

Innofactor Plc Financial Statement February 25, 2020, at 9:00 Finnish time

Innofactor Plc Financial Statement 2019 (IFRS)

Innofactor's operating margin and order backlog improved significantly from the previous year – also the net sales started to grow again after the dip in 2018

January–December 2019 in brief:

- The net sales were approximately EUR 64.2 million (2018: 63.1), which shows an increase of 1.7%.
- The operating margin was approximately EUR 5.1 million (2018: -1.0), which shows an increase of EUR 6.1 million
- The operating profit was approximately EUR 0.8 million (2018: -3.9), which shows an increase of EUR 4.7 million
- The measures for improving profitability, carried out near the end of 2018, had the planned effect in 2019

October–December 2019 in brief:

- The net sales were approximately EUR 17.4 million (2018: 15.9), which shows an increase of 9.7%
- The operating margin was approximately EUR 1.6 million (2018: -0.9), which shows an increase of EUR 2.5 million
- The operating profit was approximately EUR 0.5 million (2018: -1.7), which shows an increase of EUR 2.2 million
- The order backlog at the end of the review period was EUR 49.8 million (2018: 30.6), which shows an increase of 62.4%
- Innofactor did not receive any significant individual orders exceeding the limit for requiring a stock exchange release in the fourth quarter as several decisions were delayed until the turn of the year (significant orders received in 2020 can be found in the section "Events after the review period")

Key figures of the group, IFRS

	Oct 1–Dec 31, 2019	Oct 1–Dec 31, 2018	Change	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018	Change
Net sales, EUR thousand	17,432	15,890	9.7%	64,198	63,144	1.7%
Growth of net sales	9.7%	-7.3%		1.7%	-3.8%	
Operating profit before depreciation and amortization (EBITDA), EUR thousand*	1,559	-902	272.9%	5,089	-1,029	594.5%
percentage of net sales*	8.9%	-5.7%		7.9%	-1.6%	
Operating profit/loss (EBIT), EUR thousand*	480	-1,693	128.4%	795	-3,872	120.5%
percentage of net sales*	2.8%	-10.7%		1.2%	-6.1%	
Earnings before taxes, EUR thousand*	271	-1,329	120.4%	12	-3,811	100.3%
percentage of net sales*	1.6%	-8.4%		0.0%	-6.0%	
Earnings, EUR thousand*	372	-1,200	130.9%	418	-3,186	113.1%
percentage of net sales*	2.1%	-7.6%		0.7%	-5.0%	
Order backlog	49,753	30,642	62.4%	49,753	30,642	62.4%
Net gearing*	71.8%	71.2%		71.8%	71.2%	
Net gearing without IFRS 16	49.9%	71.2%		49.9%	71.2%	
Equity ratio	40.2%	41.2%		40.2%	41.2%	
Equity ratio without IFRS 16	44.0%	41.2%		44.0%	41.2%	
Active personnel on average during the review period**	538	567	-5.1%	534	591	-9.7%
Active personnel at the end of the review period**	538	550	-2.2%	538	550	-2.2%
Earnings per share (EUR)	0.0100	-0.0332	129.9%	0.0113	-0.0880	112.9%

*) In accordance with IFRS 3, the operating result for October 1–December 31, 2019, includes EUR 507 thousand (2018: 507) and the result for January 1–December 31, 2019, EUR 2,030 thousand (2018: 2,030) in depreciations related to acquisitions, consisting of allocations of the purchase price to intangible assets. The implementation of the IFRS 16 standard affects extensively the key figures for 2019. The handling of lease liabilities in a new way in accordance with IFRS 16 had a positive effect of EUR 411 thousand in October 1–December 31, 2019, and of EUR 1,676 thousand in January 1–December 31, 2019, in the operating margin (EBITDA). Additional information on the standard's implementation and effects can be found in the "Accounting policies" section of "Financial statement summary and appendixes January 1–December 31, 2019 (IFRS)."

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

Innofactor's future outlook for 2020

Innofactor's net sales and operating margin (EBITDA) in 2020 is estimated to increase from 2019, during which the net sales were EUR 64.2 million and operating margin was EUR 5.1 million.

CEO Sami Ensio's review: In 2019, we reached our goal of improving the profitability significantly and turning the net sales back to growth

The net sales in 2019 were EUR 64.2 million, which shows an increase of 1.7 percent compared to the previous year. The operating margin (EBITDA) improved by EUR 6.1 million from the previous year and was EUR 5.1 million (7.9 percent of the net sales). The year 2019 offered a significant positive turning point for our business. I am especially happy that we managed to keep the promise about a significant change we gave our shareholders at the beginning of the year. During the year, we succeeded in sales and our order backlog grew fantastically. For example, we got the biggest deal in Innofactor's history, when the Tax administration selected Innofactor as the primary provider of IT specialist services in the area of cloud specialists. The total value of the deal is approximately EUR 10–20 million.

The net sales in the fourth quarter of 2019 were EUR 17.4 million, which shows an increase of 9.7 percent compared to the previous year. The net sales in the local currency grew in all countries compared to the previous year. The low exchange rates of the Swedish krona and Norwegian krone affected the net sales in euros by EUR -0.2 million. The net sales per employee grew 15.6% from the previous year. The operating margin (EBITDA) improved by EUR 2.5 million from the previous year and was EUR 1.6 million (8.9 percent of the net sales), in which the effect of changes in handling lease costs due to the IFRS 16 standard were EUR 0.4 million. The order backlog remained good and was at the end of the review period EUR 49.8 million (2018: 30.6), which shows an increase of 62% compared to the same time in the previous year.

We hired a new Country Manager in Sweden, Marcus Hasselblad, who started in his position on February 5, 2020. I am convinced that he will lead our business in Sweden to strong growth in the coming years. The net sales in Sweden, measured in the local currency, already grew slightly in the last quarter of 2019 and the operating margin was positive.

In January 2020, we appointed the Country Manager in Norway, Jørn Ellefsen, to also be responsible for the business in Denmark as the Country Manager. Jørn Ellefsen has done great work in Norway, and I believe that under his control, also the business in Denmark will undergo significant growth.

I founded Innofactor 20 years ago. The journey from a one man company to a Nordic Microsoft solution provider employing over 500 people has included speed and dangerous turns, but we have been going forward with a plan. 2020 is our anniversary, and I believe that during it, we will achieve significant business results.

Innofactor's vision 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

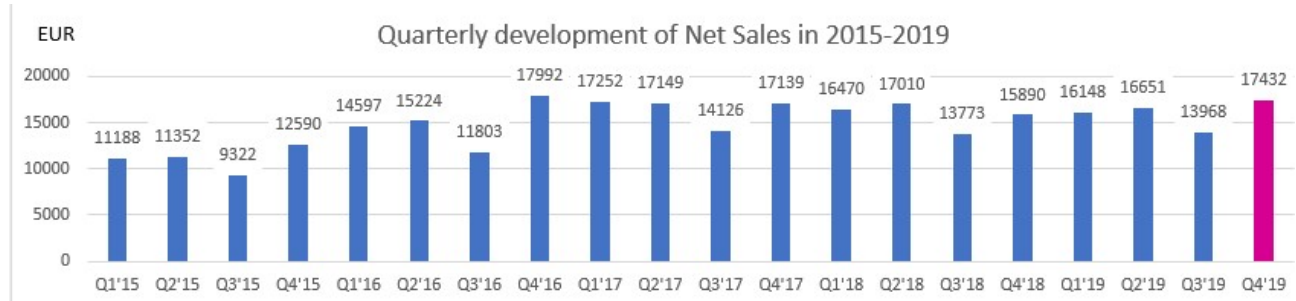
Innofactor's vision is to be the leading provider of organizations' digital transformation in each of the Nordic countries (Finland, Sweden, Denmark and Norway). The long-term financial goal is to grow profitably by achieving an annual growth of approximately 20 percent, of which majority is intended to be achieved by organic growth, by achieving approximately 20 percent operating margin (EBITDA) in relation to the net sales, and by keeping the cash flow positive and by securing solid financial standing in all situations.

The operating margin (EBITDA) grew in the review period of January 1–December 31, 2019, from EUR -1,0 million in the same period in the previous year to EUR 5.1 million (7.9 percent of the net sales), of which EUR 1.7 million was due to the implementation of IFRS 16. As regards profitability, Innofactor was able to improve its performance substantially, but a significant amount of management effort and work are still needed in order to reach the long-term goal of approximately 20 percent. The required actions are clear and known, so we believe that reaching this goal is entirely possible.

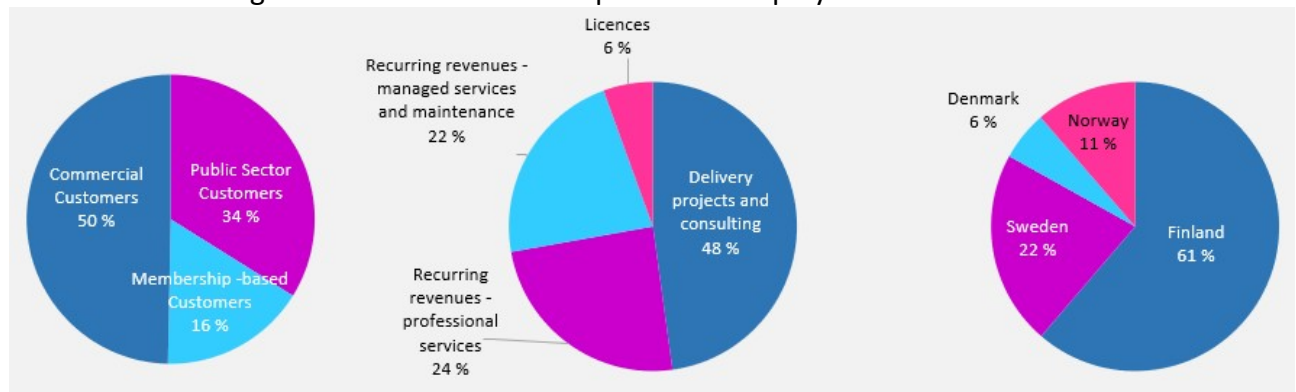
Innofactor's net sales in the review period of January 1–December 31, 2019, were EUR 64.2 million (2018: 63.1), which shows an increase of 1.7 percent compared to the previous year. The net sales grew 9.7% in the last quarter of 2019, and growth was seen in all countries. The strategic goal of getting the net sales to grow is also supported by the well developed order backlog of EUR 49.8 million (2018: 30.6). In 2020, Innofactor will pay special attention to management of growth and sales. As regards this, we have, for example, already renewed our sales model and sales management at the beginning of 2020.

Innofactor's operating cash flow in the review period of January 1–December 31, 2019, was EUR 6.2 million (2018: -0.6) and the equity ratio at the end of the review period was 40.2 percent (2018: 41.2%). The handling of lease liabilities in a new way in accordance with IFRS 16 had a positive effect of approximately EUR 1.5 million in the operating cash flow and approximately 3.9 percentage point negative effect in the equity ratio. The strong operating cash flow supports Innofactor's strategic goal of profitable growth and securing solid financial standing in all situations.

Innofactor's net sales and net sales per employee increased from the comparison period



Innofactor's net sales in October 1–December 31, 2019, were EUR 17,432 thousand (2018: 15,890), which shows an increase of 9.7 percent. The net sales per active employee were approximately EUR 32.4 thousand (2018: 28.0), which shows an increase of 15.6 percent. We focus on continuing to increase the net sales per active employee.



Innofactor's business operations were focused on Finland, Sweden, Denmark, and Norway. Of the net sales in January 1–December 31, 2019, approximately 61 percent came from Finland, approximately 22 percent from Sweden, approximately 11 percent from Norway, and approximately 6 percent from Denmark. The net sales grew in Finland and Norway, but decreased in Sweden and Denmark. However, when measured in the local currency, the net sales in the last quarter of 2019 grew in all countries.

Of the net sales in January 1–December 31, 2019, approximately 50 percent came from commercial clients, approximately 34 percent from public sector clients, and approximately 16 percent from third sector clients.

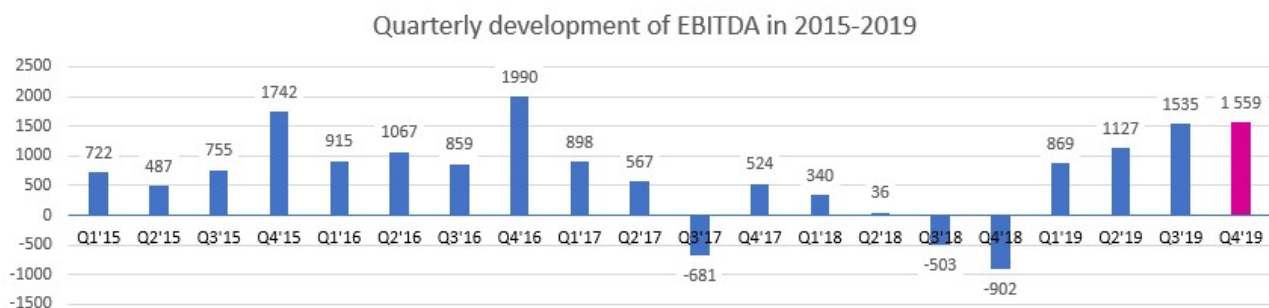
Innofactor's net sales in the review period of January 1–December 31, 2019, came from the following sources:

- approximately 6 percent from licenses, of which the share of licensing income to third parties was approximately 4 percent of the net sales

- approximately 22 percent from services based on recurring service contracts, such as SaaS, cloud and hosting services, and from software maintenance
- approximately 24 percent from specialist work based on recurring service contracts, such as smaller customer-specific changes and further development of IT systems
- approximately 48 percent from IT system delivery projects and consulting

Innofactor's 10 largest clients accounted for approximately 24 percent of the net sales during the review period January 1–December 31, 2019.

Innofactor's operating margin was clearly higher than in the comparison period



Innofactor's operating margin (EBITDA) on October 1–December 31, 2019, was EUR 1,558 thousand (2018: -902), which shows an increase of EUR 2,460 thousand. EBITDA accounted for 8.9 percent of the net sales (2018: -5.7%). Innofactor's operating profit on October 1–December 31, 2019, was EUR 480 thousand (2018: -1,693), which shows an increase of EUR 2,174 thousand. Operating profit accounted for 2.8 percent of the net sales (2018: -10.7%).

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

In accordance with IFRS 3, the operating result for October 1–December 31, 2019, includes EUR 507 thousand (2018: 507) and the result for January 1–December 31, 2019, EUR 2,030 thousand (2018: 2,030) in depreciations related to acquisitions, consisting of allocations of the purchase price to intangible assets. Adjusted for the said depreciations, Innofactor's operative business profit for the review period of October 1–December 31, 2019, would have been EUR 988 thousand (2018: -1,186), improving by EUR 2,174 thousand. In January 1–December 31, 2019, Innofactor's operating profit would have been EUR 2,825 thousand (2018: -1,842), improving by EUR 4,667 thousand.

Implementing IFRS 16 in the review period of October 1–December 31, 2019, improves the operating margin (EBITDA) by EUR 411 thousand, because a lease cost is divided into depreciations and financial expenses. In the review period of January 1–December 31, 2019, the corresponding effect is EUR 1,676 thousand. The implementation of IFRS 16 is explained in more detail in the section “Financial statement summary and appendixes January 1–December 31, 2019 (IFRS).”

In 2019, the operating margin was lowered by EUR 101 thousand due to a personnel issue cost calculated in accordance with IFRS 2.

Innofactor's order backlog remained strong, although there were no significant large orders during the fourth quarter of 2019

Innofactor's order backlog at the end of the review period was EUR 49,753 thousand (2018: 30,642), which shows an increase of 62.4%.

Before implementing the Nordic ERP system in two stages in Sweden on July 1, 2018, and October 1, 2018, the figures there were partly based on management estimates, because they had no system for reliably monitoring the order backlog.

Innofactor's operating cash flow in the review period improved essentially from the situation one year earlier

Innofactor's balance sheet total at the end of the review period was EUR 55,720 thousand (2018: 51,875). The Group's liquid assets totaled EUR 963 thousand (2018: 258), consisting totally of cash funds.

The operating cash flow in January 1–December 31, 2019, was EUR 6,209 thousand (2018: -581). The investment cash flow was EUR -606 thousand (2018: -1,239).

The equity ratio at the end of the review period was 40.2 percent (2018: 41.2%) and net gearing was 71.8 percent (2018: 71.2%).

At the end of the review period, the company had EUR 8,334 thousand in current interest bearing liabilities to Financial Institutions (2018: 10,000) and EUR 3,684 thousand in non-current interest bearing liabilities to Financial institutions (2018: 5,418). The current liabilities consist of EUR 1,810 thousand for loan installments to be paid within the year following the review time and a credit limit of EUR 6,524 available at the time. The total amount of interest bearing liabilities to Financial institutions was EUR 12,018 thousand (2018: 15,418). The company had EUR 4,835 thousand lease liabilities according to IFRS 16 (rents from fixed term rent agreements), of which EUR 1,566 thousand in current liabilities and EUR 3,269 thousand in non-current liabilities. In total, the company had EUR 16,853 thousand interest-bearing liabilities.

The return on investment in January 1–December 31, 2019, improved from the previous year and was 2.3 percent (2018: -8.0%). The return on equity in January 1–December 31, 2019, improved from the previous year and was 1.9 percent (2018: -15.0%).

The non-current assets in Innofactor's balance sheet at the end of the review period were EUR 41,347 thousand in total.

Innofactor's gross investments in tangible and intangible assets in the review period of January 1–December 31, 2019, were EUR 249 thousand (2018: 1,133), consisting of normal additional and replacement investments required by growth.

The handling of lease liabilities in a new way in accordance with IFRS 16 had a positive effect of EUR 1,531 thousand in the operating cash flow, a negative effect of approximately 21.8% in the net gearing, and approximately 3.9 percentage point negative effect in the equity ratio. The implementation of IFRS 16 is explained in more detail in the section “Financial statement summary and appendixes January 1–December 31, 2019 (IFRS).”

Innofactor's research and product development investments on the same level as in 2018

In the product development during the review period, focus was on renewing existing products and services and continuous further development in order to support the growth of product-based business.

Innofactor's research and development costs recognized in profit or loss for January 1–December 31, 2019, were approximately EUR 2,795 thousand (2018: 2,860), which accounts for 4.4 percent of the net sales (2018: 4.5%).

The number of personnel in Innofactor is clearly lower than in the previous year due to the business development actions implemented at the end of 2018

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

The average number of active personnel in October 1–December 31, 2019, was 538 persons (2018: 567), which shows a decrease of 5.1 percent. The average number of active personnel in January 1–December 31, 2019, was 534 persons (2018: 591), which shows a decrease of 9.6 percent. At the end of the review period, the number of active personnel was 538 (2018: 550), which shows a decrease of 2.2 percent. The decrease in the number of personnel was especially due to the reorganization implemented in Finland in the last quarter of 2018.

At the end of the review period, the average age among personnel was 41.6 years (2018: 40.8). Women accounted for 26 percent (2018: 27%) of the personnel. Men accounted for 74 percent (2018: 73%) of the personnel.

Other events in the review period

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

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

On February 15, 2019, Innofactor announced in a stock exchange release that Traficom selected Innofactor as the development and maintenance provider for their technical platform for digital services (VISA), the value of the procurement being approximately EUR 5.0 million within 5–7 years, starting from spring 2019.

On March 8, 2019, Innofactor announced in a stock exchange release that the City of Espoo has selected Innofactor as the provider of a decision-making system, the value of the procurement being approximately EUR 1.5 million, which will be registered for 2019 and 2020.

On March 14, 2019, Innofactor announced in a stock exchange release that Innofactor Plc's CFO Marko Lehtonen has decided to assume responsibilities with another employer and has resigned from his position on March 13, 2019.

On May 14, 2019, Innofactor announced a directed personnel share issue of EUR 1.2 million shares for the personnel of the entire Group.

On May 14, 2019, Innofactor announced in a stock exchange release that Innofactor Plc's General Counsel Anna-Maria Palmroos has decided to assume responsibilities with another employer and has resigned from her position.

On May 29, 2019, Innofactor announced in a stock exchange release that Markku Puolanne was appointed Innofactor's Chief Financial Officer (CFO), starting from August 12, 2019.

On June 4, 2019, Innofactor published a stock exchange release in which it adjusted its forecast for 2019 as regards the operating margin, estimating that it would grow to EUR 4–6 million.

On June 25, 2019, Innofactor announced in a stock exchange release that the Innofactor personnel share issue was fully subscribed. As a result of the personnel issue, the number of Innofactor's shares increases

by 1,200,000 shares to a total of 37,388,225 shares. The new shares correspond to 3.21 percent of Innofactor Plc's post-issue number of shares and votes. The subscription price was EUR 0.50 per share. The new shares will be registered in the Trade Register without delay. The trading of the new in the Helsinki Stock Exchange (NASDAQ Helsinki Oy) is estimated to start on June 28, 2019. The personnel shares are subject to a sale and transfer restriction for 12 months starting from the registration.

On August 15, 2019, Innofactor announced in a stock exchange release that Epiroc Rock Drills AB has selected Innofactor as the provider of directory services. The services will be delivered in co-operation with Innofactor business units in Finland, Sweden and Norway. The integrations related to the delivery are planned to be implemented during 2019–2021. The estimated total value (excluding VAT) of the procurement is EUR 650,000.

On August 26, 2019, Innofactor announced in a stock exchange release that the Tax administration has selected Innofactor in a public procurement competition as the primary provider of IT specialist services in the area of cloud specialists. On the basis of the volume stated by the customer in connection with the procurement, the total value in this area is approximately EUR 10–20 million. The duration of the framework agreement is 6 years, and assignments started during the framework agreement period may continue 48 months after the expiration of the framework agreement.

Share and shareowners

At the end of the review period, Innofactor Plc's share capital was EUR 2,100,000.00 and the total number of shares was 37,388,225. Innofactor Plc has one series of shares. Each share is entitled to one vote.

On October 1–December 31, 2019, the highest price of the company share was EUR 0.84 (2018: 0.70), the lowest price was EUR 0.62 (2018: 0.35), and the average price was EUR 0.73 (2018: 0.69).

On January 1–December 31, 2019, the highest price of the company share was EUR 0.84 (2018: 1.13), the lowest price was EUR 0.36 (2018: 0.35), and the average price was EUR 0.59 (2018: 0.69). The closing price for the review period on December 31, 2019, was EUR 0.72 (2018: 0.36).

In public trading in October 1–December 31, 2019, a total of 2,783,634 shares were traded (2018: 4,367,862 shares), which corresponds to 7.4 percent (2018: 12.1%) of the average number of shares on the said period. On October 1–December 31, 2019, there were 37,388,225 shares on the average (2018: 36,188,225). The share trading decreased by 36 percent compared to the corresponding period in 2018.

In public trading on January 1–December 31, 2019, a total of 10,919,321 shares were traded (2018: 11,142,838 shares), which corresponds to 29.7 percent (2018: 30.8%) of the average

number of shares on the said period. On January 1–December 31, 2019, there were 36,806,307 shares on the average (2018: 36,188,225). The share trading decreased by 2 percent compared to the corresponding period in 2018.

The market value of the share capital at the closing price of EUR 0.72, on December 31, 2019, was EUR 26,845 thousand (2018: 13,100), which shows an increase of 104.9 percent.

On December 31, 2019, the company had a total of 11,115 shareowners (2018: 11,363), including administrative registers.

The Board of Directors has the following authorizations:

- Until June 30, 2020, 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 General Meeting of April 2, 2019); the authorization has been used for 1,200,000 shares in the personnel issue published on May 14, 2019, which means that 2,400,000 shares of the authorization remain.
- Until June 30, 2020, to decide on a transfer of a maximum of 3,600,000 treasury shares (decided by the General Meeting of April 2, 2019); the authorization has not been used.

Own shares

The General Meeting of April 2, 2019, authorized the Board of Directors to decide on acquiring of 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 at the day of purchase or at another market price. The number of treasury shares at a time may be, at the maximum, one tenth of the total number of shares in the company. Shares may be purchased to be used in company acquisitions or implementing other arrangements relating to the company's business operations, improving the company's capital or financing structure, as a part of the company's incentive system, or otherwise to be handed over or voided. In connection with the share repurchase, ordinary derivative, stock lending and other agreements may be made in the market in accordance with the laws and regulations. The authorization includes the right of the Board of Directors to decide on all other matters related to the acquisition of shares. The authorization will be valid until June 30, 2020. This authorization replaces the Board's earlier authorizations concerning share repurchase.

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

Management of the company

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

On April 2, 2019, the General Meeting decided that the number of Board members is four. The previous members, Sami Ensio, Pekka Eloholma, Anna Lindén and Risto Linturi, were re-elected as the members of the Board of Directors. In their organizing meeting held immediately after the General Meeting, the Board of Directors elected Pekka Eloholma as the Chairman of the Board.

The General Meeting approved the proposal to appoint 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 of 2019.

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

Market outlook and business environment

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

We estimate that the IT service market in the Nordic Countries grew by approximately 3–5% in 2019. We estimate that the growth of the IT service market in the Nordic Countries in 2020 will remain on the same level of approximately 3–5%. Our estimate is based on research institutes' forecasts and our own outlook on markets.

As concerns Microsoft-based solutions, competition in the Nordic Countries is divided between different kinds of parties. The first group is formed by large companies that operate in all of the Nordic Countries. Typically, these companies offer a wide range of IT solutions for companies and organizations, using several competing technologies of which Microsoft technology is one option. The second group is formed by companies that focus on a narrower solution area in the Nordic level. These companies also offer IT solutions for companies and organizations using several competing technologies of which Microsoft technology is typically just one option. The third group is formed by medium-sized companies operating in just one country and typically offering a wide range of IT solutions for companies and organizations, using several competing technologies. The fourth group is formed by small companies operating in one country and often focusing on one solution area, client and/or field.

Innofactor has made a strategic choice by focusing on solutions implemented with and utilizing the Microsoft platforms and by selecting as its solution areas the ones in which Microsoft's growth and offering, and thus its partners' and ecosystem's growth, has exceeded the general average growth of IT service and software markets many times over. Innofactor is primarily focused on Nordic large and medium-sized companies and government organizations, which have high standards in their IT solution acquisitions. Innofactor develops solutions, products and services suitable for this group by itself and in cooperation with its partners. Innofactor's strategy supports well the change in the markets. Innofactor believes it can gain market share from its competitors and utilize possible IT market growth in the future.

Microsoft's partner network in the Nordic Countries, and also elsewhere in Europe, is quite fragmented and mainly consists of a large number of small and medium-sized local providers. For Innofactor, this provides interesting potential for consolidation and globalization. Innofactor's good reputation concerning the Microsoft ecosystem, proofs of rapid and profitable growth and successful acquisitions together with business culture with entrepreneurial spirit make Innofactor an attractive partner when making reorganizations in the field in the Nordic Countries.

Short term risks and uncertainty factors

Innofactor's operations and finances involve risks that may be significant for the company and its share value. These risks are assessed by Innofactor Plc's Board of Directors four times a year as part of the strategy and business planning process. The risks are published in their entirety in the financial statement and in the Annual Report of the Board of Directors. The interim reports only present the changes in short-term risks.

Risks related to operations

The risks related to the operation of the Innofactor Group are primarily business risks related to the group companies that carry on its business operations.

Skilled personnel and its availability: The development of Innofactor's operations and deliveries depends greatly on the Group having skilled personnel and being able to replace persons, who are leaving, with properly skilled persons. In Innofactor's field of business, there is a lack of and competition for certain personnel resources. If Innofactor fails at motivating its personnel, keeping the personnel's skills on a high level and keeping the personnel in its service, that could cause problems for the Group's business operations. The success of the Group depends heavily on the employed personnel and their success in their work. Innofactor invests in continuous development of its personnel and in keeping the personnel satisfaction high.

Increase in personnel costs: The main part of Innofactor's costs consists of salaries and other personnel costs (in 2019, about 69% of the all costs, including depreciations). Currently, all of Innofactor's own employees work in the Nordic countries, whereas some competitors rely heavily

on workforce in countries with cheap labor. If the personnel costs continue rising in the Nordic countries at the same rate as before, it will create a risk for Innofactor, if the prices paid for IT services will not rise correspondingly. Innofactor is monitoring the situation constantly and strives to affect the 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 large part of Innofactor's net sales comes from project business. Profitable implementation of Innofactor's delivery projects requires that project calculation and planning before submitting a tender are done successfully as regards the amount of work and the delivery schedule, and also that the deliveries can be made in a cost-effective manner. It is possible that Innofactor fails at correctly estimating the profitability of a project and, thus, the delivery could cause losses to the company. Correspondingly, it is possible that projects may have to be sold cheaper because of competition, which leads to lower profit margins. Innofactor pays special attention to the profitability of project business and has included it as a central part of the remuneration system. The relative share of project business has decreased and it will be further decreased, 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, small startup companies increase competition in certain deliveries. The price competition in the field is expected to remain tough. If the competition becomes tougher, it may have an adverse effect on Innofactor's business, operating result and financial position. Innofactor continuously strives to improve its competitiveness. Regarding this, the company has published its long term financial goals.

Research and product development: In Innofactor's operation, research and product development play a central role. In 2019, approximately 4.4% of the net sales was used for it. Each research and product development project carries the risk that the end results are not as successful financially as planned and that the investment in the project does not pay itself back. 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. Important changes under way include, for example, the transfer of software into cloud technologies, digitalization, artificial intelligence, blockchain and Internet of Things (IoT). If Innofactor cannot react to these changes, it may have an adverse effect on Innofactor's business, operating result and financial position. Innofactor strives to actively invest in new technologies and central areas of know-how.

Data protection: The enforcement of the new EU General Data Protection Regulation ("GDPR", regulation (EU) 2016/679) has affected business operations of Innofactor and its customers. Neglecting the required actions or procedures may lead to losses in net sales or, in the worst case, penalties imposed by a supervisory authority. Innofactor has invested in solutions related to GDPR and appointed a Data Protection Officer.

Information security: Innofactor operates as a system integrator and consequently Innofactor system administrators and developers have access to certain customer environments. Each access to a customer environment introduces information security risk of unlawful attempts at gaining information. Innofactor has implemented a formal information security management process based on standards, and its implementation is led by the person responsible for the company's information security.

Reaching the growth goals: 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 is seeking for more 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 information systems supporting these that will decrease the risks in global operations.

Uncertainties related to acquisitions: The growth has partly been based on acquisitions. With acquisitions, there are uncertainties about finding suitable companies to acquire and in making the acquisitions at the desired price level and schedule. If acquisitions cannot be made as planned, the growth goal may be jeopardized. In acquisitions, Innofactor focuses on high-level know-how and good processes.

Risks related to acquisitions: Each acquisition, after it has been made, carries some risks, which include the success of the integration, 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.

Pandemic risk: A global outbreak of an epidemic constituting a pandemic could potentially cause harm to Innofactor's business operations. If an epidemic would not significantly affect Innofactor's area of operation in the Nordics, the main impact would be limited to the possibly decreased availability of key equipment, such as computer hardware. If the epidemic would significantly impact Innofactor's area of operations in the Nordics, it could require staff to work remotely and possibly delay some customer deliveries. The risk of a pandemic has increased due to the threat of the Coronavirus disease (COVID-19). Innofactor is prepared for this risk by providing employees detailed instructions related to travel and in particular to the conduct in case of noticing symptoms post to travel, by preparing to procure more than the usually required amount of computers and by creating plans for employees to work remotely if required. In Innofactor's assessment, likely over 90 per cent of work-related tasks can be performed remotely under any circumstances. Therefore, the impact of a pandemic to Innofactor's business operations is estimated to be relatively minor.

Financial risks

General financial uncertainty and changes in the customers' financial situations affect customers' investment decisions and purchasing policies. It is possible that changes in the general financial situation will be reflected in Innofactor's customers' software purchases by delaying the decision-making or timing of purchases.

Financing risks: In its normal business operations, the Innofactor Group is susceptible to normal financing risks. In total at the end of the year, Innofactor had approximately EUR 12.0 million in interest bearing debts, which have been taken out to finance earlier acquisitions and working capital. Of the debts, approximately EUR 8,3 million is current liabilities consisting of loan installments of EUR 1.8 million in 2020 and a credit limit of approximately EUR 6.5 million on December 31, 2019. Innofactor has committed itself to the following covenants: Equity ratio calculated every 6 months is at least of 40%, and interest bearing liabilities calculated every 6 months divided by the 12-month operating margin (EBITDA) is a maximum of 2.5, and certain other normal conditions for loans. The Innofactor Group's interest bearing liabilities divided by the 12-month operating margin (EBITDA) on December 31, 2019, exceeded the covenant limit of 2.5 agreed on with the financial institution. However, the financial institution issued a waiver on

December 31, 2019, accepting this deviation. The goal of managing the financing risks is to minimize the negative effects of the changes in the financial markets to the result of the Group. Risk management has been centralized to the CFO, who is responsible for the Group's financing and regularly reports to the company's Executive Board, CEO, and Board of Directors. In 2019, the operating cash flow improved significantly and its believed to remain good, which is believed to ensure Innofactor's financial standing also in the future. In addition, Innofactor has previously renegotiated some loan conditions to enable more flexible financing. However, 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.

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 checking account limits with an overdraft facility in order to cover any seasonal variations in liquid assets. Excess cash balance is placed on savings accounts or funds with capital guarantee.

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

Credit risk: Credit decisions related to sales receivables are monitored centrally by the Group's management. Large part of Innofactor's cash flow comes through established customer relationships as payments from the public sector and financially sound companies, which have not presented essential credit risks in the past, and the Group has not suffered any significant credit losses. Should credit risks realize, it would weaken the Group's financial standing and liquidity. Sales receivables are monitored regularly.

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

Acquisitions and changes in the Group structure

Innofactor merged two operative companies 100% owned by the Group in Sweden, Innofactor AB and Innofactor Cloud Platform AB, on December 31, 2019.

On December 31, 2019, the business operations of Innofactor CS Oy, which is a subsidiary 100% owned by Innofactor, were sold to another subsidiary, Innofactor Software Oy, which is also 100% owned by Innofactor.

No other acquisitions or other changes in the group structure were carried out during the review period.

Events after the review period

On January 30, 2020, Innofactor announced in a stock exchange release that it will deliver a financial management system for a Finnish trading company. The value of the procurement is approximately EUR 0.65 million, which is estimated to be registered for 2020.

On February 12, 2020, Innofactor announced in a stock exchange release that the Hospital District of Helsinki and Uusimaa (HUS) has selected Innofactor as the provider of architectural and system development, maintenance and other services related to the Health Village services for a maximum amount of EUR 2,000,000. The services are estimated to be provided during years 2020 and 2021.

On February 13, 2020, Innofactor announced in a stock exchange release that the Legal Register Centre has selected Innofactor as the provider of the further development stage of the HAIPA project, which is the ERP and document management system for administrative courts and special courts. The procurement consists of the specialist work related to the project as well as the implementation in the different agencies in cooperation with the customer. The procurement may also include maintenance services related to the system. The contract period is estimated to start

in March 2020 and it will last until the end of 2020. Additionally, the customer reserves the right to two options for 2021 and 2022, which will be agreed on separately. The estimated total value (excluding VAT) stated by the customer in the procurement decision is EUR 2,157,000.

On February 13, 2020, Innofactor announced in a stock exchange release that Ullensaker municipality in Norway has selected Innofactor as the provider of ICT consultancy services related to comprehensive public cloud journey including infrastructure, identity and access, security and modern employee experience. The consultancy services include architectural and system development, maintenance and other services for an estimated total amount of NOK 10,000,000 (approximately EUR 1,000,000), which are estimated to be provided during years 2020 and 2021. There is also an option of extension of additional two years.

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

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. Innofactor has defined a dividend distribution policy according to which the aim of the Board of Directors is to provide an opportunity for the shareholders to distribute, from the part of the operating margin (EBITDA) that exceeds 10%, the maximum dividend allowed by the state of the business. For 2019, the operating margin (EBITDA) was 7.9% of the net sales. In making the proposal on the dividend, the Board of Directors takes into account the company's financial situation, profitability and near-term outlook.

At the end of the financial period of 2019, the distributable assets of the Group's parent company were EUR 28,238,839.

The Board of Directors proposes that no dividend be distributed for the financial period of 2019.

Espoo, February 25, 2020

INNOFACTOR PLC

Board of Directors

Additional information:
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Briefings concerning the financial statement of January 1–December 31, 2019

Innofactor publishes the financial statement 2019 and interim report for October–December 2019 (Q4) on Tuesday, February 25, 2020, at approximately 9:00 Finnish time.

A briefing in Finnish concerning the financial statement 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 and CFO Markku Puolanne. The corresponding conference call in English will be held at 12:00 Finnish time.

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

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

Financial releases in 2020

The annual report for 2019 will be published on the company's web site on Tuesday, March 10, 2020.

The Annual General Meeting will be held on Tuesday, March 31, 2020, at 9:00 Finnish time.

The schedule for financial releases in 2020 is as follows:

- Interim report January–March 2020 (Q1) on Tuesday, May 5, 2020
- Half-Yearly Report January–June 2020 (Q2) on Tuesday, July 28, 2020
- Interim report Report January–September 2020 (Q3) on Tuesday, October 27, 2020

Distribution:
NASDAQ Helsinki
Main media
www.innofactor.com

Financial statement summary and appendixes January 1–December 31, 2019 (IFRS)

Accounting policies

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

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

The financial statement adheres to the same accounting policies and calculation methods as the last annual financial statement 2018. However, as of January 1, 2019, 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 2018. The principles for calculating the key figures and the calculation formulas have not been changed, and they have been presented in an appendix to this report.

In addition to the IFRS key figures, Innofactor publishes certain alternative key figures in order to present the financial development of the actual business operations and to improve comparisons between different periods. Acquisitions are a central part of Innofactor's strategy. Depreciations of intangible rights resulting from acquisitions vary greatly depending on how valuable the customer contracts and technology of the acquired company are estimated to be and also in what kind of schedule the resulting intangible rights will be depreciated. For this reason, the company's view is that instead of the operating profit, the primary measure for profitability should be the operating margin (EBITDA), because it is not affected by the said depreciations. In addition to the operating margin, the company also publishes the following figures adjusted for the above-mentioned depreciations: the operative business result, operative business result before taxes, operative result, and operative result per share. Depreciations related to acquisitions, adjusted from the above-mentioned key figures, in the period of January 1–December 31, 2019, were EUR 2,030 thousand (2018: 2,030).

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

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

The figures in the financial statement have not been audited.

IFRS 16 Leases

Innofactor has implemented the IFRS 16 standard as of January 1, 2019. The implementation of the standard has affected the company's balance sheet by increasing the committed capital and interest bearing debt. The standard does not have a significant effect on the company's earnings per share, but it improves the company's operating margin (EBITDA), because a lease cost is divided into depreciations and financial expenses. The standard also improves the company's operating cash flow and deteriorates the financing cash flow, because the lease payments are mainly presented in the financing cash flow.

The effects of implementing the IFRS 16 standard are as follows:

Opening balance, January 1, 2019

Assets

Tangible assets	+ EUR 5,792 thousand
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Liabilities

Current lease liabilities	+ EUR 956 thousand
Non-current lease liabilities	+ EUR 4,835 thousand

Financial statement January 1–December 31, 2019

- Decrease in lease liabilities, EUR 1,676 thousand
- Increase in planned depreciations, EUR 1,531 thousand
- Increase in lease liability financing costs, EUR 145 thousand

The implementation of the IFRS 16 standard affects the operating margin (EBITDA) and the key figures that have been calculated based on the balance sheet total or interest bearing debt.

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

Comprehensive consolidated profit and loss statement, IFRS

EUR thousand	Oct 1–Dec 31, 2019	Oct 1–Dec 31, 2018	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Net sales	17,432	15,890	64,198	63,144
Other operating income	15	159	44	205
Materials (–)	-1,720	-1,341	-6,073	-6,812
Employee benefits/expenses (–)	-11,377	-11,937	-43,802	-46,432
Depreciation (–)	-1,078	-789	-4,294	-2,842
Other operating expenses (–)	-2,791	-3,676	-9,278	-11,134
Operating profit/loss	480	-1,693	795	-3,872
Financial income	10	923	23	952
Financial expenses (–)	-219	-560	-807	-892
Profit/loss before taxes	271	-1,329	12	-3,811
Income taxes	101	129	406	625
Profit/loss for the financial period	372	-1,200	418	-3,186
Earnings per share calculated from the profit attributable to equity holders of the parent:				
basic earnings per share (EUR)	0.0100	-0.0332	0.0113	-0.0880
diluted earnings per share (EUR)	0.0100	-0.0332	0.0113	-0.0880
Other comprehensive income items that may later recognized in profit or loss				
Exchange differences	281	-32	52	-275
Total comprehensive income	654	-1,232	470	-3,462
Distribution of the profit and comprehensive income to shareholders of the parent company				
	654	-1,232	470	-3,462

Consolidated Balance Sheet, IFRS

ASSETS

EUR thousand	Dec 31, 2019	Dec 31, 2018
Non-current assets		
Tangible assets	5,290	484
Goodwill	26,003	26,126
Other intangible assets	3,745	6,114
Shares and holdings	79	78
Receivables	629	155
Deferred tax assets	5,602	5,602
Non-current assets	41,347	38,558
Current assets		
Trade and other receivables	13,409	13,059
Cash and cash equivalents	963	258
Current assets	14,373	13,317
TOTAL ASSETS	55,720	51,875

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR thousand	Dec 31, 2019	Dec 31, 2018
Share capital	2,100	2,100
Share premium reserve	72	72
Other reserves (+/-)	59	59
Fund for invested unrestricted equity	20,921	20,321
Retained earnings	-1,008	-1,250
Total shareholders' equity	22,145	21,303
Non-current liabilities		
Loans from financial institutions	3,684	5,418
Lease liabilities	3,269	0
Deferred tax liabilities	813	1,190
Long-term liabilities total	7,767	6,608
Current liabilities		
Loans from financial institutions	8,334	10,000
Lease liabilities	1,566	0
Trade and other payables	15,909	13,964
Current liabilities total	25,808	23,965
Total liabilities	33,575	30,573
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	55,720	51,875

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 difference	Total shareholders' equity
Shareholders' equity Jan 1, 2019	2,100	72	59	20,321	0	-212	-1,038	21,303
Comprehensive income								
Result for the financial period						418		418
Personnel share issue				600		101		701
Result for the financial period						-329		-329
Other comprehensive income:								0
Exchange differences							52	52
Total comprehensive income				600		190	52	843
Shareholders' equity Dec 31, 2019	2,100	72	59	20,921	0	-21	-985	22,145

EUR thousand	Share capital	Share premium reserve	Reserve fund	Fund for invested unrestricted equity	Own shares	Retained earnings	Exchange difference	Total shareholders' equity
Shareholders' equity Jan 1, 2018	2,100	72	59	20,321	0	2,974	-762	24,765
Comprehensive income								
Result for the financial period						-3,186		-3,186
Correction								0
Exchange differences							-275	-275
Total comprehensive income						-3,186	-275	-3,462
Shareholders' equity Dec 31, 2018	2,100	72	59	20,321	0	-212	-1,038	21,303

Consolidated Cash Flow Statement, IFRS

EUR thousand	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Cash flow from operating activities		
Operating profit	795	-3,872
Adjustments:	0	0
Depreciation *)	4,294	2,842
Operating profit before a change in working capital	5,089	-1,029
Change in trade and other receivables (+/-)	-407	3,474
Change in trade and other payables (+/-)	1,945	-2,209
Other adjustments:	221	0
Change in working capital	1,758	1,266
Cash flow from operating activities before financing and income taxes paid	6,847	236
Interests received	23	52
Interests paid (-)	-662	-870
Net cash flow from operating activities	6,209	-581
Investment cash flow		
Acquisition of subsidiaries	-49	-200
Investments in intangible and tangible assets (-)	-619	-1,133
Loan receivables paid back	63	109
Shares and holdings	0	-16
Net cash flow from investments	-606	-1,239
Cash flow from financing		
Loans withdrawn	165	3,237
Loans paid	-3,566	-2,069
Lease liability payments *)	-1,618	0
Payments received from share issue	120	0
Net cash flow from financing	-4,898	1,168
Change in cash and cash equivalents (+/-)	705	-652
Cash and cash equivalents, opening balance	258	910
Cash and cash equivalents, closing balance	963	258

Consolidated Profit and Loss Statement by Quarter, IFRS

EUR thousand	Jan 1– Mar 31, 2019	Apr 1– Jun 30, 2019	Jul 1– Sep 30, 2019	Oct 1– Dec 31, 2019	Jan 1– Mar 31, 2018	Apr 1– Jun 30, 2018	Jul 1– Sep 30, 2018	Oct 1– Dec 31, 2018
Net sales	16,148	16,651	13,968	17,432	16,470	17,010	13,773	15,890
Other operating income	10	33	-13	15	9	17	20	159
Materials (–)	-1,478	-1,499	-1,376	-1,720	-1,807	-1,974	-1,691	-1,341
Employee benefits/expenses (–)	-11,597	-11,634	-9,194	-11,377	-12,125	-12,552	-9,818	-11,937
Depreciation (–)	-959	-975	-1,283	-1,078	-704	-666	-683	-789
Other operating expenses (–)	-2,213	-2,424	-1,850	-2,791	-2,207	-2,464	-2,787	-3,676
Operating profit/loss	-90	153	252	480	-364	-629	-1,186	-1,693
Financial income	4	5	5	10	4	10	15	923
Financial expenses (–)	-111	-262	-215	-219	-117	-163	-52	-560
Profit/loss before taxes	-197	-104	42	271	-477	-782	-1,223	-1,329
Income taxes	109	106	90	101	95	157	243	129
Profit/loss for the financial period	-88	2	132	371	-382	-625	-980	-1,200
 EBITDA	 868	 1,127	 1,535	 1,559	 340	 36	 -503	 -902

Group's commitments and contingent liabilities

EUR thousand	Dec 31, 2019	Dec 31, 2018
Collateral given for own commitments		
Lease collateral	246	183
Mortgages on company assets	16,535	16,972
Bank guarantees	303	303
Other own liabilities		
Lease liabilities		
Current lease liabilities	26	172
Lease liabilities maturing in 1-5 years	14	94
Total	40	266
Lease liabilities*		
Current lease liabilities	0	2,007
Lease liabilities maturing in 1-5 years	0	4,639
Total	0	6,646
Other own liabilities total	40	6,912

* The change is due to the implementation of the IFRS 16 standard

Largest shareholders

According to the share register maintained by Euroclear Finland Oy, the share ownership of the 20 largest Innofactor Plc shareowners at the end of the review period on December 31, 2019, was as follows.

Name	Number of shares	% of share capital
1. Ensio Sami	7,880,237	21.08%
<i>Ensio Sami</i>	5,706,477	15.26%
<i>Minor under guardianship</i>	724,588	1.94%
<i>Minor under guardianship</i>	724,586	1.94%
<i>Minor under guardianship</i>	724,586	1.94%
2. Ilmarinen Mutual Pension Insurance Company	1,800,000	4.81%
3. Hallikainen Jyrki	1,471,009	3.93%
4. Laiho Rami Tapani	1,262,159	3.38%
5. Linturi Kaija and Risto	1,256,411	3.36%
<i>R. Linturi Oyj</i>	489,107	1.31%
<i>Linturi Kaija Anneli</i>	430,000	1.15%
<i>Linturi Risto Erkki Olavi</i>	337,304	0.90%
6. Tilman Tuomo Tapani	1,030,397	2.76%
7. Ärje Matias Juhanpoika	882,065	2.36%
8. Mäki Antti-Jussi	877,192	2.35%
9. Saarelainen Mika Pekka	678,649	1.82%
10. Muukkonen Teemu Heikki	522,230	1.40%
11. Ingman Finance Oy Ab	500,000	1.34%
12. Järvenpää Janne-Olli	315,211	0.84%
13. Rausanne Oy	302,545	0.81%
14. Kukkonen Heikki-Harri	301,931	0.81%
15. Hellen Stefan Andreas	250,000	0.67%
16. Laiho Jari Olavi	235,000	0.63%
17. Essel Ari Markku	177,030	0.47%
18. Mäkinen Antti Vilho Juhani	164,000	0.44%
19. Anttila Mikko Matias	139,808	0.37%
20. Heino Petri Juhani	135,000	0.36%

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)

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