



# INNOFACTOR

Annual Report 2023



# Innofactor Plc Annual Report January 1 to December 31, 2023

## Innofactor in Brief

Innofactor's purpose is to innovate to make the world work better. We are driven by a mission to help our customers succeed by modernizing and digitalizing their organizations. Our working principle is to put people first in everything we do. We want to create solutions that make people's everyday work and life run smoothly and bring a smile to their faces.

We focus on the Microsoft ecosystem's Business-to-Business solutions, whose markets are growing faster than the IT market on average. We offer our customers planning services for business-critical IT solutions, project deliveries, implementation support and maintenance services, and develop our own software and services.

Our solutions are used by approximately 1,000 organizations in the private and public sectors in the Nordic countries. We are a strong and valued partner. Our long-term customer relationships are evidence of our customers' trust in Innofactor. We utilize a proactive and flexible delivery model that creates added value and helps us establish a superior position in the market.

Innofactor employs approximately 600 enthusiastic and motivated top professionals in Finland, Sweden, Denmark, and Norway. We are united by our desire to work on the front line of innovation and new technology. We take pride in our highly competent professionals and significantly invest in competence development. Our employees maintain and improve their skills by acquiring technological qualifications, such as Microsoft Certified Professional, and by participating in training provided by our own Innofactor Academy. Their high level of expertise is evidenced by Innofactor having achieved all seven Microsoft Solution Partner designations and five Microsoft Advanced Specializations, for example.

Our net sales in 2023 amounted to EUR 80.3 million, which shows an increase of 12.8 percent from the previous year. Our operating margin (EBITDA) was EUR 9.1 million, corresponding to 11.3 percent of net sales. The long-term goals specified in our strategy are to achieve annual growth of about 20 percent, primarily through organic growth, an operating margin (EBITDA) of about 20 percent in relation to net sales, as well as to maintain positive cash flow and ensure a solid financial standing in all situations.

Innofactor Plc's share is listed on the main list of Nasdaq Helsinki Ltd. Innofactor has more than 10,000 shareholders.

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Note: The English version of Innofactor's Annual Report is a translation of the Finnish version and provided for reference only. In the event of any conflict or discrepancy between the Finnish and English versions, the Finnish version shall prevail and be treated as the correct version.

# Innofactor Grew in 2023 to Reach Net Sales in Excess of EUR 80 Million

In 2023, Innofactor grew by 12.8 percent in spite of the challenging market situation, and net sales reached an all-time high of EUR 80.3 million. Generative artificial intelligence (ChatGPT, Microsoft Azure Open AI and Microsoft Copilot) received growing attention in the market in 2023. Generative AI presents our customers – and Innofactor – with significant opportunities for improving operational efficiency. Above all, it opens up significant new business opportunities for Innofactor, and we have quickly developed new offerings in response to these opportunities. We see Copilot for Microsoft 365 as particularly significant, as we expect it will enable us to grow our business in co-operation with our main partner Microsoft.

The Innofactor Group’s net sales in 2023 were EUR 80,263 thousand (EUR 71,130 thousand in 2022), representing growth of 12.8 percent. The operating margin (EBITDA) was EUR 9,101 thousand (EUR 7,808 thousand in 2022), an increase of 16.6 percent. The share of EBITDA of net sales was 11.3 percent (11.0 percent in 2022). The order backlog at the end of the review period was EUR 71,555 thousand (EUR 75,831 thousand in 2022), showing a decrease of 5.6 percent.

The decrease in the order backlog is due to the fact that we have redefined the criteria for entering orders in the order backlog. Recurring agreements that do not include a purchase obligation on the customer’s side have been reclassified as framework agreements. On the whole, Innofactor reached record-high net

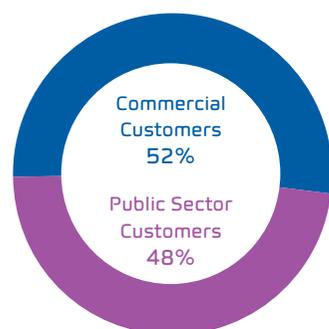
sales and EBITDA in 2023 (excluding non-recurring income from divestments).

We achieved good business growth in Finland and Norway in 2023, but net sales decreased in Sweden and Denmark. EBITDA in Finland and Denmark was positive, while Sweden and Norway were in deficit. In 2024, we will focus in particular to improve growth and profitability in countries outside of Finland. In 2023, Innofactor reached its highest ever net sales and EBITDA. Innofactor also received a record number of new orders in 2023.

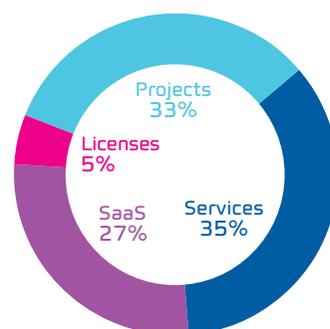
Antti Rokala was appointed as Innofactor’s Chief Financial Officer effective from January 1, 2024. Jarno Lähteenmäki, Vice President, Data and Cloud joined Innofactor’s Leadership Team for Finland in

March 2023. In August 2023, Klausveikko Oinonen was internally appointed to lead sales in Finland and joined Innofactor’s Leadership Team for Finland.

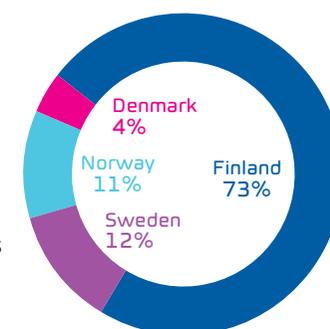
Innofactor’s company-specific collective agreement for Finland was signed in early 2023. The aim of the company-specific collective agreement is to make it possible to agree on issues that are important to our personnel, and to have a more straightforward and easy-to-understand collective agreement that reflects us as a company and supports our values. At the end of 2023, we established a personnel bonus fund. Our employees can transfer their performance bonuses to the fund, and bonuses transferred to the fund are subject to increases. In accordance with its rules, the fund invests in Innofactor Plc’s shares.



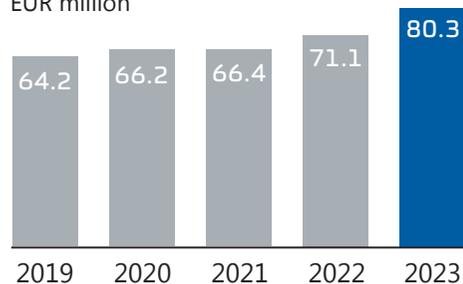
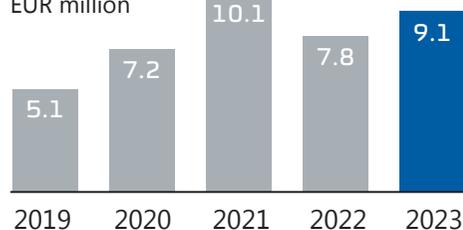
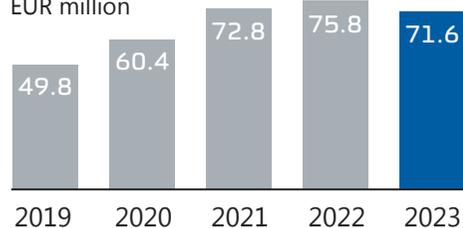
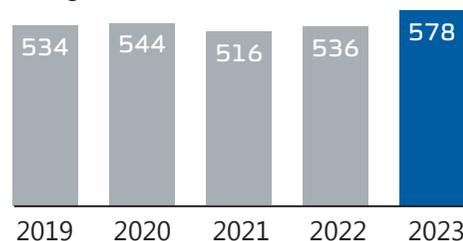
- ▶ A strong customer base in the private and public organizations provides stability against economic cycles
- ▶ 10 largest customers account for approximately 31% of net sales



- ▶ SaaS, licenses, and recurring service contracts create a competitive edge and stability for the business
- ▶ Professional services are increasingly moving towards frame agreements and continuous maintenance



- ▶ Sweden, Denmark, and Norway represent approximately 27% of Innofactor’s net sales
- ▶ We aim to achieve a strong position in all of the Nordic countries

**NET SALES**  
EUR million**EBITDA**  
EUR million**ORDER BACKLOG**  
EUR million**NUMBER OF PERSONNEL**  
average

	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.

## Artificial Intelligence Will Create Significant New Business Opportunities in 2024

The operating environment and price competition were challenging in 2023. According to our analysis, the weighted average prices of new contracts remained at a low level until the end of the year, particularly in the case of public sector customers, in spite of a slight increase towards the end of the year. Our management had to carefully plan our business operations and optimize costs in 2023.

Our sales performance in the latter part of 2023 was excellent and we maintained our order backlog at a high level. We achieved a good result in a challenging market. It was a great year for Innofactor! Our goal in 2024 is to further improve the efficiency of our operations, increase the invoicing rate and increase the share of net sales derived from licenses and SaaS.

I am pleased that, in 2023, we were able to acquire the company's own shares and cancel treasury shares. Above all, I am pleased that we will again be able to pay a good amount of dividends to our shareholders in accordance with our dividend policy.

I want to take this opportunity to thank our customers, partners, employees, and investors for a great 2023!

In 2024, we expect to see increasing demand for AI solutions, which will drive growth in our net sales. We want to continue to deliver good service for our customers, continue our growth, improve our operating margin, and make Innofactor an even better workplace for our employees.



We further deepened our co-operation with customers in 2023. In spite of the challenging market situation, we received several new orders during the year, including the digitalization of Metso Outotec Plc's quotation process, the continued development and maintenance of Senate Properties' HR system, the further development and maintenance of IF Metall's membership management system, a comprehensive system delivery to Tampereen Infra Oy, and several other significant projects in Finland, Sweden, Denmark and Norway. I would like to thank our customers and partners for the trust you have shown in Innofactor.

Our strategy is focused on Microsoft products and platforms. As the markets are changing, Microsoft and its ecosystem are growing much faster than the IT market on average. In particular, Microsoft's investment in OpenAI and subsequent market leadership in generative AI will boost Innofactor's competitive advantage as well. Our partnership with Microsoft is very strong. This is evidenced by Innofactor having achieved all seven Microsoft Solution Partner designations and five Microsoft Advanced Specializations. I would like to thank Microsoft and our other partners in the Microsoft ecosystem for their trust in Innofactor.

Innofactor's strength lies in our highly competent and motivated personnel. In 2023, we strengthened our team, trained our personnel, completed certifications and developed our organization and management style. We want to use all means available to ensure our success in the Nordic markets. I am very proud of our employees' enthusiasm toward driving the organization in the same direction and finding new ways to innovate solutions, improve customer satisfaction continuously, work more

efficiently under the new hybrid model, and increase productivity. For that, I am grateful to all of you.

A successful and growing company needs committed owners. In 2023, the price of Innofactor's share increased by 17 percent. I am pleased that, in 2023, we were able to acquire a significant number of our own shares and cancel previously acquired treasury shares. I am also pleased that, in 2024, we will be able to pay significant dividends to our shareholders for 2023 in accordance with our dividend policy. I would like to thank all of our owners and investors for their long-term trust in Innofactor's strategy and success.

Innofactor's aim is to be the leading digital transformation partner in each of the Nordic countries. We are confident in our chosen Nordic strategy and our ability to achieve our long-term vision. This will require perseverance and determination from the company's management, employees, and investors. In 2024, Innofactor will continue to focus on increasing the company's net sales and improving profitability. We will need to roll up our sleeves and show great perseverance, but with a twist of fun and a smile on our faces.

At Innofactor, we consider sustainability as one of the cornerstones of our long-term success. Our digital solutions play an important role in curbing climate change and promoting sustainable development. We see sustainability not only as a prerequisite for business continuity but also as an opportunity for innovation and building a modern digital organization.

We work together with our customers, partners, employees, and investors to innovate solutions that help our customers and society as a whole to function even more effectively. We are moving forward with enthusiasm and confidence.

"In 2024, our goal is to take full advantage of the opportunities presented by AI. We aim to improve the efficiency of our operations, increase the invoicing rate, further increase the share of net sales derived from licenses and SaaS, and focus particularly on the improving the key figures of our operating countries outside Finland."

**Sami Ensio**

Innofactor's founder,  
major owner, and CEO

# Long-term Goals of 20% Annual Growth and 20% Profitability

We expect that the growth rate of the Nordic IT services market will be positive in 2024 but, due to the geopolitical situation and the general economic downturn, we are not able to provide a more accurate estimate. Our growth target for the next few years is to surpass the market growth rate, and our long-term goal is annual growth of approximately 20 percent.

## We Expect to See Market Growth and Further Strengthen our Market Position in 2024

We expect that the growth rate of the Nordic IT services market will be positive in 2024 but, due to the geopolitical situation and the general economic downturn, we are not able to provide a more accurate estimate. Our growth target for the next few years is to surpass the market growth rate, and our long-term goal is annual growth of approximately 20 percent.

The price competition that began in the market in the second quarter of 2023 remained intense and, in our assessment, the weighted average prices of new contracts stayed at a low level until the end of the year, particularly in the case of public sector customers, in spite of a slight increase towards the end of the year. We estimate that the IT service market in the Nordic countries grew slightly in 2023. We expect the average prices of new contracts in the public sector and large tenders to continue to increase in 2024. We estimate that growth in the Nordic IT services market will continue in 2024, but because of the uncertain economic and security policy situation, we cannot give a more detailed estimate. Our estimate is based on research institutes' forecasts and our own outlook on markets.

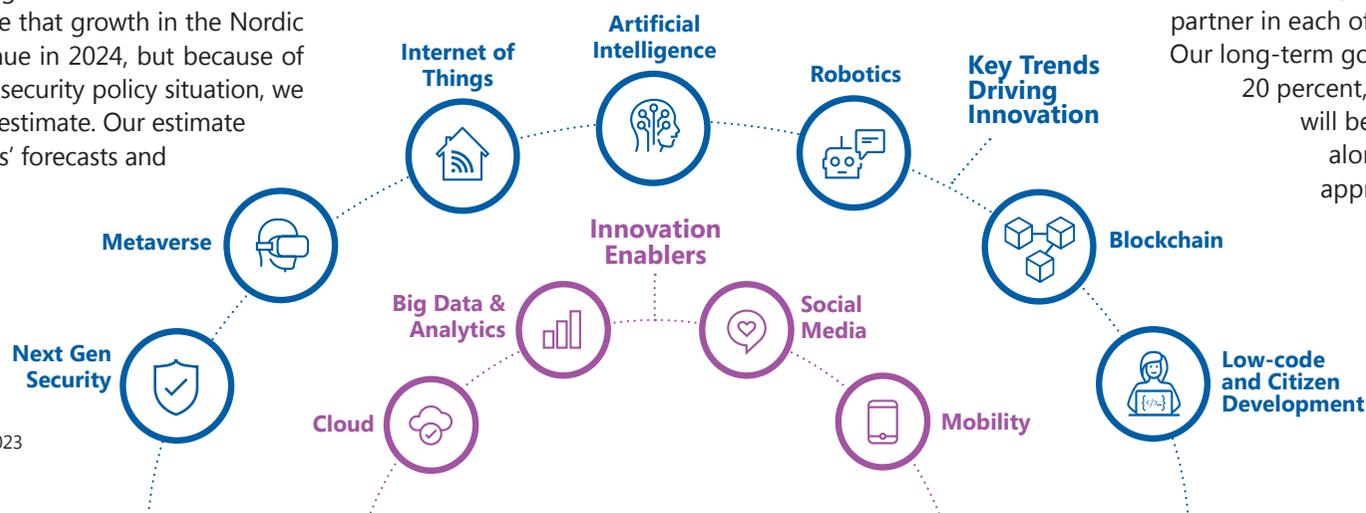
Generative artificial intelligence (ChatGPT, Microsoft Azure Open AI and Microsoft Copilot) has received significant attention in the market, and this has happened exceptionally quickly. Generative AI presents our customers – and Innofactor – with significant opportunities for improving operational efficiency. Above all, it opens up significant new business opportunities, and we have quickly developed new offerings in response to these opportunities. We have also shifted our sales focus more to the private sector, where more commercially sustainable price levels can be found. Other innovation trends and drivers of change that we monitor in the market include the metaverse and robotics, as well as low-code and citizen development.

Climate change mitigation and the geopolitical situation place new demands on both societies and organizations, creating new business opportunities and accelerating innovation. The abilities of a modern

digital organization will be even more important for our customers in the future. It is also likely that some of our customers will transfer some of their operations back to the Nordic countries in order to be closer to their customers. This could have a favorable effect as regards the business model of Innofactor's chosen strategy based on Nordic specialists. Microsoft's position has also strengthened in recent years as a market leader in generative AI, among other things. We believe in our chances of increasing our market share in the Nordic countries.

## Becoming the Leading Provider of Digital Transformation in Each of the Nordic Countries

We have made a strategic choice to focus on solutions implemented with or supported by Microsoft platforms, and we have achieved a leading position in the Nordic countries in this market. Going forward, our aim is to become the leading digital transformation partner in each of the Nordic countries. Our long-term goal is annual growth of 20 percent, the majority of which will be achieved organically, along with profitability of approximately 20 percent.



## Our purpose

Innovating to make the world work better

## Our mission

Driving the modern digital organization

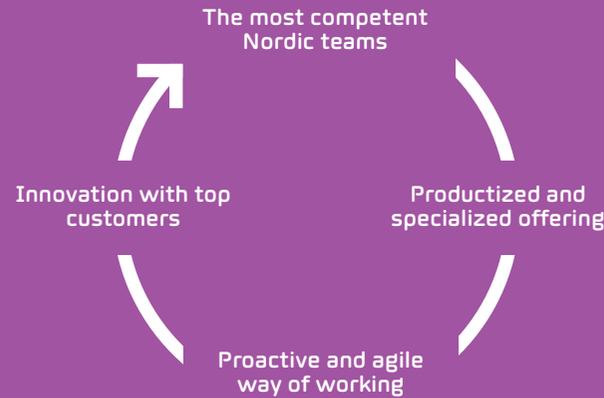
## Our vision

Leading Nordic digital transformation partner in the Microsoft ecosystem

## Our long-term financial goals

Annual growth of about 20 percent, approximately 20 percent EBITDA in relation to net sales, and maintaining positive cash flow and a solid financial standing in all situations.

## Our strategic choices



## Our values and working principle



## The Key Actions to Be Taken to Achieve Growth of 20% and EBITDA of 20%:

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.

The competitive landscape for Microsoft-based solutions in the Nordic countries is fragmented. The first group of competitors consists of large enterprises that operate in all of the Nordic countries. These competitors provide a wide range of IT solutions that are needed by various organizations and use several competing technologies, one of which is the Microsoft ecosystem. The second group consists of medium-sized companies that focus on a niche solution area at the Nordic level, also using several different technologies. The third group consists of medium-sized companies operating mainly in a single country, typically providing a broad range of solutions based on several competing technologies. The fourth group consists of small

companies that only operate in their domestic market focusing on certain clearly defined solution areas, technologies, and industries.

Microsoft's fragmented Nordic partner network, which consists of small and medium-sized IT companies, continues to offer interesting acquisition opportunities for us. In the future, our acquisition strategy will likely be focused on medium-sized companies that operate in a single country. This will help us expand our offering at the country-specific level as well as potentially acquire additional cloud-based product and service business. A good reputation, fast and profitable growth, successful acquisitions, and entrepreneurial spirit make us an attractive partner with whom to develop business.

# Innovating to Make the World Work Better

We help our customers to succeed by modernizing and digitalizing their organizations. We put people first in everything we do. We want to create solutions that make people's everyday work and life run smoothly and bring a smile to their faces.

The pace of technological development is still accelerating, and thus new digital innovations are becoming available more frequently than before. New services continually create opportunities to make organizations' operations more productive and creative. However, many organizations are still in the early stages of taking advantage of the new opportunities. Digitalization and generative AI have brought about a transformation to which every organization needs to adapt. Innofactor's mission is to help our customers operate as modern digital organizations in this changing world, taking full advantage of the opportunities presented by AI, data, and the cloud.

Using digital solutions and AI to make it easier for people and organizations to work wonders is the end goal of our operations. It is this passion to make the world work better that enables our talented cloud technology professionals to successfully collaborate with approximately 1,000 private and public sector customers across the Nordic region.

To do this, we work on six offerings, which we consider the building blocks of a Modern Digital Organization.

## Digital Services

Software Development and DevOps  
App and Data Modernization  
Low-code Development

## Cloud Infrastructure

Managed Services and DevOps  
Cloud Transformation  
Governance and Automation

## Business Solutions

Sales and Marketing | CRM  
Customer Service Enablement  
Finance and Operations | ERP  
Project and Membership Management

## Data, Analytics and AI

Data Platform  
Advanced Analytics and BI  
Enterprise Performance Management  
AI, Real-time Analytics and IoT

## Information and Case Management

Modern Workplace  
Document and Records Management  
Case and Decision Management  
Contract and Quality Management

## Cybersecurity

Security Assessments  
Cloud Security Consultancy  
Identity and Access Management | IAM  
Detect and Respond

#ModernDigitalOrganization

While the technology and solutions we provide might sometimes seem complex, the objective is always the same: a more efficient, more effective organization with happier customers and more motivated employees, empowered by technology that makes daily work and life more meaningful. However, they allow us to create a more efficient and effective organization with satisfied customers and motivating work. Our solutions make work and life even more meaningful. The best way to measure the results of our work is how well we manage to bring a smile to the lips of the people who use our solutions. To ensure we carry on doing this, we never stop enhancing our own skills and expertise. As a result, we have achieved all seven Microsoft Solution Partner Designations and as many as five Microsoft Specializations.

### Our Modern Delivery Model Ensures Effective Deployment and Adoption to Maximize the Lifetime Value of New Solutions

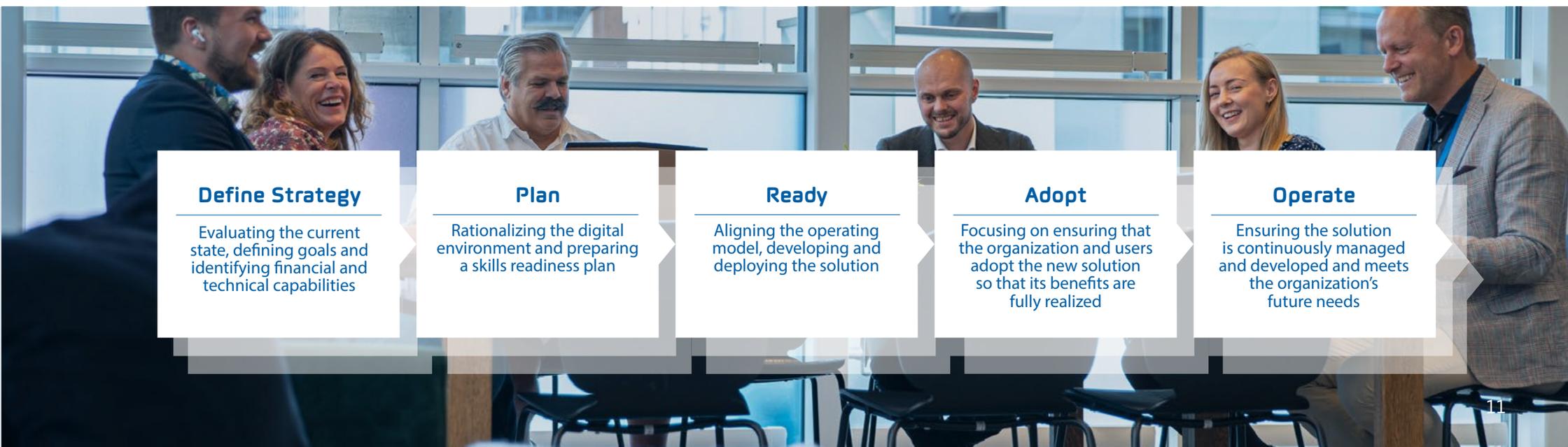
Our delivery model is based on years of experience in the successful design, adoption, and development of digital solutions and services. It consists of five stages, each of which delivers our customers quick, tangible value in each of the six areas of our offering. The value of our deliveries is based on not only helping our customers to specify their strategy and design and implement a specific solution but also supporting them through close collaboration in the deployment, use and continuous development of the solution.

## Microsoft Partner



- Gold Application Development
- Gold Application Integration
- Gold Cloud Business Applications
- Gold Cloud Platform
- Gold Cloud Productivity
- Gold Collaboration and Content
- Gold Data Analytics
- Gold Data Platform
- Gold Datacenter
- Gold DevOps
- Gold Enterprise Mobility Management
- Gold Enterprise Resource Planning
- Gold Project and Portfolio Management
- Gold Security
- Gold Small and Midmarket Cloud Solutions
- Gold Windows & Devices

- Infra and Database Migration to Microsoft Azure Specialization
- Migrate Enterprise Applications to Microsoft Azure Specialization
- Identity and Access Management Specialization
- Threat Protection Specialization
- Cloud Security Specialization



#### Define Strategy

Evaluating the current state, defining goals and identifying financial and technical capabilities

#### Plan

Rationalizing the digital environment and preparing a skills readiness plan

#### Ready

Aligning the operating model, developing and deploying the solution

#### Adopt

Focusing on ensuring that the organization and users adopt the new solution so that its benefits are fully realized

#### Operate

Ensuring the solution is continuously managed and developed and meets the organization's future needs

# Digital Services

**We enable you to turn business models and processes into easy-to-use digital services and provide you with continuous agile development capabilities through a long-term partnership.**

Many organizations seek to digitalize complex business processes or try out innovative new business models powered by scalable and secure digital solutions. Others are challenged by outdated applications that pose security risks and leave vital data trapped in silos. Often, there are no off-the-shelf solutions to overcome these challenges, or organizations simply lack the internal IT resources and cloud development skills to get the job done. Innofactor has for several years focused on building high quality software development and maintenance services. Our development teams leverage agile methodologies, such as Scrum, as well as traditional software development and ITIL-based maintenance. We have strong expertise in modern DevOps, Microsoft cloud technologies, especially Azure PaaS, low-code development with Microsoft Power Platform, traditional tools, and hybrid and on-premises platforms. In software development, we take advantage of AI, such as Microsoft Github Copilot, where possible. AI tools are used in a manner agreed with the customer. Our agile teams work side by side with customer experts towards a common goal. This gives the customer the best possible end solution and the ability to continuously develop digital services. As a result of high customer satisfaction, our collaboration often evolves into a long-term partnership over time.



## Our Digital Services Solutions

- ▶ **Software Development and DevOps**
- ▶ **App and Data Modernization**
- ▶ **Low-code Development**

Our promise is to help our customers accelerate their business with user-friendly, scalable, and secure digital solutions that are delivered through a long-term partnership by motivated agile teams.

## Key Benefits for Our Customers

- ▶ Turn complex business processes and innovative business models into user-friendly, scalable, and secure digital solutions
- ▶ Maintain existing applications and modernize them when needed and free up business-critical data siloed in old disconnected systems
- ▶ Accelerate your internal IT development and coach your employees with DevOps and Agile methodology, and by taking advantage of AI in software development
- ▶ Create continuous value for your business through a long-term partnership with skilled teams that share goals with your organization

## Solutions and Partners

- ▶ Innofactor Enterprise Integration Platform



Migrate Enterprise Applications to Microsoft Azure Specialization

# Hansel

Hansel is a joint public procurement unit that provides its customers with joint procurement services as well as services for the development of tendering and procurement. Hansel maintains the Hilma service, which is an online channel for notices on public procurement and a tendering platform. Companies get real-time information on upcoming and ongoing public sector tenders and the results of tenders from Hilma. Hilma is owned and steered by the Ministry of Finance. Innofactor has served as Hansel's technical partner and helped to develop the system since December 2018.

In 2019, the European Commission launched the eForms public procurement notice reform. The objective of the reform is to accelerate the digitalization of public procurement in all EU Member States and bring consistency and clarity to procurement notices. In addition to the standardization of forms, the reform aims to improve the quality of data in public procurement notices and increase the transparency of public procurement, among other objectives.

The starting points for the implementation of eForms in Finland were good compared to many other EU countries, as Hilma was already a centralized channel for procurement notices that also sends the EU notices from other tendering systems for publication in the TED service. Hilma is implemented in Microsoft Azure using the PaaS model. The renewal of Hilma required careful planning,

as the project had to take into account the interface users who send procurement notices to Hilma, for example.

The technical implementation of the project began in summer 2022 and the project was carried out using agile Scrum methods. The stages of the eForms reform were broken down into smaller projects that were logically organized using storyboards and other facilitation approaches. The work was organized in such a way that the team consisting of Innofactor's and Hansel's experts had sufficient subject-matter expertise as well as technical competence. Dialogue between experts representing different fields was essential for the success of the project. The team was cohesive and committed to its goals. Test automation developed during the project was used in the testing of procurement notices.

The development work was carried out on a two-week sprint cycle. This made it easy to compare the progress of the project with the workload estimates provided, which, according to Hansel, turned out to be very accurate. The agile method made it possible to react quickly to changes and, where necessary, bring in additional resources in a timely manner.

The Hilma steering group had decided that eForms notices would be deployed in Finland at the beginning of September 2023. The project was completed on schedule, and Finland became a leader in the implementation of eForms by being one of the first three EU Member States to successfully complete the reform.



***“The workload estimates were incredibly accurate throughout the project. From the perspective of agile development, this project was carried out as well as one can imagine.”***

**Mikko Saavalainen**  
Chief Digital Officer  
Hansel Oy

# Business Solutions

## We help you build business agility by optimizing your digital business capabilities with intelligent business applications.

To stay ahead of the game in a digital intense environment, an organization must be able to transform its operations at a faster pace than ever before. Connecting data, processes and people with intelligent business applications enables organizations to optimize their operations and customer experience to drive business agility with no limitations. It is achieved by providing people with real-time data and insights to empower decision-making and drive innovation within the daily business processes and ways of working. Innofactor is focused on helping customers to plan, develop and optimize their digital marketing, sales, customer service, finance, operations, project, and membership management capabilities with leading Microsoft Business Applications, low-code platforms and AI, such as Microsoft Copilot, and our highly competent advisory, consultant and delivery teams.



### Our Business Solutions

- ▶ **Sales and Marketing | CRM**
- ▶ **Customer Service Enablement**
- ▶ **Finance and Operations | ERP**
- ▶ **Project and Membership Management**

Our promise is to provide a modern business experience by digitalizing our customers' operations and engagements.

### Key Benefits for Our Customers

- ▶ Build a prioritized implementation plan for business applications with our Advisory team to help your organization develop key capabilities quickly and cost-effectively, automate your processes and take advantage of AI
- ▶ Orchestrate personalized experiences across all touchpoints and create an excellent buying and customer service experience to build strong and lasting relationships
- ▶ Maximize financial visibility and profitability
- ▶ Get real-time visibility of your operations and projects, such as resource availability and utilization, invoicing ratio, and warehouse inventory

### Solutions and Partners

- ▶ Innofactor Membership Management System
- ▶ Innofactor QualityFirst
- ▶ Enreach



## Veritas Pension Insurance

Veritas Pension Insurance is one of Finland's oldest insurance companies still in operation. Veritas looks after the pension security of nearly 68,000 employed persons and over 14,000 entrepreneurs.

Pursuant to amendments to the Self-Employed Persons' Pensions Act (YEL) that entered into force at the beginning of 2023, pension insurance companies are required to review entrepreneurs' YEL earnings once every three years. The amendments are aimed at improving the pension and social security of entrepreneurs by ensuring that their YEL earnings correspond to the value of their work input throughout their career.

One of the practical consequences of the YEL reform was that pension insurance companies need to ensure that their IT solutions enable them to review entrepreneurs' YEL earnings in the manner required by the new legislation. Veritas uses the Microsoft Dynamics 365 Customer Relationship Management system as the database for its insurance customers. The database needed to be customized in response to the legislative reforms. The Customer Relationship Management system had to be integrated with Veritas' own systems as well as certain systems of Arek, which maintains shared information systems for the pension insurance industry. Veritas decided to use Innofactor as its partner for the project, having worked with the company previously in the development of solutions related to YEL and TyEL insurance services, for example.

As the need for the new information systems development project stemmed from legal obligations, there was no room for flexibility in the project schedule. The necessary changes had to be completed by the summer of 2023. Due to the tight schedule and relative complexity of the project, the implementation had to be as compact as possible, without compromising on quality. Meeting these requirements required the partner to have strong technical expertise in order to make the most of the built-in features and components of Microsoft Dynamics. Veritas also valued the strong commitment to the project shown by Innofactor's experts, as well as the company's comprehensive experience in project management and resource allocation for technically complex implementations.

The changes to the Dynamics system were completed and rolled out on schedule. Veritas' insurance advisors were satisfied with the outcome and the first round YEL earnings reviews was carried out successfully. Going forward, reviews of YEL earnings will be conducted annually, and the plan is to develop Veritas' system further based on the experiences gained from the first round of reviews. One lesson related to the operating model has already been put into practice: instead of the waterfall model, future co-operation projects will use the Scrum method to further improve the specification of roles and responsibilities, for example.

***"Innofactor's experts ask the right questions to determine what kind of implementation serves our needs in the best possible way. Thanks to strong mutual trust, we feel that we are working towards a shared goal."***

**Nina Karlsson**  
Planning Manager  
Veritas Pension Insurance

# Information and Case Management

**We help you with every aspect of information work and document management, ranging from formal and standardized case and records management, contract management and quality management to hybrid work, teamwork and collaboration.**

In modern work environments, organizations need efficient digital information and case management tools as well as flexible conditions for hybrid work for their employees. Innofactor offers its customers a unique solution that combines organizational requirements for formal and controlled information management and the employees' needs for easy and flexible work. We have developed efficient solutions for document classification, access rights, availability, and lifecycle management, which makes it possible for our customers and employees to easily find and produce documents and communicate and cooperate together. Our award-winning Innofactor Dynasty product family offers leading solutions for case and document management as well as records management, taking advantage of the opportunities presented by AI. Our services include E-Signature, E-Services and Microsoft 365 services that help our customers improve security, reliability and user productivity through collaboration tools such as Copilot for Microsoft 365, Teams, OneDrive, Microsoft Viva and SharePoint. In addition, Innofactor specializes in contract management and quality management solutions. All of our solutions work seamlessly with each other and provide a unified user experience.



## Our Solutions for Information and Case Management

- ▶ **Modern Workplace**
- ▶ **Document and Records Management**
- ▶ **Case and Decision Management**
- ▶ **Contract and Quality Management**

Our promise is to help you with every aspect of information work and document management, ranging from the formal and standardized case and records management to hybrid work, teamwork, and collaboration.

## Key Benefits for Our Customers

- ▶ Your organization can easily and centrally manage the classification, access rights, availability, and lifecycle of its information and documentation
- ▶ Your employees can easily, flexibly, and securely produce and edit documents in collaboration, as well as communicate with modern productivity tools and Copilot for Microsoft 365
- ▶ Your customers and other stakeholders can transact and process information digitally, easily, reliably, and securely
- ▶ Your organization can carry out its processes regarding case management, contract, and quality management, as well as other information and document management in a controlled and efficient manner

## Solutions and Partners

- ▶ Innofactor Dynasty
- ▶ Innofactor Copilot for Microsoft 365 Offering
- ▶ Innofactor TeamsDocs
- ▶ Innofactor TeamsMate



## Rautavaara Municipality

Rautavaara is a vibrant municipality that is home to about 1,400 people in the north-eastern part of North Savo, on the border of Kainuu and North Karelia. The municipality has approximately 75 employees in various positions. The local residents and visitors to Rautavaara enjoy beautiful nature and proximity to services.

Rautavaara has been a customer of Innofactor and a user of the Dynasty information and case management solution since 2013. The municipality uses Dynasty for a wide range of purposes, including case and document management, meeting management, and official decisions. Rautavaara municipality sees Dynasty as an easy-to-use case management system that provides effective guidance to the user.

Rautavaara faced an unexpected challenge in October 2023 when the municipality's digital services were targeted by a cyber attack. The municipality had prepared for such scenarios by participating in the Digital and Population Data Services Agency's annual Taisto exercises, for example. This enabled Rautavaara to act swiftly and decisively when the cyber attack occurred. The municipality refused to negotiate

with the data hijackers. Instead, they immediately contacted their service providers: Savon ICT-palvelut, National Cyber Security Centre Finland and Innofactor.

As the files encrypted by the attackers could no longer be accessed, Innofactor built a new Dynasty environment for the municipality in a matter of days. Future needs were taken into account in setting up the new system, and the system was simultaneously migrated from a physical server to the Microsoft Azure cloud platform. The data management plan that was lost in the attack was also quickly restored. The municipality's agendas, minutes of meetings and official decisions were installed in the new system piece by piece. The planning of the rebuilding effort between the municipality and Innofactor was seamlessly carried out by means of remote connections.

A significant proportion of the municipality's administrative functions take place in the Dynasty case management system, which meant that the efficient rebuilding and security of the system was a very high priority for Rautavaara. With this in mind, the migration to the cloud was a natural choice.

*"Innofactor quickly informed us that the system would be restored swiftly following the cyber attack. Migrating our data to the cloud provides us with greater certainty and a sense of security."*

**Petra Kajanus**  
Acting Administrative Director  
Rautavaara municipality

# Cloud Infrastructure

**We help you to design, implement and operate secure and scalable cloud platforms to grow your digital business.**

Cloud computing is omnipresent in today's digital world, and most organizations have deployed cloud-based solutions and resources for a number of years already. Cloud services allow organizations to store, access and analyze data, as well as develop new services faster and in a more agile way. This enables faster business transformation. Azure OpenAI provides advanced language models that help streamline processes, improve the customer experience, drive innovation, and make data-driven decisions.

The cloud transformation is no longer a question of 'if' or 'when', but 'how'. A successful cloud strategy requires a scalable and secure infrastructure. This is why Innofactor is focused on offering its customers leading expertise and quick-to-deploy cloud infrastructure, security, and governance services and solutions to let them take full advantage of Microsoft Azure, the world's #1 enterprise cloud platform.



## Our Solutions for Cloud Infrastructure

- ▶ **Managed Services and DevOps**
- ▶ **Cloud Transformation**
- ▶ **Governance and Automation**

Our promise is to help our customers to design, implement and operate secure and scalable cloud platforms to grow their digital business.

## Key Benefits for Our Customers

- ▶ Get the best expertise available to serve your IT and developers with Innofactor Managed Services
- ▶ Make your IT and software development work and culture more agile and responsive with modern DevOps
- ▶ Ensure your cloud infrastructure operates as expected every day and enables rapid digital service development without compromising security, compliance, and cost control by leveraging automation
- ▶ Manage your containerized workloads and services and build scalable and efficient cloud applications with minimal downtime leveraging e.g. Kubernetes
- ▶ Take advantage of Azure AI capabilities to create a secure internal ChatGPT service, for example

## Solutions and Partners

- ▶ Innofactor Cloud Operations
- ▶ Innofactor Virtual Data Center
- ▶ Innofactor Managed Detection and Response as a Service (MDRaaS)



Infra and Database Migration to Microsoft Azure Specialization

Migrate Enterprise Applications to Microsoft Azure Specialization

## FLSmidth

FLSmidth is a Danish company that delivers engineering, equipment and service solutions to the mining and cement industries. In 2022, the company became the largest product and service supplier in its industry by acquiring Thyssenkrupp's Mining Technologies.

With locations all over the world, the company previously had a highly complex and fragmented IT infrastructure. FLSmidth moved 90 percent of their servers over to Microsoft Azure in two years. Migrating its IT infrastructure to the cloud was a strategically sensible decision for FLSmidth, as it supports the company's business objectives as well as its goal of becoming carbon neutral by 2030. When most of the infrastructure had been successfully moved to the cloud, the company also encountered problems. For example, there was no overview of the levels of access for different applications. FLSmidth's next goal was to gain more control of the cloud platform. For this, the company needed support from a partner.

After comparing potential partners, FLSmidth decided to choose Innofactor, recognizing that they met FLSmidth's key requirements. The company decided to use Innofactor's Virtual Data Center (VDC) solution to implement its Opus platform in the cloud. The new cloud platform enables better control and data security, and it supports FLSmidth's goal of becoming an even more data-driven company.

FLSmidth also recognized the importance of VDC's compatibility with the Microsoft Cloud Adoption Framework, and the way Innofactor's modern methodology and approach support the company's cloud transformation. One significant change was the introduction of Infrastructure as Code (IaC), which streamlines processes and frees up resources for other tasks. The transition creates opportunities for modernization and a data-driven approach.

The precondition for data-driven decisions is that the data is reliable and analyzed. Holger Kirketerp, Head of Cloud Center of Excellence at FLSmidth, firmly believes that leveraging cloud computing and analytics will enable FLSmidth to make even better use of data and thus achieve its goals.



*"We could easily understand and relate to Innofactor's approach to our project. Their methodology is modern, and we are very much on the same wavelength."*

**Holger Kirketerp**

Head of Cloud Center of Excellence  
FLSmidth

# Data, Analytics and AI

**We help you to build a scalable data platform that enables data-driven decision making in your organization by leveraging Advanced Analytics, BI, Enterprise Performance Management (EPM), Real-time Analytics, IoT and AI**

Organizations generate an ever-growing amount of data across various business processes. Several new cloud-enabled capabilities, such as Big Data analysis, machine learning, AI and automated data pipelines enable efficient real-time data collection, processing, and analytics. Large language models have increased the opportunities for utilizing data. Innofactor GPT Agents, which is based on Azure Open AI, is a good example of this. It enables a secure internal ChatGPT service for customers. In spite of the availability of new capabilities, the majority of decision makers still believe they are not using their data to its fullest extent. This is often caused by data remaining fragmented and locked across various disconnected internal and external sources, or organizations lacking the skills to build a proper data strategy and roadmap. Sometimes the reason is simply bad data quality. Innofactor is focused on providing its customers with leading skills, services, and tools to help remove the barriers to access and analyze their data, so they can unlock innovation, take advantage of AI and enhance data-driven decision-making, and empower employees with powerful insights.



## Our Solutions for Data and Analytics

- ▶ **Data Platform**
- ▶ **Advanced Analytics and BI**
- ▶ **Enterprise Performance Management**
- ▶ **AI, Real-time Analytics and IoT**

Our promise is to empower our customers to make better decisions and enable data-driven decision-making and business.

## Key Benefits for Our Customers

- ▶ Define a data strategy, roadmap, and operating model that will help your organization start leveraging data to its full potential
- ▶ Remove barriers to data and unlock innovation by digitalizing and integrating business processes
- ▶ Develop new business models by leveraging the data you collect
- ▶ Create powerful insights to enhance decision-making by leveraging real-time data from any source with AI and advanced analytics solutions
- ▶ Increase customer satisfaction and loyalty by improving your understanding of your customers' needs

## Solutions and Partners

- ▶ Innofactor GPT Agents
- ▶ Innofactor DataSight
- ▶ Jedox
- ▶ Profisee



Infra and Database  
Migration to Microsoft  
Azure Specialization

# Okmetic

Founded in 1985, Okmetic is the world's seventh-largest silicon wafer manufacturer and the leading supplier of advanced silicon wafers. The company supplies advanced, customized silicon wafers for the production of MEMS sensors, radio frequency filters and devices, as well as power devices. Headquartered in Vantaa, Finland, Okmetic has a customer base consisting of the world's leading semiconductor companies. Their semiconductor components are used in a wide range of applications, including automotive electronics, smartphones and portable devices.

The production of silicon wafers generates tremendous amounts of data, the management of which requires constant work and diverse data management tools. Innofactor has participated in this effort by developing the user interface of Okmetic's data warehouse, for example. This makes it easier for the company's employees to find the information they need in the constantly growing data warehouse. Over the years, the company's reporting has also been streamlined by introducing e-mail reports. Users no longer need to store data separately and switch between systems to access reports.

Quality control is vital in the production of silicon wafers, as the properties of the wafers are determined in the manufacturing stage. Okmetic controls the quality of its silicon wafers by monitoring the operational data it generates to detect statistical

deviations that could, at worst, have massive consequences for its customers. For example, detecting a deviation related to the production of a tire pressure sensor could prevent a situation where a defective sensor would end up being installed on a truck, which would then veer off the road due to the device failure and cause an accident. The costs of investigating statistical deviations at the start of the supply chain are minimal compared to the safety risks and potentially having to recall tens of millions of vehicles to address an issue.

Okmetic's customers in the semiconductor industry often require their partners to have a system for detecting quality deviations at the earliest possible stage to minimize risks. Okmetic has such a system in place. The work in this area is continuous due to the constant development of software, data warehouses and technology in general. At the same time, the amount of data keeps increasing at a tremendous pace, and this needs to be taken into account in planning for the future.

The co-operation between Innofactor and Okmetic goes back a number of years. Over the course of the partnership, Innofactor has become increasingly acquainted with Okmetic's industry and needs, and the relationships between the key individuals have grown closer. Stability is crucial from the customer's perspective in consulting services, as it reduces uncertainty and strengthens trust in the consultant's actions.

*"Consulting is an interpersonal process where the best results are achieved through continuity and stability. Having worked with Innofactor for several years, we can rely on their support and expertise. That brings stability to our operations."*

**Jouni Tiilikainen**

Product Data Manager  
Okmetic

# Cybersecurity

**We help you adapt to the fast-changing cybersecurity landscape and proactively build trust to make the benefits of a digital world available for everyone.**

Organizations have a constant need to stay up to date on the latest cybersecurity trends and discussions as the sophistication and frequency of cyber attacks keeps growing. At the same time, digital transformation projects are advancing rapidly in many industries, increasing the attack surface and potential vulnerabilities for cyber attackers to exploit. Innofactor's approach to cybersecurity is centered around proactiveness and building trust. We not only help our customers protect their infrastructure, we also help them to put the resources invested in data security into good use at the level of the organization as a whole. By leveraging our comprehensive cybersecurity capabilities and leading Microsoft security technology, we are able to help organizations take advantage of the opportunities of the digital world for their employees and customers alike. We focus on ensuring data security particularly in connection with the deployment of AI, and we have developed our own services for that purpose.



## Our Solutions for Cybersecurity

- ▶ **Security Assessments**
- ▶ **Cloud Security Consultancy**
- ▶ **Identity and Access Management | IAM**
- ▶ **Detect and Respond**

Our promise is to help our customers to proactively build trust and make the benefits of a digital world available for their employees and customers alike.

## Key Benefits for Our Customers

- ▶ Transform your organization's security strategy and culture from reactive to proactive and start building trust and cyber-positivity with your customers and employees
- ▶ Assess your organization's current security solutions and preparedness against modern cyber threats
- ▶ Utilize the best information security practices when designing and implementing applications
- ▶ Protect your resources and data and provide a seamless user experience with Microsoft's leading identity and access management solutions
- ▶ Govern and protect your organization's work and data with Microsoft 365 Security and Sentinel as well as with Innofactor Virtual Data Center and MDRaaS

## Solutions and Partners

- ▶ Innofactor Managed Detection and Response as a Service (MDRaaS)
- ▶ Efecte
- ▶ Okta
- ▶ Sailpoint



Identity and Access Management Specialization

Threat Protection Specialization

Cloud Security Specialization

## Kirkens Bymisjon

Kirkens Bymisjon is a Norwegian non-profit organization that provides social welfare services to people facing various difficulties. With operations in 50 cities across Norway, the organization has approximately 1,800 employees and 4,500 volunteers.

Kirkens Bymisjon had the opportunity to engage in an extensive digital transformation when its previous IT operations agreement was about to expire. Inspired by the successful cloud journey of Ullensaker municipality, the organization reached out to Innofactor to start the project. The co-operation began with an assessment of the starting point and project planning, followed by the practical implementation stage in 2022 and 2023. Minor additional challenges were caused by the need to move the customer's application portfolio to the cloud during the implementation stage. The original plan was to migrate the applications before the start of the project, but that was not possible due to time constraints. The project was completed successfully in spite of the change in plans.

The outcome of the co-operation was not limited to the cloud transformation and the adoption of new technologies. The partnership has resulted in the comprehensive renewal of Kirkens Bymisjon's IT environment.

The organization elevated its data security to a whole new level by implementing Innofactor Managed Detection and Response, a service that includes multiple Cyber Security Operations Centers located in the Nordic countries. The CSOC solution provides Kirkens Bymisjon with access to a team that continuously works to detect security breaches that exist in the organization's endpoints, networks and cloud environments. Innofactor also delivered a comprehensive file migration to the Teams, SharePoint and OneDrive platforms with a range of security products, including identity management with two-factor authentication. Thanks to the changes, Kirkens Bymisjon has a full overview of how its information systems are used.

For employees, the new cloud platform enables better collaboration tools, in addition to streamlining processes and increasing awareness of best security practices. The changes make the organization's work smoother at the practical level with regard to logging in to systems, for example.

The transition from the local IT environment to the cloud has also resulted in significant cost savings for Kirkens Bymisjon. Going forward, the organization can take advantage of the IT cost savings by allocating more funds to its core activities in the provision of social welfare services.



***"Our data security has been significantly improved now that we have access to the expertise of Innofactor's specialists combined with the IT security resources we have internally."***

**Janne Sørensen**  
CIO  
Kirkens Bymisjon

# Generative AI Will Be a Significant Driver of Competitiveness for Organizations in 2024

Generative AI made a big splash in the public consciousness in 2023. Software developers had already been taking advantage of generative AI in programming previously but, in 2023, more widely used tools – such as ChatGPT and Dall-E – reached large audiences in an unprecedentedly short period of time. We expect that the benefits of generative AI will be more extensively available to practically all organizations in 2024, and it will gradually become a significant driver of competitiveness across all sectors.

Supported by several studies, the widely accepted view is that generative AI can increase the productivity of the global economy by trillions of dollars. Studies indicate that 75 percent of the applications that increase productivity fall into the areas of customer operations, marketing, sales, software engineering, and R&D.

For a long time, new technologies have found their way to consumers before organizations, and generative AI is no exception. In many workplaces, shadow IT has expanded to shadow AI as employees have begun using many easy-to-use AI applications without the IT department's oversight. This phenomenon has both advantages and disadvantages. Employees' self-driven exploration of generative AI accelerates its adoption, increases productivity, and accelerates innovation. The downside is the risk of data leaks and security vulnerabilities. Preventing employees from using their own AI tools can be challenging, and the best way for an organization to manage the use of AI tools is to provide employees with adequate and reliable tools on a centralized basis. New AI projects make it necessary

for organizations to balance rapid innovation with governance and responsibility.

## Innofactor's Solutions for Taking Advantage of AI

**Innofactor AI Advisory** helps our customers understand what AI is about and how it should be taken into account in the organization's strategy. We help you discover the feasibility of AI for your organization and explore the best use cases. Our experts will assess how AI can support your operations, enhance the customer experience and drive growth. You will have access to an AI roadmap for your organization.

**Innofactor GPT Agents** is a secure Azure-based platform that facilitates the optimization of AI for the customer's use cases. You can have your own GPT agents for different use cases; for example, an HR agent to support the induction training of new personnel. We implement agents that can be accessed via a chat interface using natural language. The core of

Innofactor GPT Agents lies in the GPT language models provided by Microsoft Azure OpenAI, combined with highly extensive search functionality. You will have your own secure language model set up in the Azure cloud, and your organization's data and the conversations with the language model will not be used to train language models by any external parties.

**Innofactor Copilot for Microsoft 365 Offering** helps customers prepare for using Microsoft 365 Copilot. The Offering comprises modules that consist of workshops, assessments and deployment services for organizations to start and optimize the use of Microsoft 365 Copilot. Examples of the components include Microsoft 365 Security Assessment, Microsoft 365 Copilot Discovery Workshop, Microsoft 365 Copilot Accelerator, and the Uncover Workshop. The services are designed to help organizations assess their readiness to deploy Microsoft 365 Copilot, implement the necessary security measures, and optimize the use of the tool. Financial support from Microsoft is available for some of the service components.

*The image is AI-generated*

INTERVIEW



## What Should Nordic Organizations Know about Copilot for Microsoft 365?

The Copilot for Microsoft 365 AI solution was first launched for Microsoft's major customers on November 1, 2023, and later for organizations of all sizes on January 16, 2024. We asked Kalle Saarikannas, Business Group Lead, Modern Workplace for Microsoft Finland, what this means for the customers of Microsoft and Innofactor.

### What Sets Copilot for Microsoft 365 apart from Other AI Solutions?

Microsoft Copilot for Microsoft 365 is an AI-driven productivity tool that is integrated into familiar Microsoft 365 applications such as Word, Excel, PowerPoint, Outlook, and Teams. Copilot is also able to utilize data in the user's Microsoft 365 environment to which the user has access. The utilization of user-specific data makes Copilot an exceptionally effective tool. Copilot for Microsoft 365 users also do not need to worry about their data or Copilot's answers ending up outside the organization.

### What Should Be Taken into Consideration in the Deployment of Copilot for Microsoft 365?

Deployment is conditional on the organization having a suitable Microsoft 365 license. In addition to having the right licenses, the organization needs to ensure that all of its data and documents are correctly classified so that Copilot's responses to the user do not include sensitive or secret information to which the user should not have access. It is also important for the organization to train the users to take advantage of the various features of Copilot to maximize the benefits of the solution. Experienced Microsoft partners, such as Innofactor, can provide valuable support for deployment.

### What Are the Advantages of Copilot in Microsoft 365 Applications?

Copilot makes it quick and easy for users to create content, find and analyze data, automate routine actions, and much more. One key advantage is that the user can direct Copilot using natural language without having an in-depth understanding of the technical features of software. Copilot significantly speeds up new idea generation, text production, data analysis, and the creation of new presentations, for instance. For the user, Copilot is simultaneously a tireless assistant and an expert in a wide range of areas.

In Microsoft's Work Trend Index Special Report – What Can Copilot's Earliest Users Teach Us About Generative AI at Work? study published in November 2023, as many as 70% of the participants felt that Copilot for Microsoft 365 makes them more productive, and 68% of the respondents said Copilot has improved the quality of their work.

### Is Copilot for Microsoft 365 Secure?

Copilot for Microsoft 365 has access only to the data that the user has access to. Using it is secure as long as the user's access to the organization's data is correctly configured. The user's input or other data is also not used to train the language model.

# Software Products and Services

**A strong focus on innovation and our in-house software and service development supports our growth targets and ensures modern and competitive solutions for our customers.**

In 2023, we invested approximately 6,4 percent of the Group's consolidated net sales in research and product development. Our product development is centralized in our Nordic Products and Services profit center. It employs over 70 leading cloud technology and architecture experts who specialize in software and service development. Innofactor's software products and services are sold throughout the Nordic countries and have tens of thousands of daily users across hundreds of private and public sector organizations. Delivering continuous cloud services to our customers is a rapidly growing business area of the Products and Services unit. We provide our customers with services for application deployment, monitoring, and management, as well as joint continuous development under the turnkey principle.



**Innofactor Dynasty** is a modern and versatile information and case management solution for municipalities, cities, universities, health care and social service organizations, governmental authorities, financial institutions, and enterprises. Dynasty is the joint outcome of modern user-oriented design and knowhow accumulated in over 300 customer deliveries throughout the the years. It boasts several new and updated productized extensions such as Document Management, Records Management, Case and Decision Management, Contract Management, Information Management System, E-Signature, CloudMeeting, e-Services and Microsoft Teams and SharePoint document management. Its excellent usability, flexible architecture, compatibility with third-party services and cloud platforms, and focus on leveraging AI make Dynasty the preferred solution for digital administration.

**Innofactor QualityFirst** is a modern and scalable quality and management software suite. It helps our customers to engage their entire organization in managing risks, monitoring, and improving workplace safety and continuously enhancing the end-to-end quality of products and services. Innofactor QualityFirst is used by more than 20,000 users in dozens of customer organizations globally.

**Innofactor Membership Management System (MMS)** is the leading vertical solution in the Nordic region for trade unions and membership-based organizations to efficiently perform customer relationship management functions and day-to-day operations. Organizations that use it have more than 2.2 million members in the Nordic region. MMS can be implemented on Microsoft Dynamics 365 or Microsoft Power Platform.

**Innofactor DataSight** is a cost-effective packaged analytics solution that makes data-driven decision-making available for the entire organization through clear reports and real-time data compiled from key sources. Significant focus has been placed on the usability of reports to ensure that key conclusions based on data are quickly accessible to the management. Our strong expertise in Microsoft platforms ensures a quick deployment in organizations that use Microsoft Dynamics 365-based CRM and ERP solutions.

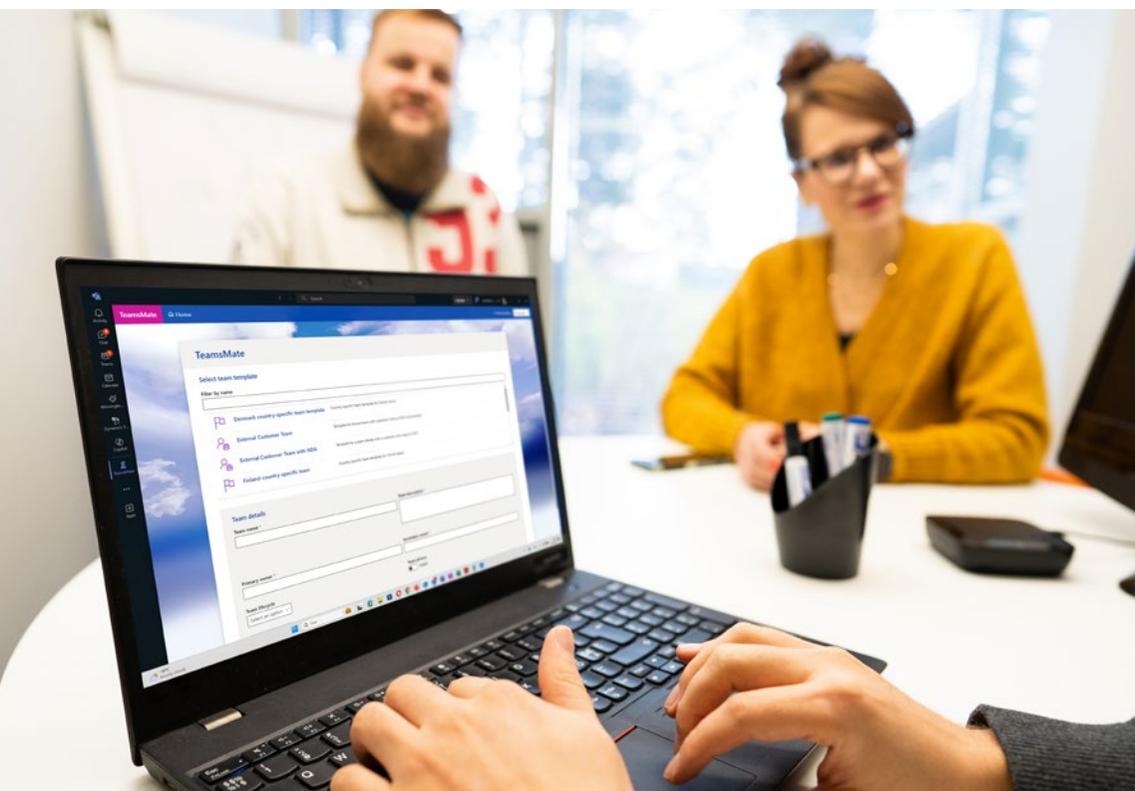
**Innofactor TeamsMate** makes using Microsoft Teams easier and allows IT departments to manage it effectively. It is a SaaS solution that automates the creation of teams based on the organization's naming practices, assists in team lifecycle management, and has many other governance features. Innofactor TeamsMate is a perfect tool for keeping your Teams environment clean and relevant.

**Innofactor Virtual Data Center (VDC)** enables organizations to migrate to the cloud in a secure and well-governed fashion. It has been developed by leading Microsoft Azure and data security experts at Innofactor to enable customers to implement the logic and principles of traditional physical data centers in a completely cloud-based environment. With VDC, customers can expect a high level of data security, regulatory compliance, and manageability without compromising agility. It leverages advanced Infrastructure as Code (IaC) methods and a modern Microsoft Azure management model.

**Innofactor Cloud Operations** provide our customers with a carefree and secure solution for managing their public cloud and hybrid environments under the turnkey principle, including monitoring, maintenance, security, 24/7 support as well as capacity, backup and application management. We also help in capacity management and license cost optimization. In addition, we offer training and services for DevOps development. We ensure that our customers' digital footprint remains safe, compliant, and cost-effective. In addition, we deliver Microsoft licenses and Azure services.

**Innofactor Managed Detection and Response as a Service (MDRaaS)** is a modern security monitoring service that enables organizations to have an effective, real-time, rapid, and formalized response to security incidents found in various environments and networks. Our service includes a Cyber Security Operation Center (CSOC) with a capability for 24/7 monitoring if needed. As a customer, you maintain ownership and control of logs and incidents in-house and have the freedom to decide how to organize the mitigation of threats, whether it be in-house, with a 3rd party, or by Innofactor's security team, who is able to provide support in taking care of the security risks once discovered by CSOC.

**Innofactor Enterprise Integration Platform** on Azure is a solution for regulating how data flows between multiple organizations. It also supports more complex actions like filtering, transforming, and combining data from system to system and more. The benefit of an Innofactor integration platform on Azure lies in its low entry threshold: start small and scale easily when demand and the organization's maturity increase.



# Sustainability

Innofactor considers sustainability one of the cornerstones of its long-term success. Sustainability is not only a condition for the continuation of operations. It also represents a way of responding to stakeholder expectations. Technology companies play a significant role in the mitigation of – and adaptation to – climate change. The IT sector makes it possible for organizations to reduce their carbon footprint.

## Preparations for Sustainability Reporting

The new EU Corporate Sustainability Reporting Directive (CSRD) will enter into force in 2024. As a result, companies will be subject to new sustainability reporting obligations in addition to the existing requirements concerning financial statements data. In the future, companies will need to report on sustainability themes in connection with their annual report on operations. This represents the concept of double materiality.

Innofactor has begun preparing for CSRD reporting, which will be integrated into the Report of the Board of Directors starting from the financial year 2024. As part of these preparations, we have familiarized ourselves with the ESRS standards published in the fall of 2023, assessed our materiality sustainability themes both internally and from the perspective of our stakeholders in accordance with the principles of double materiality, and developed a Group-wide sustainability strategy.

In the summer of 2023, Innofactor conducted an extensive stakeholder survey that was responded to by 120 representatives of customers, the personnel, partners, subcontractors, investors and analysts. The survey shed light on the stakeholders' perspectives on which sustainability themes Innofactor has a significant impact on.

## Sustainability Strategy

Our sustainability strategy is divided into four areas:

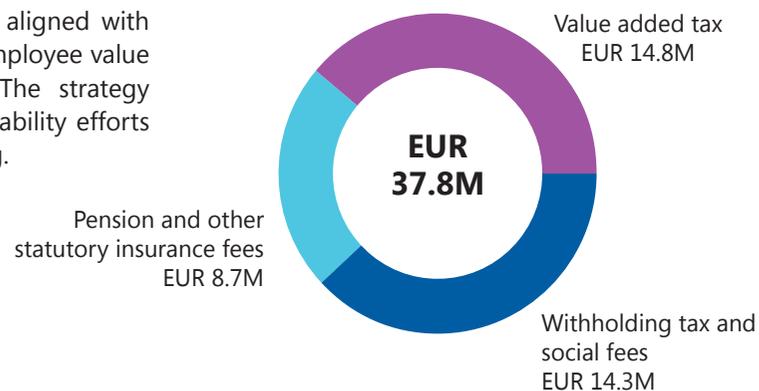
- ▶ We innovate for good.
- ▶ We are fair.
- ▶ We put people first.
- ▶ We build trust.

The areas and objectives of the strategy are based on the results of our stakeholder survey and internal workshops and are approved by the Board of Directors. The sustainability strategy is aligned with Innofactor's strategy, mission, values, employee value proposition and working principles. The strategy serves as the foundation of our sustainability efforts and the development of CSRD reporting.

## Tax Footprint

Innofactor wants to be transparent and reports on the Group's tax footprint annually. The tax footprint illustrates the tax revenue and tax-like payments to society generated by the company's operations. Innofactor Group's tax footprint in 2023 was EUR 37.8 million.

### Innofactor Group's Tax Footprint 2023

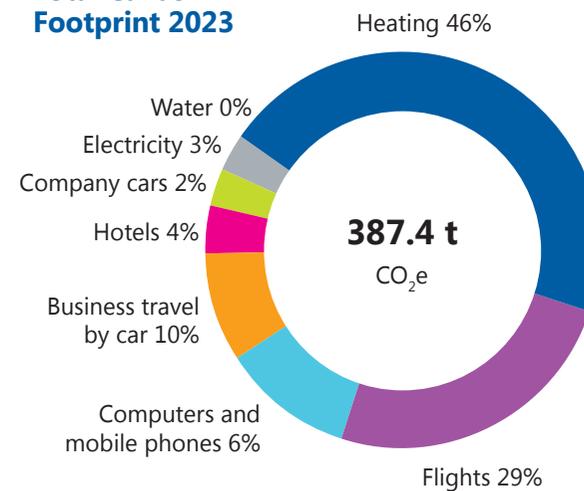


## Carbon Footprint

In 2023, the Innofactor Group's total carbon footprint was 387.4 tCO<sub>2</sub>e. 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.

We are actively seeking ways to reduce our carbon footprint. The calculation indicates that office heating is our largest source of emissions, with heating at Innofactor's Espoo Campus accounting for 62% of our Scope 2 emissions in 2023. Therefore, as of December 2023, the district heating at the Espoo site will be sourced 100% from renewable energy sources. We compensated our total calculated emissions through certified international projects, making Innofactor a carbon-neutral company starting from 2021.

### Total Carbon Footprint 2023



# We Promote Sustainable Innovation, Equality, Well-being and Integrity to Build a Better Future

## We Innovate for Good

Innofactor strives to promote sustainable innovation by providing digital solutions that enable our customers to operate more sustainably. Our sustainability strategy takes into account our impact on society and the world around us. We deliver added value through innovation and earn our customers' trust every day. We want to be an innovative partner that genuinely improves our customers' operations. We aim to ensure that our digital services are easy to use and accessible to everyone. We engage in active collaboration with educational institutions to develop learning and competence in our field. Innofactor's climate action aims to reduce our carbon footprint and contribute to climate change mitigation.

## We Are Fair

Innofactor strives to promote diversity, equality and non-discrimination by creating a fair and inclusive workplace, and these priorities are highlighted in our Employer Value Proposition: Be The Real You. We support each team member to excel and make an impact. Our working principle is based on putting people first in everything we do. We focus on creating a diverse and equal workplace environment where everyone feels valued and accepted. We are inclusive and non-discriminatory in all of our relationships with partners, suppliers and customers. We also promote equal and fair pay so that all employees receive the recognition and pay they deserve for their work.



## FLSmidth

FLSmidth moved 90 percent of their servers over to the cloud. The new cloud platform built in collaboration with Innofactor enables better governance and data security, and supports FLSmidth's goal of becoming an even more data-driven company. The transition to the cloud will help the company achieve its goal of carbon neutrality by 2030.

## Kirkens Bymisjon

Kirkens Bymisjon is a Norwegian non-profit organization that helps people who are facing challenges in life by providing social welfare services. The new cloud platform implemented in partnership with Innofactor has improved the employees' co-operation opportunities, streamlined processes, and increased data security awareness. The transition to the cloud has also brought significant cost savings, allowing Kirkens Bymisjon to allocate more funds to its core activities.

## We Put People First

We invest in the well-being and individual development of our personnel, as employees are our organization's most important asset. In accordance with our working principle, we put people first in everything we do. We empower our employees to succeed and flourish in their respective roles. In spite of our focus on employee empowerment, no-one is left to tackle challenges alone: we are prepared to help each other, give feedback, learn from our mistakes, and take risks. We promote a safe and healthy work environment as well as a strong community. We encourage flexible ways of working that support employee well-being. We prioritize the competence and personal development of our employees by providing them with opportunities for professional growth and learning.



### Innofactor Gym

We opened a gym at the Espoo Campus in August 2023. The gym is a sports facility open for all employees. It is designed for diverse physical activity to suit the needs of beginners as well as more experienced users. Employees can use the gym independently or participate in group exercise classes. It is important to us that our employees have a high level of well-being, and we want to encourage people to make diverse use of the gym.

## We Build Trust

Innofactor builds trust by promoting good governance and the responsible use of data and AI. We trust in the word of our colleagues, which makes it easier to share responsibilities and allocate tasks. The shared qualities of Innofactor's people include the ability to take initiative and address problems. It is a matter of honor for us to stay on schedule and deliver high quality. We are a reliable partner that has zero tolerance for unethical practices. We conduct our business in an open, responsible and accountable manner. Innofactor promotes the responsible use of AI in all of its solutions, both internally and externally. We also ensure that our own data and our customers' data is processed in accordance with the appropriate security standards and in compliance with the GDPR and other requirements.



### Rautavaara Municipality

Rautavaara's digital services were hit by a cyber attack, but the municipality acted quickly and decisively, refusing to comply with the attackers' demands. As the encrypted files could no longer be accessed, Innofactor built a new Dynasty environment on the secure Microsoft Azure cloud platform for the municipality in a matter of days. The migration to the cloud provided the municipality with greater certainty and a sense of security.

# Be The Real You

Innofactor is a workplace where you can Be The Real You, and people are at the heart of everything we do. In line with our mission, we continue to build Innofactor as a modern digital organization. We develop our operating models to support the daily work of our employees within our Nordic organization. Highly competent and motivated employees, good leadership practices, self-organization, effective teamwork and company-wide practices support Innofactor's long-term goals. Our principle is to put People First in everything we do. We want to create an inspiring work environment for our employees where they can enjoy a strong sense of community and team spirit, and also have fun while working.

## Accountability & Empowerment

Our operating models are based on a self-organizing culture, which means that teams are empowered to plan their work. At the same time, we want to support a strong sense of community and team spirit, which is why we encourage teams and units to have common in-office days. At Innofactor, employees work at the office, at the customer's premises and remotely, depending on what is the most appropriate choice in each situation. Teams agree on their ways of working and rules concerning their working methods. We measure job satisfaction by a weekly pulse survey. Innofactor's biggest strength is our team spirit, for which we receive the highest survey scores each week. Having the best colleagues is a competitive advantage that we take great pride in.

Although a lot of work is done remotely, our offices play an important role in our work, team spirit and customer encounters. In 2023, we celebrated the opening of our new Kajaani office, expanded our office in Tampere and began the process of relocating the Turku office to larger and more functional premises. We also built a large gym at our head office in Espoo to encourage people in regular physical activity as a counterbalance to seated work.

In 2023, we recruited over 100 new professionals to work at Innofactor, including a number of returnees. Our recruitment activities were successful, and we managed to increase our number of personnel during the year.

We had a great year in 2023 and had many opportunities to get together and celebrate. We invited all of our Nordic employees to our Espoo Campus for our annual InSpirit event, which included a seminar and an evening party. It was the tenth InSpirit event, and we are very pleased to have built a strong tradition for the event. Social events are a big part of Innofactor's culture to create team spirit. Smiling at work is definitely allowed.

Be The Real You! At Innofactor, we encourage everyone to perform at a high level and create meaning through their work. Our agile and Nordic culture puts people first and enhances collaboration. Flexible working conditions, development opportunities and good leadership are cornerstones in our way of working. At Innofactor, people work together and support each other. We want work to be both meaningful and fun. This is underpinned by good leadership and common working practices, but especially by great colleagues, customers and definitely a fantastic team spirit.

## Competence at the Core of Our Business

We invest in competence development, recognizing that people are our organization's most important asset. We adopted a performance indicator in 2022 to actively monitor the certifications of our specialists. We have managed to increase our certification rate from one year to the next. Innofactor's strategic goal is to have the most competent Nordic teams. Certificates are a key aspect of demonstrating our competence. Innofactor employees completed over 200 new certifications in 2023.

We organize diverse training through Innofactor Academy each year. Innofactor Academy brings together Innofactor's training activities at the local level as well as the Nordic level. We organized trainings related to Microsoft technology, basic induction trainings, as well as ITIL, PRINCE2, and Scrum trainings. In supervisory work, our focus in 2023 was on establishing our employer value proposition and our leadership cornerstones.

We want to focus on training new graduates and offering jobs to them. We organized our fifth Innofactor DigiStar Trainee Program, the purpose of which is to provide a diverse induction



training period for new professionals, followed by learning on the job. We hired over 40 new graduates in the Nordic countries in 2023. Our DigiStar program is implemented at the Nordic level, and we have increased our intake each year.

### Common Ways of Working Support Our Culture and Competitive Advantage

Our goal is to build an efficient organization that operates at the Nordic level. Common practices, processes and culture support Innofactor's strategic targets and co-operation between countries. We want to build a genuinely Nordic culture and operating practices. In 2023, we launched a new Nordic onboarding tool designed to support the consistency of induction training and ways of working. We also launched our Nordic employee value proposition, "Be The Real You", and worked on it both internally and externally. Shared values and operating models are the cornerstones of our strong Nordic organization.

We began the negotiations on a Innofactor collective agreement at the end of 2022 and the agreement was signed in February 2023. The aim of negotiating a company-specific collective agreement was to make it possible to agree on issues that are important to our personnel, and to have a more straightforward and easy-to-understand collective agreement that reflects us as a company and supports our values. Examples of the new benefits provided by the collective agreement include the opportunity to participate in voluntary exercises of the Finnish Defence Forces without any loss of pay, and improved equality with regard to paid parental leave.

### Agile Leadership

We believe that every Innofactor employee has the right to good leadership. The continuous development of leadership is a high priority for us. We changed

our employee satisfaction survey practices in 2023 by adopting a new pulse survey that provides us with weekly feedback. Timely and constructive feedback is essential for the development of leadership. Relative to our peers in the IT industry, leadership at Innofactor is at a good level. Examples of the key performance indicators in the area of leadership include giving feedback, setting clear targets, trust, respect, and the presence of supervisors.

In 2023, we worked on establishing leadership cornerstones at Innofactor. They help us strengthen leadership that is aligned with our values. Leadership at Innofactor is based on building trust, coaching, open communication, and enabling and supporting growth. Authenticity is at the heart of Innofactor's leadership culture. We lead by example and put our values into action. This means putting people first in everything we do. We value diversity and inclusion and see them as important factors in building a better work life.

### Number of 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 585 (2022: 536), representing an increase of 9.1 percent. At the end of the year, the number of active personnel was 585 (2022: 564), representing an increase of 3.7 percent. At the end of 2023, the average age of the personnel was 42.1 years (2022: 42.7).

#ModernDigitalOrganization

#BeTheRealYou

#PeopleFirst

#CreatingSmiles

## The Board of Directors of Innofactor Plc



**Heikki Nikku**

BBA (not finished). Member of the Board of Directors since 2020. Born in 1956. Ownership 41,488 shares.

**Risto Linturi**

M.Sc. (Tech.). Member of the Board of Directors since 2018. Born in 1957. Ownership and controlled shares jointly 1,256,411.

**Anna Lindén, Chairman**

M.Pol.Sc. Chairman of the Board since 2020 and member of the Board since 2018. Born in 1973. Ownership 121,851 shares.

**Sami Ensio**

M.Sc. (Tech.). Innofactor's founder, CEO and member of the Board of Directors since 2000. Born in 1971. Ownership and controlled shares jointly 7,925,397.

*The share ownership information is as of December 31, 2023.*

## Executive Board of the Innofactor Group

### Antti Rokala

#### CFO

M.Sc. (Econ.). Employed by Innofactor since 2024. Born in 1968. Ownership 10,000 shares.

### Martin Söderlind

#### Country Manager for Sweden

B.Sc. (not finished) Employed by Innofactor since 2021. Born in 1971. Ownership 10,000 shares.

### Jørn Ellefsen

#### Country Manager for Norway and Denmark

MBA. Employed by Innofactor since 2019. Born in 1971. Ownership 93,999 shares.

### Anni Pokkinen

#### Chief People Officer

M.Sc. (Econ.). Employed by Innofactor since 2015. Born in 1988. Ownership 32,296 shares.

### Janne Heikkinen

#### Executive Vice President, Products and Services

M.Sc. (Tech.). Employed by Innofactor since 2015. Born in 1974. Ownership 136,543 shares.

### Sami Ensio

#### CEO and Country Manager for Finland

M.Sc. (Tech.). Innofactor's founder, CEO and member of the Board of Directors since 2000. Born in 1971. Ownership and controlled shares jointly 7,925,397.

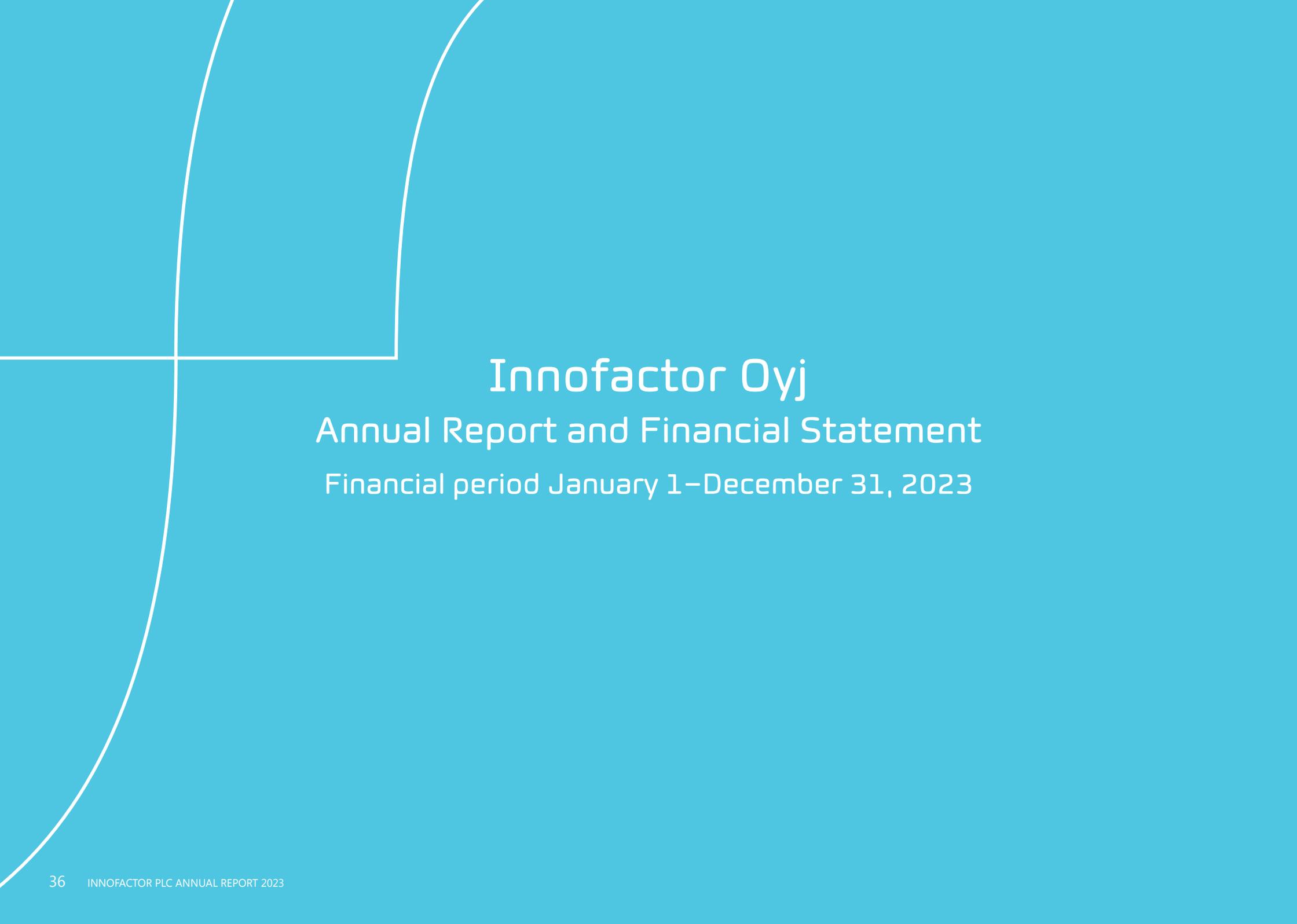
### Vesa Syrjäkari

#### EVP, Business Development and Operational Excellence

M.Sc. (Econ.). Employed by Innofactor since 2017. Born in 1960. Ownership 0 shares.



*The share ownership information is as of December 31, 2023.*



# Innofactor Oyj

## Annual Report and Financial Statement

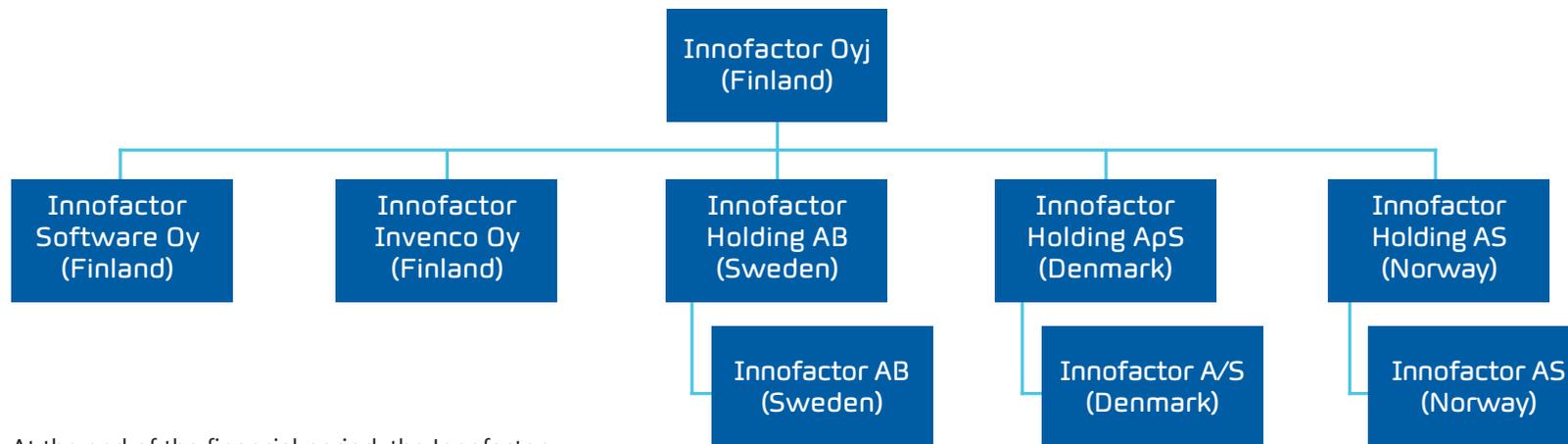
Financial period January 1–December 31, 2023

# 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%

<b>Financial Performance and Position</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
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

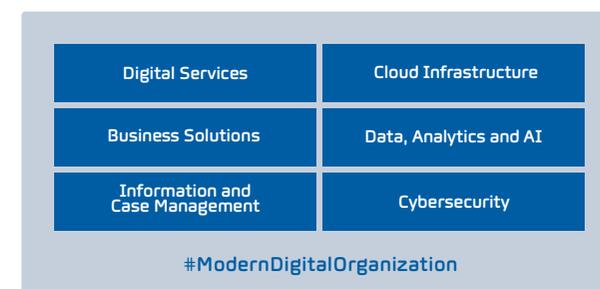
graduates, concentrating the recruitment of senior professionals to our Nordic recruitment team, increasing the competence of our employees through certifications, keeping employee turnover low, improving the efficiency of subcontracting and investing in the development of our employer image.

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

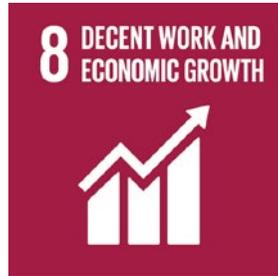
Innofactor's business model is based on offering aimed at the IT service market and on Innofactor's strong partnership with Microsoft, with the focus on solutions developed on Microsoft platforms and solutions that use them. In accordance with its strategy, Innofactor is increasingly focusing on implementing 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.

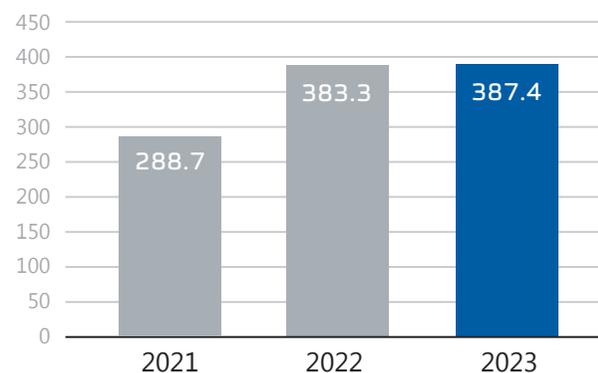
Remote work is an essential part of the operations of a modern digital organization. We provide our employees with good opportunities for location-independent work. Using Microsoft Teams as a meeting tool brings added value to the operations of both Innofactor and its customers.

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 tCO<sub>2</sub>e. 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**  
tCO<sub>2</sub>e



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 <sub>2</sub> 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
<b>Total</b>	<b>387.4</b>	<b>383.3</b>	<b>288.7</b>

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
<b>Environmental Responsibility</b>	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
<b>Social Responsibility</b>	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
<b>Data Protection and Information Security</b>	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
<b>Anti-corruption and Anti-bribery</b>	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).



# 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
<b>Profit/loss for the period</b>		<b>3,438</b>	<b>3,320</b>
Other comprehensive income			
Items that may be later recognized in profit or loss:			
Exchange differences		-49	-551
<b>Total comprehensive income</b>		<b>3,389</b>	<b>2,769</b>
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
<b>ASSETS</b>			
<b>Non-current assets</b>			
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
		<b>35,578</b>	<b>39,319</b>
<b>Current assets</b>			
Trade and other receivables	16, 20	18,449	14,540
Cash and cash equivalents	19	425	1,956
		<b>18,873</b>	<b>16,495</b>
<b>TOTAL ASSETS</b>		<b>54,451</b>	<b>55,815</b>

# Consolidated Balance Sheet, IFRS

EUR thousand	Note	Dec 31, 2023	Dec 31, 2022
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Equity attributable to the shareholders of the parent company</b>			
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
<b>Total shareholders' equity</b>		<b>25,483</b>	<b>24,799</b>
<b>Non-current liabilities</b>			
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
		<b>4,845</b>	<b>9,200</b>
<b>Current liabilities</b>			
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
		<b>24,123</b>	<b>21,816</b>
<b>Total liabilities</b>		<b>28,968</b>	<b>31,016</b>
<b>Total shareholders' equity and liabilities</b>		<b>54,451</b>	<b>55,815</b>

# Consolidated Cash Flow Statement, IFRS

EUR thousand	Note	2023	2022
<b>Cash flow from operating activities</b>			
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
<b>Net cash flow from operating activities</b>		<b>7,229</b>	<b>6,704</b>
<b>Investment cash flow</b>			
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
<b>Net cash flow from investments</b>		<b>-533</b>	<b>-3,593</b>
<b>Cash flow from financing</b>			
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
<b>Net cash flow from financing</b>		<b>-8,227</b>	<b>-3,118</b>
<b>Change in cash and cash equivalents</b>		<b>-1,531</b>	<b>-7</b>
Cash and cash equivalents, opening balance		1,956	1,963
<b>Cash and cash equivalents, closing balance</b>		<b>425</b>	<b>1,956</b>

# 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
<b>Shareholders' equity Jan 1, 2023</b>		2,100	72	59	17,247	-1,592	8,816	-1,901	24,799
<b>Comprehensive income</b>									
Result for the financial period							3,438		3,438
Other comprehensive income:									
Translation differences								-49	-49
<b>Total comprehensive income</b>							3,437	-49	3,388
Repayment of capital					-2,177				-2,177
Changes in own shares						-527			-527
<b>Shareholders' equity Dec 31, 2023</b>		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
<b>Shareholders' equity Jan 1, 2022</b>		2,100	72	59	20,174	-1,146	5,495	-1,351	25,404
<b>Comprehensive income</b>									
Result for the financial period							3,320		3,320
Other comprehensive income:									
Translation differences								-551	-551
<b>Total comprehensive income</b>							3,320	-551	2,769
Repayment of capital					-2,927				-2,927
Changes in own shares						-447			-447
<b>Shareholders' equity Dec 31, 2022</b>		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](http://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
<b>Total</b>	<b>80,263</b>	<b>71,130</b>

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
<b>Total</b>	<b>71,555</b>	<b>75,831</b>

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
<b>Total net sales</b>	<b>80,263</b>	<b>71,130</b>

## 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
<b>Total other operating income</b>	<b>141</b>	<b>290</b>

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
<b>Other operating expenses, total</b>	<b>7,011</b>	<b>7,205</b>

### Remuneration of the Auditors

EUR thousand	2023	2022
Auditing	140	130
Other services	18	3
<b>Total</b>	<b>158</b>	<b>134</b>

## 5. Depreciation, Amortization and Impairment

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

## 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
<b>Total</b>	<b>50,784</b>	<b>45,644</b>
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
<b>Financial income, total</b>	<b>46</b>	<b>359</b>

\* 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
<b>Financial expenses, total</b>	<b>777</b>	<b>619</b>

\* 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
<b>Total</b>	<b>-1,736</b>	<b>-858</b>

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
<b>Taxes in the profit and loss statement</b>	<b>-1,736</b>	<b>-858</b>

## 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
<b>Total net sales</b>		<b>19,031</b>	<b>17,866</b>	<b>19,530</b>	<b>23,836</b>	<b>80,263</b>
Growth, %		17.9%	0.5%	27.9%	8,6%	12.8%
<b>EBITDA</b>		<b>3,159</b>	<b>-364</b>	<b>4,733</b>	<b>1,572</b>	<b>9,101</b>
% of net sales		16.6%	-2.0%	24.2%	6,6%	11.3%
<b>Unfulfilled long-term customer contracts</b>		<b>15,938</b>	<b>14,373</b>	<b>23,147</b>	<b>18,097</b>	<b>71,555</b>
% of net sales		84%	80%	119%	76%	89%
<b>Research and product development expenses</b>		<b>0</b>	<b>502</b>	<b>4,043</b>	<b>564</b>	<b>5,108</b>
% 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
<b>Total net sales</b>		<b>16,132</b>	<b>17,819</b>	<b>15,275</b>	<b>21,902</b>	<b>71,130</b>
Growth, %		4.5%	-3.4%	3.5%	23.5%	7.2%
<b>EBITDA</b>		<b>2,448</b>	<b>-107</b>	<b>3,337</b>	<b>2,129</b>	<b>7,808</b>
% of net sales		15.2%	-0.6%	21.8%	9.7%	11.0%
<b>Unfulfilled long-term customer contracts</b>		<b>26,035</b>	<b>11,957</b>	<b>16,727</b>	<b>21,111</b>	<b>75,831</b>
% of net sales		161%	67%	110%	96%	107%
<b>Research and product development expenses</b>		<b>0</b>	<b>500</b>	<b>3,252</b>	<b>401</b>	<b>4,153</b>
% 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
<b>Acquisition cost, Dec 31, 2023</b>	<b>6,913</b>	<b>12,384</b>	<b>19,297</b>
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
<b>Carrying amount, Dec 31, 2023</b>	<b>1,080</b>	<b>3,177</b>	<b>4,257</b>
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
<b>Acquisition costs, Dec 31, 2022</b>	<b>6,255</b>	<b>11,914</b>	<b>18,169</b>
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
<b>Carrying amount, Dec 31, 2022</b>	<b>1,076</b>	<b>4,843</b>	<b>5,919</b>

\* 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
<b>Total</b>	<b>5,919</b>	<b>4,257</b>

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

### 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
<b>Carrying amount, Dec 31, 2023</b>	<b>0</b>	<b>3,177</b>	<b>3,177</b>
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
<b>Carrying amount, Dec 31, 2022</b>	<b>0</b>	<b>4,843</b>	<b>4,843</b>

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
<b>Acquisition cost, Dec 31, 2023</b>	<b>28,051</b>	<b>18,822</b>	<b>46,873</b>
Accumulated depreciation, amortization and impairment, Jan 1, 2023	-1,216	-16,381	-17,597
Depreciation in 2023	0	-512	-512
<b>Accumulated depreciation, amortization and impairment, Dec 31, 2023</b>	<b>-1,216</b>	<b>-16,894</b>	<b>-18,110</b>
Carrying amount, Jan 1, 2023	26,831	2,398	29,229
<b>Carrying amount, Dec 31, 2023</b>	<b>26,835</b>	<b>1,929</b>	<b>28,764</b>
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
<b>Acquisition cost, Dec 31, 2022</b>	<b>28,047</b>	<b>18,779</b>	<b>46,826</b>
Accumulated depreciation, amortization and impairment, Jan 1, 2022	-1,216	-15,813	-17,029
Depreciation in 2022	0	-568	-568
<b>Accumulated depreciation, amortization and impairment, Dec 31, 2022</b>	<b>-1,216</b>	<b>-16,381</b>	<b>-17,597</b>
Carrying amount, Jan 1, 2022	26,393	633	27,026
<b>Carrying amount, Dec 31, 2022</b>	<b>26,831</b>	<b>2,398</b>	<b>29,229</b>

## 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
<b>Goodwill</b>	<b>26,835</b>	<b>26,831</b>

## 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
<b>Deferred tax assets</b>					
From Group combinations *	4,090	-1,654	-21	0	2,415
<b>Total</b>	<b>4,090</b>	<b>-1,654</b>	<b>-21</b>	<b>0</b>	<b>2,415</b>
<b>Deferred tax liabilities</b>					
Measurement of intangible assets and tangible assets at market value in business combinations	1,852	-72	0	0	1,780
<b>Total</b>	<b>1,852</b>	<b>-72</b>	<b>0</b>	<b>0</b>	<b>1,780</b>

\* 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
<b>Trade and other receivables</b>		
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
<b>Total</b>	<b>18,449</b>	<b>14,540</b>

### 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
<b>Total</b>	<b>12,309</b>	<b>41</b>	<b>12,350</b>	<b>10,708</b>

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
<b>Total</b>	<b>4,809</b>	<b>1,971</b>

EUR thousand	2023	2022
Liabilities based on project contracts	1,703	504
<b>Total</b>	<b>1,703</b>	<b>504</b>

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
<b>Total</b>	<b>425</b>	<b>1,956</b>

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
<b>Total</b>		<b>18,873</b>	<b>16,495</b>
Loans from financial institutions		6,325	9,402
Lease liabilities		3,291	4,947
<b>Total</b>		<b>9,616</b>	<b>14,349</b>
Trade and other payables:			
Trade payables		2,074	1,715
Other liabilities		5,139	4,951
<b>Total</b>		<b>7,213</b>	<b>6,665</b>

### 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
<b>Dec 31, 2023</b>				
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
<b>Total</b>	<b>3,510</b>	<b>2,134</b>	<b>1,375</b>	<b>0</b>

### Balance Sheet

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

### 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
<b>Addition of operating profit</b>	<b>152</b>	<b>143</b>
Addition of financial expenses	-162	-152
<b>Impact on the result for the financial period</b>	<b>-10</b>	<b>-9</b>

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
<b>Liabilities Jan 1, 2023</b>	<b>7,349</b>	<b>7,000</b>	<b>14,349</b>
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
<b>Liabilities Dec 31, 2023</b>	<b>3,065</b>	<b>6,550</b>	<b>9,616</b>

\* IFRS 16 lease liabilities (Note 21)

EUR thousand	Non-current	Current	Total
<b>Liabilities Jan 1, 2022</b>	<b>6,342</b>	<b>3,476</b>	<b>9,818</b>
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
<b>Liabilities Dec 31, 2022</b>	<b>7,349</b>	<b>7,000</b>	<b>14,349</b>

\* 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
<b>Total</b>	<b>1,649</b>	<b>1,801</b>

### 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
<b>Total</b>	<b>1,649</b>	<b>1,801</b>

### 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
<b>Total</b>		<b>146</b>	<b>120</b>

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
<b>NET SALES</b>	1	<b>13,388,169</b>	<b>10,933,459</b>
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
<b>OPERATING RESULT</b>		<b>58,876</b>	<b>38,146</b>
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
<b>RESULT BEFORE APPROPRIATIONS AND TAXES</b>		<b>1,141,020</b>	<b>291,997</b>
Group contribution		-677,279	-320,587
<b>EARNINGS BEFORE TAXES</b>		<b>463,741</b>	<b>-28,590</b>
<b>RESULT FOR THE FINANCIAL PERIOD</b>		<b>463,741</b>	<b>-28,590</b>

# Balance Sheet, FAS

EUR

ASSETS	Note	Dec 31, 2023	Dec 31, 2022
<b>NON-CURRENT ASSETS</b>			
<b>Intangible assets</b>			
Intangible rights	8	28,152	64,425
<b>Tangible assets</b>			
Machinery and equipment	8	147,503	32,776
<b>Investments</b>			
Shares in Group companies	9	37,490,528	36,496,610
<b>TOTAL NON-CURRENT ASSETS</b>		<b>37,666,183</b>	<b>36,593,811</b>
<b>CURRENT ASSETS</b>			
<b>Receivables</b>			
<b>Non-current</b>			
Loan receivables		44,363	52,571
Other receivables		24,177,056	24,568,285
<b>Current</b>			
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
<b>TOTAL CURRENT ASSETS</b>		<b>48 075,140</b>	<b>37,797,233</b>
<b>ASSETS</b>		<b>85,741,323</b>	<b>74,391,044</b>

EUR

LIABILITIES	Note	Dec 31, 2023	Dec 31, 2022
<b>SHAREHOLDERS' EQUITY</b>			
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
<b>Total shareholders' equity</b>		<b>25,377,172</b>	<b>27,714,616</b>
<b>LIABILITIES</b>			
13			
<b>Non-current</b>			
Loans from financial institutions		1,770,000	4,476,667
<b>Non-current total</b>		<b>1,770,000</b>	<b>4,476,667</b>
<b>Current</b>			
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
<b>Current total</b>		<b>58,594,151</b>	<b>42,199,761</b>
<b>Total liabilities</b>		<b>60,364,151</b>	<b>46,676,428</b>
<b>LIABILITIES</b>		<b>85,741,323</b>	<b>74,391,044</b>

# Parent Company Cash Flow Statement

EUR	Jan 1–Dec 31, 2023	Jan 1–Dec 31, 2022
<b>Cash flow from operating activities</b>		
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
<b>Total operating activities cash flow</b>	<b>8,505,989</b>	<b>-367,514</b>
<b>Investment cash flow</b>		
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
<b>Total investment cash flow</b>	<b>-2,181,694</b>	<b>-651,880</b>
<b>Cash flow before financing</b>	<b>6,324,295</b>	<b>-1,019,394</b>
<b>Financing cash flow</b>		
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
<b>Total financing cash flow</b>	<b>-5,905,973</b>	<b>-568,154</b>
<b>Change in cash and cash equivalents as per cash flow statement</b>	<b>418,322</b>	<b>-1,587,548</b>
<b>Change in cash and cash equivalents</b>	<b>230,258</b>	<b>-1,587,548</b>
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)

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

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

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

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

## Management salaries and fees

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

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
<b>Total</b>	<b>81,516</b>	<b>133,143</b>

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
	<b>3,804,616</b>	<b>3,375,867</b>

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

#### Remuneration of the Auditors

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

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
<b>Total interest and other financial income</b>	<b>1,509,089</b>	<b>602,749</b>

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

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

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

### 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
<b>Carrying amount, Dec 31, 2023</b>	<b>28,152</b>	<b>0</b>	<b>147,503</b>	<b>175,656</b>

	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
<b>Carrying amount, Dec 31, 2022</b>	<b>64,426</b>	<b>0</b>	<b>32,776</b>	<b>97,202</b>

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

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

<b>10. Receivables</b>	<b>2023</b>	<b>2022</b>
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
<b>Non-current receivables total</b>	<b>24,221,419</b>	<b>24,620,855</b>

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
<b>Current receivables total</b>	<b>23,106,142</b>	<b>12,189,338</b>

<b>Total receivables from Group companies</b>	<b>47,237,845</b>	<b>36,678,302</b>
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<b>11. Accrued income</b>	<b>2023</b>	<b>2022</b>
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
<b>Accrued income in total</b>	<b>517,322</b>	<b>987,039</b>

<b>12. Shareholders' equity</b>	<b>2023</b>	<b>2022</b>
Shareholders' equity, opening balance	2,100,000	2,100,000
<b>Shareholders' equity, closing balance</b>	<b>2,100,000</b>	<b>2,100,000</b>

Revaluation fund, opening balance	2,000,000	2,000,000
<b>Revaluation fund, closing balance</b>	<b>2,000,000</b>	<b>2,000,000</b>

#### **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

<b>Fund for invested unrestricted equity closing balance</b>	<b>23,163,165</b>	<b>25,340,515</b>
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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

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

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

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

15. Commitments and contingent liabilities	2023	2022
<b>Bank guarantees</b>		
A bank guarantee has been given as collateral for a lease agreement.	273,975	273,975
<b>Lease liabilities</b>		
To be paid in the next financial period	0	0
To be paid later	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
<b>Lease liabilities</b>		
To be paid in the next financial period	1,273,826	1,142,724
To be paid later	674,812	1,142,724
<b>Total</b>	<b>1,948,638</b>	<b>2,285,449</b>
<b>Mortgages on company assets as collateral for loan</b>		
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
<b>Total</b>	<b>11,658</b>	<b>100.00</b>	<b>36,343,691</b>	<b>100.00</b>

### 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%
<b>All shares total</b>	<b>36,343,691</b>	<b>100%</b>

# 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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