frac{\text{Net sales}}{\text{Active personnel on average during the review period}}$$

INNOFACTOR®

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 [youtube.com/user/Innofactor](https://www.youtube.com/user/Innofactor)

ARTICLES OF ASSOCIATION OF INNOFACTOR

Articles of Association of Innofactor Plc

1 § The company's business name and domicile

The company's business name is Innofactor Oyj, Innofactor Plc in English, Innofactor Abp in Swedish, and its domicile is Espoo.

2 § Field of business

The company's field of business is consulting for management, marketing, finance and IT; import, export, manufacturing and trade of computer programs and equipment; and communications services. The company operates its business itself or through its subsidiaries. The company may own property and securities.

3 § Book-entry system

The company's shares belong to the book-entry system.

4 § Board of Directors and CEO

The company shall have a Board of Directors, which comprises at a minimum of four (4) and at a maximum of eight (8) members. The term of office of the members of the Board of Directors shall end at the close of the first Annual General Meeting following their election.

The company shall have a CEO who is elected by the Board of Directors.

5 § Company representation

Innofactor Plc can be represented by the Chairman of the Board of Directors or the company's CEO, or by two members of the Board of Directors acting together.

6 § Auditors

The company's accounts shall be audited by a certified accountant. If this auditor is not an authorised firm of public accountants, one deputy auditor shall be elected.

The auditors' term of office ends at the close of the first Annual General Meeting following their election.

7 § Financial period

The financial period of the company is a calendar year.

8 § Invitation to the General Meeting, participation in and location of the General Meeting

Invitations to General Meetings shall be published on the company's website in the Internet and shall conform to the requirements established for such invitations in Finland's Companies Act in all respects.

To participate in a General Meeting, shareholders must notify the company in the manner and (by the time stated in the invitation, such time being no earlier than ten (10) days prior to the date of the General Meeting General Meetings may be held at the company's domicile, in Helsinki or in Vantaa.

9 § Annual General Meeting

An Annual General Meeting shall be held each year no later than six (6) months after the end of the financial period on a day specified by the Board of Directors. At the Annual General Meeting, the following documents shall be presented:

1. The company's annual accounts, including the consolidated annual accounts, and the company's annual report, and
2. The auditor's report.

the following decisions shall be made:

3. Adoption of the annual accounts,
4. How the profit declared in the adopted balance sheet will be used,
5. The granting of discharge from liability to members of the Board of Directors and the CEO,
6. Remuneration of members of the Board of Directors and the auditors, and
7. The number of members and deputy members of the Board of Directors.

and the following elections will be made:

8. Members and deputy members of the Board of Directors, and
9. The Auditor and, if necessary, the Deputy Auditor.

STATEMENT BY THE BOARD OF DIRECTORS OF INNOFACTOR

Statement of the Board of Directors of Innofactor Plc regarding the voluntary recommended public cash tender offer by a consortium comprising CapMan Growth, Sami Ensio and Osprey Capital through Onni Bidco Oy

On 22 July 2024, a consortium comprising CapMan Growth ("**CapMan Growth**") and the founder, CEO and member of the Board of Directors of Innofactor Plc, Sami Ensio, through the holding company Ensio Investment Group Oy controlled by him, and Osprey Capital Oy ("**Osprey Capital**") (CapMan Growth, Sami Ensio, through the holding company Ensio Investment Group Oy controlled by him, and Osprey Capital together, the "**Consortium**") announced that it will make a voluntary recommended public cash tender offer through Onni Bidco Oy (the "**Offeror**") for all the issued and outstanding shares in Innofactor Plc ("**Innofactor**" or the "**Company**") that are not held by the Company or its subsidiaries (the "**Shares**" or, individually, a "**Share**") (the "**Tender Offer**").

The Board of Directors of the Company (represented by a quorum comprising the non-conflicted members of the Board of Directors who are not members of the Consortium and thus without the participation of Sami Ensio in the evaluation or decision-making process) (the "**Innofactor Board**") has unanimously decided to issue the statement below regarding the Tender Offer as required by Chapter 11, Section 13, of the Finnish Securities Markets Act (746/2012, as amended).

Tender Offer in brief

The Offeror is a private limited liability company incorporated and existing under the laws of Finland. As at the date of this statement, the Offeror is indirectly owned by Onni Topco Oy, a private limited liability company incorporated under the laws of Finland. Onni Topco Oy was incorporated to be the holding company in the acquisition structure and is currently owned by CapMan Growth. Following the completion of the Tender Offer, CapMan Growth is expected to own approximately 52.4 percent, Ensio Investment Group Oy approximately 42.6 percent and Osprey Capital approximately 5.0 percent of the shares in Onni Topco Oy.

Innofactor and the Offeror have on 22 July 2024 entered into a combination agreement (the "**Combination Agreement**") pursuant to which the Offeror will make the Tender Offer for all the Shares in Innofactor. CapMan Growth and Sami Ensio (through the holding company controlled by him) together with Osprey Capital have formed the Consortium for the purposes of the Tender Offer, which will indirectly own the Offeror following the completion of the Tender Offer.

The Tender Offer will be made in accordance with the terms and conditions of a tender offer document approved by the Finnish Financial Supervisory Authority (the "**Tender Offer Document**"). The Tender Offer Document is expected to be published by the Offeror on or about 2 August 2024.

The Offeror has reserved the right to acquire Shares before, during and/or after the offer period (including any extension thereof and any subsequent offer period) in public trading on Nasdaq Helsinki Ltd ("**Nasdaq Helsinki**") or otherwise.

As at the date of this statement, Innofactor has 36,343,691 issued shares, of which 35,789,319 are outstanding Shares and 554,372 are held in treasury. The offer price is EUR 1,68 in cash for each Share in Innofactor validly tendered in the Tender Offer (the "**Offer Price**").

As at the date of this statement, the 7,936,804 Shares held and controlled by Sami Ensio represent approximately 22.2 percent of the Shares. As at the date of the announcement of the Tender Offer, neither the Offeror, CapMan Growth nor Osprey Capital held any Shares in Innofactor.

The Offer Price represents a premium of approximately:

- 49.3 percent compared to the closing price of EUR 1.125 of the Share on Nasdaq Helsinki on July 19, 2024, the last trading day immediately preceding the announcement of the Tender Offer;
- 39.4 percent compared to EUR 1.21, i.e. the one-month volume-weighted average trading price of the Share on Nasdaq Helsinki immediately preceding the announcement of the Tender Offer;
- 31.5 percent compared to EUR 1.28, i.e. the three-month volume-weighted average trading price of the Share on Nasdaq Helsinki immediately preceding the announcement of the Tender Offer;
- 30.8 percent compared to EUR 1.28, i.e. the six-month volume-weighted average trading price of the Share on Nasdaq Helsinki immediately preceding the announcement of the Tender Offer; and
- 37.4 percent compared to EUR 1.22, i.e. the twelve-month volume-weighted average trading price of the Share on Nasdaq Helsinki immediately preceding the announcement of the Tender Offer.

The Tender Offer values Innofactor's total outstanding Shares at approximately EUR 60.1 million (excluding 554,372 Shares held in treasury by Innofactor).

The Offer Price is subject to the terms and conditions of the Tender Offer.

The Offer Price has been determined based on 35,789,319 Shares. Should the Company change the number of its Shares as a result of a new issue, reclassification, stock split (including a reverse split) or any other measure with dilutive effect, or should the Company declare or distribute any dividends or in any other manner distribute or transfer value to its shareholders, or if a record date with respect to any of the foregoing occurs after the date hereof and prior to any settlement of the Tender Offer, the Offer Price payable by the Offeror shall be adjusted accordingly on a euro-for-euro basis.

Sami Ensio has irrevocably undertaken, subject to certain conditions, to accept the Tender Offer in respect of the Shares held and controlled by him (excluding certain Shares received as board remuneration, which are subject to a lock-up resolved by the General Meeting and shall only become subject to the sale commitment if the lock-up restriction is waived or is no longer applicable) which represent approximately 21.8 percent of the Shares and votes in Innofactor (approximately 22.2 percent of the Shares including the Shares subject to the lock-up restriction).

The offer period under the Tender Offer is expected to commence on or about 5 August 2024 and is expected to expire on or about 16 September 2024, and thus, to run for approximately 6 weeks, subject to any extension of the offer period by the Offeror in accordance with, and subject to, the terms and conditions of the Tender Offer and applicable laws and regulations, in order to satisfy the conditions to completion of the Tender Offer.

The completion of the Tender Offer is subject to the satisfaction or waiver by the Offeror of certain customary conditions on or prior to the Offeror's announcement of the final results of the Tender Offer including, among others, the receipt of all necessary regulatory approvals, permits, clearances, consents or other actions (or the expiry of relevant waiting periods, as the case may be) required under applicable competition laws or other regulatory laws in any relevant jurisdiction for the completion of the Tender Offer and the Offeror having gained control of more than 90 percent of the Shares and votes in Innofactor on a fully diluted basis calculated in accordance with Chapter 18, Section 1 of the Finnish Companies Act

(624/2006, as amended, "**Finnish Companies Act**"). The Tender Offer is currently expected to be completed at the end of the third quarter or in the beginning of the fourth quarter of 2024.

The Offeror intends to acquire all the Shares. If, as a result of the completion of the Tender Offer, the Offeror's ownership has exceeded ninety (90) percent of all the Shares and votes in Innofactor, when calculated together with any Shares otherwise held by the Offeror prior to the date of the announcement of the final result of the Tender Offer, the Offeror will commence as soon as reasonably practicable compulsory redemption proceedings in accordance with the Finnish Companies Act for all the Shares not purchased pursuant to the Tender Offer. Thereafter, the Offeror will apply for the Shares in Innofactor to be delisted from Nasdaq Helsinki, as soon as permitted and reasonably practicable under the applicable laws and regulations and the rules of Nasdaq Helsinki.

The detailed terms and conditions of the Tender Offer as well as instructions on how to accept the Tender Offer will be included in the Tender Offer Document.

The Innofactor Board may at any time prior to the completion of the Tender Offer withdraw, modify, cancel, change or amend the recommendation and take actions contradictory to its recommendation, including by way of deciding not to issue the recommendation, but only if the Innofactor Board determines in good faith due to any event, condition, circumstance, development, occurrence, change, effect or fact (any such item an "**Effect**") occurring after the date of the Combination Agreement or an Effect occurring prior to the date of the Combination Agreement of which the Innofactor Board was not aware as at the date of the Combination Agreement, after receiving advice from reputable external legal counsel and financial advisor(s) and after consultation with the Offeror, that such action with respect to the recommendation is required for the Innofactor Board to comply with its mandatory fiduciary duties towards the holders of the outstanding Shares under Finnish laws and regulations (including the Helsinki Takeover Code) (such duties referred to as the "**Fiduciary Duties**").

The Innofactor Board may, as stated above, withdraw, modify, cancel, change or amend the recommendation (including conditions thereto or deciding not to issue the recommendation) or take actions contradictory to its prior recommendation, only if the Innofactor Board has, before taking action on such recommendation, complied with certain procedures agreed in the Combination Agreement, according to which the Offeror may evaluate matters arising from the changed circumstances, negotiate with the Innofactor Board, enhance the terms and conditions of the Tender Offer or to take other actions to remedy or mitigate the circumstances, and the Innofactor Board has taken such enhanced terms and conditions, if any, into consideration when resolving upon such contemplated actions with respect to the recommendation.

The Innofactor Board has seen it fit to agree to the non-solicitation undertaking and the above-mentioned obligations included in the Combination Agreement, based on its assessment of the terms and conditions of the Tender Offer as a whole, and also considering the non-solicitation undertaking and the above-mentioned obligations do not prevent the Innofactor Board from complying with its fiduciary duties under the Finnish Companies Act and the Helsinki Takeover Code, e.g., in the event of a competing offer or arrangement.

Background of the statement

Pursuant to the Finnish Securities Markets Act, the Innofactor Board has an obligation to prepare a public statement regarding the Tender Offer. The statement shall include a well-founded assessment of the Tender Offer from the perspective of Innofactor and its shareholders as well as of the strategic plans

presented by the Offeror in the draft Tender Offer Document and their likely effects on the operations of, and employment at Innofactor.

For the purposes of issuing this statement, the Offeror has submitted to the Innofactor Board a draft version of the Finnish language Tender Offer Document in the form in which the Offeror has filed it with the Finnish Financial Supervisory Authority on 30 July 2024 (the "**Draft Tender Offer Document**") and its corresponding English version.

In preparing this statement, the Innofactor Board has relied on the information provided in the announcement regarding the Tender Offer published on 22 July 2024 ("**Offer Announcement**") as well as the Draft Tender Offer Document and has not independently verified the information included therein. Accordingly, the Innofactor Board's assessments of the consequences of the Tender Offer on Innofactor's operations and employees, as presented by the Offeror, should be treated with some degree of caution.

Assessment of the strategic plans presented by the Offeror in the Draft Tender Offer Document and their likely effects on the operations of, and employment at, Innofactor

Information given by the Offeror in the Offer Announcement and Draft Tender Offer Document

The Innofactor Board has assessed the Offeror's strategic plans based on the statements made in the Offer Announcement and the Draft Tender Offer Document.

The Consortium believes that Innofactor's current status as a listed company limits its growth potential. Among other things, the increasing reporting obligations do not allow the Company and its management to focus sufficiently on business development in addition to which operating as a listed company ties up resources and incurs significant additional costs. The Company also has low liquidity in shares, which limits effective price formation thus making it difficult to raise equity financing from the market to support growth.

According to the view of the Consortium, operating as an unlisted company would provide Innofactor with several significant advantages, including more flexible access to financing and M&A opportunities, a stronger focus on customers, innovation and execution of the growth strategy, and more competitive incentives for management and employees, facilitating the recruitment of key personnel.

CapMan Growth, focusing on domestic growth investments, offers its extensive experience and resources as a strategic partner to Innofactor. According to the view of the Consortium, it can, in particular, support the Company in developing its Nordic operations, improving profitability outside of Finland and accelerating its growth strategy through acquisitions. Furthermore, the Consortium believes that together with Osprey Capital, it will provide a good and stable owner for a demanding Nordic customer base.

The completion of the Tender Offer is not expected to have any immediate material effects on the operations, or the position of the management or employees, of Innofactor. However, as is customary, the Offeror intends to change the composition of the Innofactor Board after the completion of the Tender Offer. Sami Ensio is intended to continue as the CEO of Innofactor also after the completion of the Tender Offer.

The Innofactor Board's assessment

The Innofactor Board considers that the information on the strategic plans of the Offeror concerning Innofactor included in the Offer Announcement and Draft Tender Offer Document is of a general nature,

as is typical for such a document. However, based on the Offeror's statements, the Innofactor Board believes that the strategic plans of the Offeror pursuant to the Offer Announcement and Draft Tender Offer Document would not have any immediate material effects on Innofactor's operations or the position of the management and employees of Innofactor.

On the date of this statement, the Innofactor Board has not received any formal statements as to the effects of the Tender Offer to the employment at Innofactor from Innofactor's employees.

Assessment Regarding the Financing Presented by the Offeror in the Draft Tender Offer Document

Information given by the Offeror in the Draft Tender Offer Document

The Innofactor Board has assessed the Offeror's financing based on the statements made in the Offer Announcement and the Draft Tender Offer Document. In addition, the Company's legal adviser Krogerus Attorneys Ltd has reviewed the Offeror's principal financing documents.

Pursuant to the Draft Tender Offer Document, the Offeror has received equity commitments, as evidenced in equity commitment letters addressed to the Offeror. The Offeror has also entered into a debt financing arrangement made available under a facilities agreement with a reputable Nordic bank. The financing agreed under the facilities agreement has been obtained on standard European "certain funds" basis, and the availability of debt financing is subject only to the following limited conditions: (i) no event of default relating to non-payment, breach of certain major undertakings or statements, cross default, certain insolvency proceedings (or certain similar proceedings), unlawfulness or repudiation and rescission of certain agreements is continuing or would result from the drawdown of the loan; (ii) no event of illegality in respect of granting the loan, no major changes in the ownership of the Offeror having occurred; and (iii) the delivery to the lender of certain customary documents and certifications that are prerequisites to the drawdown and are within the control of the Offeror.

The Offeror's obligation to complete the Tender Offer is not conditional upon availability of financing (assuming that all the conditions to completion are otherwise satisfied or waived by the Offeror).

The Offeror's Representations and Warranties in the Combination Agreement

In the Combination Agreement, the Offeror represents and warrants to Innofactor that the Offeror has on the date of the Combination Agreement and will have on the completion date of the Tender Offer secured necessary and adequate financing, as evidenced in, together, (i) the equity commitment letters and (ii) the facilities agreement, in redacted form, in each case, delivered to the Company prior to the execution of the Combination Agreement, to finance the payment of the aggregate Offer Price for all of the Shares and in connection with the possible compulsory redemption proceedings and the possible payment of a termination fee by the Offeror pursuant to the Combination Agreement. The Offeror's obligation to complete the Tender Offer is not conditional upon availability of financing (assuming that all the conditions to completion are otherwise satisfied or waived by the Offeror).

Board Assessment

Based on the information made available by the Offeror to the Company, the Offeror's obligation to complete the Tender Offer is not conditional upon availability of financing (assuming that all the conditions to completion of the Tender Offer are otherwise satisfied or waived by the Offeror). The Innofactor Board believes that the Offeror has secured necessary and adequate financing in sufficient amounts to the extent that the Offeror shall have sufficient funds in cash through equity and debt obligations in order to

finance the Tender Offer on customary European "certain funds" basis on the completion date of the Tender Offer, and compulsory redemption proceedings, if any, in accordance with the requirement set out in Chapter 11, Section 9 of the Finnish Securities Markets Act and the possible payment of a termination fee by the Offeror pursuant to the Combination Agreement.

Assessment of the Tender Offer from the perspective of Innofactor and its shareholders

Introduction

When evaluating the Tender Offer, analysing alternative opportunities available to Innofactor and concluding this statement, the Innofactor Board has considered several factors, including, but not limited to Innofactor's recent financial performance, current position and future prospects, the historical performance of the trading price of Innofactor's Shares, and the conditions set by the Offeror for completing the Tender Offer.

The Innofactor Board's assessment of continuing the business operations of Innofactor as an independent company has been based on reasonable forward-looking estimates that include various uncertainties, whereas the Offer Price offered by the Offeror in the Tender Offer and the premium included therein is not subject to any uncertainty other than the uncertainties related to the fulfilment of the conditions to completion of the Tender Offer and the completion of the Tender Offer.

Prior to issuing its recommendation, the Innofactor Board has, in accordance with Chapter 1, Section 8 of the Finnish Companies Act, confidentially investigated strategic opportunities for the Company together with its exclusive financial advisor Advium Corporate Finance Ltd ("**Advium**"), by, inter alia, approaching several other parties to enquire about their interest in Innofactor and to evaluate possible alternatives that would be better than the Tender Offer. These alternatives have included, for instance, remaining as an independent company, other strategic arrangements affecting the business operations of the Company, such as divestment of business operations and discovery of parties possibly interested in the Company. In connection with this confidential investigation, the Innofactor Board has, together with the exclusive financial advisor, approached several other parties considered to be potential and, prior to the half-yearly report for January - June (Q2/2024) being released, received three non-binding offers or preliminary indications of interest regarding the Company or certain of its business operations, where in one of the non-binding indicative offers, EUR 1.86 per Share has been indicatively offered for the Shares in the Company, conditional to, inter alia, a customary due diligence review. The Innofactor Board has also received a non-binding offer for one significant part of its business operations. The above-mentioned non-binding offers and preliminary indications of interest, including the non-binding indicative offer with the higher offer price, required, inter alia, the largest shareholder to commit to support such transaction and take part in such transaction, which commitment, to the understanding of the Innofactor Board, would not be available (also taking into consideration the conditions restricting the largest shareholder from withdrawing from the Tender Offer following a competing offer), thereby making, to the understanding of the Innofactor Board, the above-mentioned non-binding indicative offers and preliminary indications of interest, including the non-binding indicative offer with the higher offer price, unfeasible due to their terms. After evaluating other strategic opportunities of the Company and the feasibility of the received non-binding offers and preliminary indications of interests, including the above-mentioned non-binding indicative offer with the higher offer price, the Innofactor Board, represented by a quorum comprising the non-conflicted members of the Innofactor Board who are not members of the Consortium, considers that alternative arrangements better than the Tender Offer are currently not available. When evaluating other non-binding offers and preliminary indications of interest, the Innofactor Board has considered, inter alia, the feasibility of these non-binding offers and preliminary indications of interest, including, inter alia, any

conditions requiring the support of the Company's largest shareholder. The Innofactor Board has carefully evaluated the conditions to completion, risks and uncertainties associated with such alternatives and has concluded that the other non-binding offers and preliminary indications of interest received by the Company are not such that the Innofactor Board would consider them likely to be able proceed to completion, considering in particular the requirement for the support of the largest shareholder. In addition to these factors, the Innofactor Board has in its assessment taken into consideration that especially the aforementioned non-binding indicative offer with the higher offer price was submitted to the Company prior to the half-yearly report for January - June (Q2/2024) being released, thereby, in the Innofactor Board's view, rendering such offer incomparable due to its differing premise.

In order to support its assessment of the Tender Offer, the Innofactor Board has received a fairness opinion, dated 21 July 2024, (the "**Fairness Opinion**") from HLP Corporate Finance Oy to the effect that, the consideration to be offered to shareholders in the Tender Offer was, at the date of the fairness opinion, fair from a financial point of view to the holders of Shares (excluding Sami Ensio and members of the Consortium), which fairness opinion was based on and subject to the assumptions made, procedures followed, matters considered and limitations and qualifications on the review undertaken as more fully described in such opinion. The complete Fairness Opinion is attached as Appendix 1 to this statement.

The Innofactor Board's assessment

The Innofactor Board believes that the consideration offered by the Offeror in the Tender Offer is fair from the perspective of Innofactor's shareholders on its assessment of the matters and factors it has concluded to be material in evaluating the Tender Offer. These matters and factors include, but are not limited to:

- the information and assumptions on the business operations and financial condition of Innofactor as at the date of this statement and their expected future development, including an assessment of expected risks and opportunities related to the execution of Innofactor's current strategy;
- the Offer Price and premium offered for the Shares;
- historical trading price of the Shares and the relatively low liquidity of shares;
- the liquidity available to shareholders offering their shares in the Tender Offer;
- that the Offer Price will be paid fully in cash;
- transaction certainty, and that the conditions of the Tender Offer are reasonable and customary, including the Offeror's acceptance condition of more than 90 percent;
- valuations and analysis made and commissioned by the Innofactor Board as well as discussions with an external financial advisor;
- the ability to respond to possible third party proposals if necessary to comply with the Innofactor Board's fiduciary duties;
- other terms and conditions of the Tender Offer;
- The Company's largest shareholder's commitment to the Consortium, and, in particular, the Company's Board understanding that the support of the Company's largest shareholder is not available for alternative transactions; and

- the Fairness Opinion issued by HLP Corporate Finance Oy.

Following a written request from the Offeror, the Innofactor Board allowed the Offeror to conduct a due diligence review of the Company in connection with the preparations for the Tender Offer. No inside information has been provided by Innofactor to the Offeror in connection with the review and the Consortium members' participation in the due diligence has been addressed through customary contractual limitations. In parallel with the Offeror's due diligence review, the Innofactor Board and its advisers engaged in negotiations with the Consortium, which resulted in the Offer Price of EUR 1,68 per Share, a clear increase compared to the per Share consideration of the first non-binding indicative proposal made by the Consortium.

In evaluating the Tender Offer, the Innofactor Board has taken into account that the CEO and a member of the Board, as well as the largest shareholder, of Innofactor, Sami Ensio, participates in the Tender Offer as a member of the Consortium. Upon receipt of a non-binding indicative proposal from the Consortium, the Innofactor Board resolved to establish a special ad hoc committee of its non-conflicted members who are not members of the Consortium, comprising Anna Lindén, Risto Linturi and Heikki Nikku, to assess the Tender Offer. The members of the ad hoc committee have held 24 formally scheduled meetings up to the issuance of this statement and have communicated actively with each other and their legal and financial advisers also outside formal meetings in order to carefully assess the Tender Offer from the perspective of Innofactor and its shareholders.

The Innofactor Board has concluded that the business prospects of Innofactor would provide opportunities for Innofactor to further develop its business as an independent company for the benefit of Innofactor and its shareholders. However, based on its overall assessment, taking into consideration the risks and uncertainties described above, among other matters, the Innofactor Board has concluded that the Tender Offer is a favourable alternative to Innofactor's shareholders and considers it necessary to help bring the Tender Offer to the attention of shareholders so that they have the opportunity to accept the Tender Offer if they so wish.

Recommendation of the Innofactor Board

Innofactor Board, represented by a quorum comprising the non-conflicted members of the Innofactor Board who are not members of the Consortium, has carefully assessed the Tender Offer and its terms and conditions based on the Draft Tender Offer Document, the Fairness Opinion by HLP Corporate Finance Oy, the Offer Announcement, and other available information.

Based on all the foregoing, the Innofactor Board considers that the Tender Offer and the amount of the Offer Price are, under the prevailing circumstances, fair to the shareholders of Innofactor.

Given all the above-mentioned viewpoints, the members of the Innofactor Board who participated in the consideration and decision-making concerning the implications of the Tender Offer and this statement in Innofactor unanimously recommend that the shareholders of Innofactor accept the Tender Offer.

Being party to the Consortium, a member of the Innofactor Board Sami Ensio has not participated in any consideration or decision-making concerning the implications of the Tender Offer or this statement.

Certain Other matters

The Innofactor Board notes that the transaction may, as is common in such processes, involve unforeseeable risks.

The Innofactor Board states that Innofactor's shareholders should also take into account the potential risks related to the non-acceptance of the Tender Offer. If the acceptance condition of more than 90 percent of the Shares and votes is waived, the completion of the Tender Offer would reduce the number of Innofactor's shareholders and the number of Shares, which would otherwise be available for trading on Nasdaq Helsinki. Depending on the number of Shares validly tendered in the Tender Offer, this could have an adverse effect on the liquidity and value of the Shares in Innofactor. Furthermore, pursuant to the Finnish Companies Act, a shareholder that holds more than half of the voting rights carried by the shares present in a company's general meeting has sufficient voting rights to decide on, among other things, the appointment of board members and distribution of dividends and a shareholder that holds more than two-thirds of the shares and voting rights carried by the shares present in a company's general meeting has sufficient voting rights to, independently and without cooperation with other shareholders, decide upon certain corporate transactions, including, but not limited to, a merger of the company into another company, an amendment of the articles of association of the company, a change of domicile of the company and an issue of shares in the company in deviation from the shareholders' pre-emptive subscription rights. On the other hand, the price of the Shares may fluctuate prior to and during the acceptance period of the Tender Offer. If the market price of the Shares exceeds the Offer Price, this would make it economically more beneficial for shareholders to sell their Shares in the open market, assuming sufficient liquidity.

Pursuant to the provisions in Chapter 18 of the Finnish Companies Act, a shareholder with more than 90 percent of all shares and votes in a company shall have the right to acquire, and subject to a demand by the other shareholders, also have an obligation to redeem, the shares owned by the other shareholders. Provided that the Offeror acquires such amount of Shares, the Shares held by Innofactor's shareholders who have not accepted the Tender Offer may be redeemed through compulsory redemption proceedings under the Finnish Companies Act under the conditions set out therein.

The Consortium, Innofactor and the Offeror have undertaken to comply with the Helsinki Takeover Code issued by the Securities Market Association referred to in Chapter 11, Section 28, of the Finnish Securities Markets Act.

This statement does not constitute investment or tax advice, and the Innofactor Board specifically does not evaluate herein the general price development or the risks relating to the Shares in general. The shareholders of Innofactor must independently decide whether to accept the Tender Offer, and they should take into account all relevant information available to them, including information presented in the tender offer document and this statement as well as any other factors affecting the value of the Shares.

Innofactor has appointed Advium as its exclusive financial advisor and Krogerus Attorneys Ltd as its legal advisor in connection with the Tender Offer.

Appendix 1: Fairness opinion issued by HLP Corporate Finance Oy

Disclaimer

Advium Corporate Finance Ltd is acting exclusively on behalf of Innofactor and no one else in connection with this Tender Offer or other matters referred to in this document, does not consider any other person (whether the recipient of this statement or not) as a client in connection to the Tender Offer and is not responsible to anyone other than Innofactor for providing protection or for providing advice in connection with the Tender Offer or any other transaction or arrangement referred to in this document.



21 July 2024

The Board of Directors

Innofactor Plc

Keilaranta 9
02150 Espoo

To the Board of Directors of Innofactor Plc:

We understand that Onni Bidco Oy (the **“Offeror”**), a private limited liability company incorporated and existing under the laws of Finland, that will be indirectly owned by a consortium formed for the purposes of the Tender Offer (as defined below) of CapMan Growth Equity Fund III Ky, a fund managed by the investment company CapMan Growth, (**“CapMan Growth”**), Sami Ensio, the founder, CEO and a member of the Board of Directors of Innofactor Plc, through the holding company Ensio Investment Group Oy controlled by him, and co-investor Osprey Capital Oy (**“Osprey Capital”**) (CapMan Growth, Sami Ensio, through the holding company Ensio Investment Group Oy controlled by him, and Osprey Capital together, the **“Consortium”**) is planning to launch an all-cash voluntary public tender offer (**“Tender Offer”**) for all the issued and outstanding shares in Innofactor Plc (**“Innofactor”** or the **“Company”**). Pursuant to the combination agreement the Offeror and Innofactor are preparing to enter into, the Offeror aims to acquire 100% of the shares of the Company on a fully diluted basis (the **“Shares”**) through the Tender Offer. The price per Innofactor share applied in the Tender Offer is 1.68 EUR (**“Consideration”**), resulting in a total equity value of the Company of 60.1 MEUR. This Consideration represents a premium of 49.3% to the closing price of the Share on the official list of Nasdaq Helsinki, on 19 July 2024 and a premium of 31.5% to the volume weighted average share price of the Share on the official list of Nasdaq Helsinki, during the three-month period up until and including 19 July 2024.

In connection with the Tender Offer, you have requested HLP Corporate Finance Oy (**“HLP”**) to provide you with an opinion, as to the fairness, from a financial point of view, of the Consideration.

We have solely been requested to provide you with this opinion as to the fairness of the Consideration from a financial point of view and are thus not acting as a financial advisor to the Offeror or the Company in connection with the Tender Offer. We will receive a fee for this fairness opinion, which is not contingent upon the consummation of the Tender Offer.



Additionally, HLP may have provided and may in the future provide investment banking services to the Offeror or the Company and may have received and may in the future receive customary fees for such services.

In connection with this opinion, we have

- a) reviewed the financial terms and conditions of the Tender Offer as set forth in the materials made available to us on or before 20 July 2024;
- b) reviewed certain business and financial information relating to the Company provided to us by the Company, such as financial prospects of the Company for the near future prepared by the Company and financial prospects of the Company prepared by certain external financial analysts following the Company (together “**Forecasts**”);
- c) reviewed publicly available financial and stock market information with respect to certain other companies operating in lines of businesses we believe to be generally relevant in evaluating the business of the Company;
- d) reviewed various other information relating to the Company;
- e) compared the Consideration in the Tender Offer with publicly available prices paid in certain other transactions we believe to be generally relevant; and
- f) conducted such other financial studies, analyses and investigations and considered such other information, as we deem appropriate.

In conducting the analyses and arriving at the opinion contained in this letter, we have utilized a variety of generally accepted valuation methods commonly used for these types of analyses. The analyses prepared by us were prepared solely for enabling us to provide the opinion contained in this letter and do not purport to be appraisals or necessarily reflect the prices at which businesses or securities may actually be sold, which are inherently subject to uncertainty. We do not express any opinion as to the price at which the Shares may trade at any time.

In preparing this opinion, we have assumed and relied upon, without independent verifications or appraisals, the accuracy and completeness of all information, whether publicly available or furnished to us by or on behalf of the Company or the Offeror or otherwise reviewed by us for the purposes of this opinion, and we have not assumed and do not assume any responsibility or liability for any such information. In addition, we have assumed that the valuation of assets and liabilities made by the Company is fair and reasonable and we have not independently investigated, valued, or appraised any of the assets or liabilities (contingent or otherwise) of the Company, nor have we been furnished with or reviewed any such valuation or appraisal for the purposes of this opinion.

With respect to financial forecasts and projections we have, at your direction, utilized Forecasts as defined above and we have assumed, with your consent, that these form a reasonable basis to evaluate the future results of the operations and financial condition and performance of the



Company. We have assumed, at your direction, that Forecasts are reasonably prepared on bases reflecting the best currently available estimates and judgements of the parties having prepared them. We assume no responsibility or liability for and express no view as to such Forecasts and projections or the assumptions on which they are based. Additionally, we accept no responsibility for the accounting or other data and commercial assumptions on which this opinion is based.

In preparing this opinion, we have assumed that the Tender Offer will be consummated in accordance with the terms and subject to the conditions described to us without any waiver, modification or amendment of any material term or condition and that all parties of the Tender Offer comply with all material terms presented to us. We have also assumed that all governmental, regulatory or other approvals and consents potentially required in connection with the consummation of the Tender Offer will be obtained promptly without any reduction in the benefits of the Tender Offer to the shareholders of the Company and without any adverse effect on the Company.

Our opinion is necessarily based on the financial, economic, regulatory, monetary, market and other conditions as in effect on, and the information made available to us as of the date hereof. Events, circumstances and developments occurring after the date hereof (including, but not limited to changes in laws and regulations) may affect this opinion and the assumptions used in preparing it, and we are under no obligation to update, revise or reaffirm this opinion.

Our opinion does not address the relative merits of the Tender Offer as compared to other business strategies, transactions or tender offers that might be available with respect to the Company or the underlying business decision of the Board of Directors of the Company to enter into the combination agreement concerning the Tender Offer. We have not been requested, nor do we offer any opinion as to the form or timing of the Tender Offer or any terms, agreements or arrangements or anything else relating to the Tender Offer, other than the Consideration. This opinion only addresses the fairness to the Company's shareholders (other than Mr. Sami Ensio and other Consortium members holding shares in the Company, if any), as of the date hereof, from a financial point of view, of the Consideration, and does not address any legal, regulatory, tax or accounting matters.

Our opinion does not constitute an offer by us or represent a price at which we would be willing to purchase, sell, enter into, assign, terminate or settle any transaction. Our opinion does not include any assessment or analysis of any legal or tax effects, hedging or transaction costs, credit considerations, market liquidity and bid-ask spreads, nor have we performed any independent analysis of the situation of individual shareholders of the Company.

Based upon and subject to all the foregoing, it is our opinion, as of the date hereof, that the Consideration is fair, from a financial point of view, to the shareholders of Innofactor (other than Mr. Sami Ensio and other Consortium members holding shares in the Company, if any).



This letter and the opinion are provided solely for the benefit of the Board of Directors of Innofactor in connection with and for the purpose of its consideration of the Tender Offer. This opinion is not on behalf or for the benefit of and shall not confer rights or remedies upon any individual shareholder of the Company or the Offeror and may not be relied upon by any shareholder of the Company or any other person. This opinion is not intended and does not constitute a recommendation to any person as to whether such person should support the Tender Offer by any decision or any manner or as to how any shareholder of the Company should act with respect to the Tender Offer or any matter relating hereto.

This letter may not be used for any other purpose or reproduced (other than for Board of Directors of Innofactor, acting in such capacity), summarized, disseminated, published or quoted at any time and in any manner without our prior written consent. This letter and opinion are made without legal liability or responsibility on our part. We accept no responsibility to any person other than the Board of Directors of Innofactor in relation to the contents of this letter, even if it has been disclosed with our consent.

This letter has been issued in English. Any dispute arising out of, or relating to, this letter shall be governed by Finnish law.

Yours faithfully,

HLP CORPORATE FINANCE OY

Joakim Åberg