

Innofactor Plc Interim Report October 26, 2021, at 9:00 Finnish time

## **Innofactor Plc's Interim Report for January 1–September 30, 2021 (IFRS)**

**Innofactor achieved its highest-ever operating margin in the third quarter in spite of a slight decrease in net sales due to a divestment and an organizational change in Finland**

July–September 2021 in brief:

- Net sales were approximately EUR 13.7 million (2020: 14.0), representing a decrease of 2.0%
  - Excluding the Prime business sold on March 31, 2021, the comparable growth was 3.0%, which was entirely organic growth
- The operating margin was approximately EUR 1.7 million (2020: 1.6), representing an increase of 8.7%
- The operating profit was EUR 0.9 million (2020: 0.4), representing growth of 130.4%
- The order backlog at the end of the review period was EUR 72.0 million (2020: 58.2), representing an increase of 23.7%

January–September 2021 in brief:

- Net sales were approximately EUR 48.8 million (2020: 47.9), representing an increase of 1.9%
  - Excluding the Prime business sold on March 31, 2021, comparable growth was 4.9%, which was entirely organic growth
- The operating margin was approximately EUR 8.4 million (2020: 5.6), representing an increase of 51.4%
  - The operating margin includes a sales gain of approximately EUR 2.6 million from the sale of the Prime business, without which the operating margin would have been approximately EUR 5.9 million (2020: 5.6), representing an increase of 5.6%
- The operating profit was EUR 6.0 million (2020: 2.1), representing an increase of 185.9%
  - The operating profit includes a corresponding sales gain as the operating margin, without which the operating profit would have been approximately EUR 3.4 million (2020: 2.1), representing an increase of 64.0%

**Key figures of the group, IFRS**

	Jul 1–Sep 30, 2021	Jul 1–Sep 30, 2020	Change	Jan 1–Sep 30, 2021	Jan 1–Sep 30, 2020	Change
Net sales, EUR thousand	13,730	14,005	-2.0%	48,834	47,913	1.9%
Growth of net sales	-2.0%	0.3%		1.9%	2.5%	
Operating result before depreciation and amortization (EBITDA), EUR thousand	1,695	1,559	8.7%	8,448	5,579	51.4%
percentage of net sales*	12.3%	11.1%		17.3%	11.6%	
Operating profit/loss (EBIT), EUR thousand*	915	397	130.4%	5,996	2,097	185.9%
percentage of net sales*	6.7%	2.8%		12.3%	4.4%	
Earnings before taxes, EUR thousand*	755	26	2,754.8%	5,400	1,099	391.2%
percentage of net sales*	5.5%	0.2%		11.1%	2.3%	
Earnings, EUR thousand*	581	27	2,087.5%	4,207	1,505	179.6%
percentage of net sales*	4.2%	0.2%		8.6%	3.1%	
Order backlog	71,979	58,181	23.7%	71,979	58,181	23.7%
Net gearing*	34.0%	66.7%		34.0%	66.7%	
Net gearing without IFRS 16	21.2%	48.1%		21.2%	48.1%	
Equity ratio	52.9%	43.5%		52.9%	43.5%	
Equity ratio without IFRS 16	56.8%	45.8%		56.8%	45.8%	
Active personnel on average during the review period**	508	545	-6.8%	493	549	-10.2%
Active personnel at the end of the review period**	497	546	-9.0%	497	546	-9.0%
Earnings per share (EUR)	0.0155	0.0007	2,087.5%	0.1125	0.0402	179.6%

\*) In accordance with IFRS 3, the operating result for July 1–September 30, 2021, includes EUR 113 thousand (2020: 473) and for January 1–September 30, 2021, EUR 390 thousand (2020: 1420) in depreciation related to acquisitions, consisting of allocations of the purchase price to intangible assets.

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

**Innofactor's future outlook for 2021**

Innofactor's net sales and operating margin (EBITDA) in 2021 are estimated to increase from 2020, during which the net sales were EUR 66.2 million and operating margin was EUR 7.2 million.

### **CEO Sami Ensio's review: Innofactor updated its strategy and restructured its Finnish organization to better support future growth**

Net sales in the third quarter of 2021 were EUR 13.7 million, representing a year-on-year decrease of 2.0 percent. Excluding the Prime business sold on March 31, 2021, the year-on-year growth rate in the third quarter would have been 3.0 percent, consisting entirely of organic growth. The operating margin (EBITDA) grew by 8.7 percent year-on-year and came to EUR 1.7 million (12.3 percent of net sales). EBITDA was positive in Finland, Norway and Denmark. In the third quarter, the order backlog was roughly at the same level as in the previous quarter. The order backlog amounted to EUR 72.0 million at the end of the quarter, representing year-on-year growth of 23.7 percent.

Net sales for the first nine months of 2021 amounted to EUR 48.8 million, representing year-on-year growth of 1.9 percent. Excluding the Prime business sold on March 31, 2021, from April 1, 2021, onwards the comparable rate of growth was 4.9 percent, consisting entirely of organic growth. The operating margin (EBITDA) grew by 51.4 percent year-on-year and was EUR 8.4 million (17.3 percent of net sales), of which the sale of the Prime business during the first quarter accounted for approximately EUR 2.6 million.

At the end of August, Innofactor decided to renew its strategy to support growth even more strongly. In our strategy work, we defined the areas in which we see the strongest growth potential regarding our business and Microsoft's solution offering. Innofactor tightened its offering according to the growth areas in question: Digital Services, Business Solutions, Information and Case Management, Data and Analytics, Cloud Infrastructure and Cybersecurity.

At the same time, it was decided to restructure the Finnish organization to correspond to the growth areas of the new strategy. As of October 1, 2021, Innofactor has had six business units in Finland, corresponding to the offering presented above. The aim of the organizational renewal is to strengthen Innofactor's growth in Finland in the future. The restructuring of operations caused a temporary decrease in Innofactor's net sales in Finland in the third quarter.

Innofactor's aim is to be the leading provider of organizations' digital transformation in each of the Nordic countries. We believe in our chosen Nordic strategy and in reaching our long-term goals. This requires perseverance and determination from the company's management and employees as well as investors. Innofactor is still actively looking for new strategic partnerships in the Nordic countries. The Group's goal is to grow both organically and through acquisitions.

### **Strategy and its realization in the review period**

Innofactor's strategy comprises our purpose, mission, vision, strategic choices, values, working principle, 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.

Our long-term financial goals:

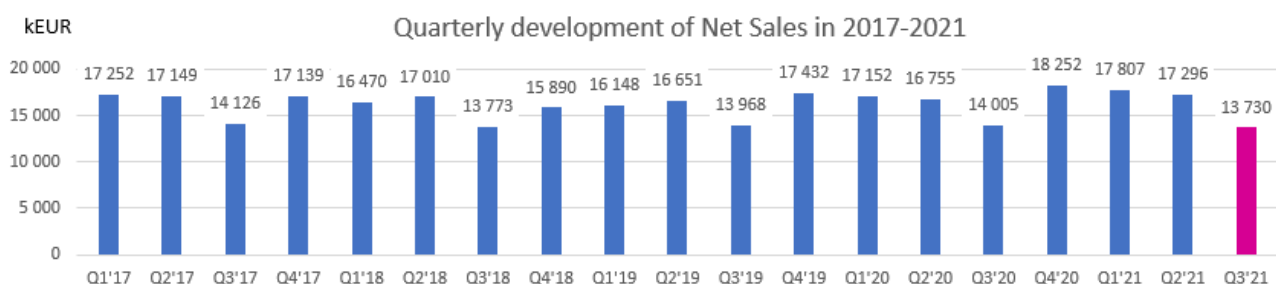
- To achieve annual growth of about 20 percent, the majority of which is intended to be achieved by organic growth
- To achieve about 20 percent EBITDA in relation to the net sales
- To keep the cash flow positive and secure good financial standing in all situations.

Innofactor's net sales in January–September 2021 were EUR 48.8 million (2020: 47.9), representing year-on-year growth of 1.9 percent. Excluding the Prime business sold on March 31, 2021, from April 1, 2021, onwards the comparable rate of growth was 4.9 percent, consisting entirely of organic growth. During the first nine months of the year, Finland, Norway and Denmark accounted for the growth. The net sales growth target is supported by Innofactor's large order backlog of EUR 72.0 million (2020: 58.2). In 2021, Innofactor will pay special attention to management of growth, sales, expertise and resourcing, in connection with which we have restructured our organization, among other measures.

The operating margin (EBITDA) grew in the review period by 51.4 percent year-on-year and came to EUR 8.4 million (17.3 percent of net sales). Without the divestment of the Prime business, the operating margin would have grown by 5.6 percent in the review period and would have been EUR 5.9 million (12.1 percent of net sales). As regards profitability (excluding the Prime divestment), Innofactor was able to improve its performance slightly, but more work is still needed to achieve the long-term goal of approximately 20 percent.

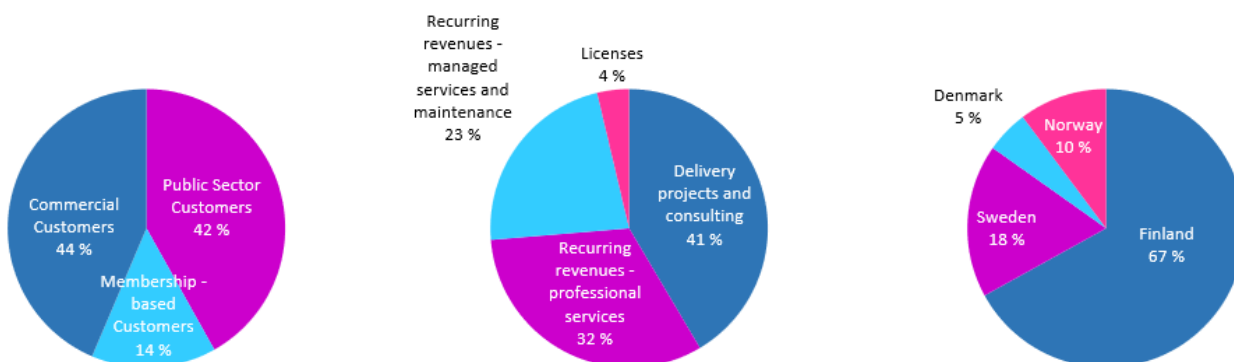
Innofactor’s operating cash flow in the review period of January 1–September 30, 2021, was EUR 6.2 million (2020: EUR 4.9 million) and the equity ratio at the end of the review period was 52.9 percent (2020: 43.5 percent). In the review period, Innofactor repaid approximately EUR 2.7 million of its loans prematurely. The strong operating cash flow and financial position support Innofactor’s strategic goal of profitable growth and securing solid financial standing in all situations.

**Innofactor achieved moderate organic growth during the review period – net sales per active employee continued to grow**



Innofactor’s net sales for the period July 1–September 30, 2021, amounted to EUR 13,730 thousand (2020: 14,005), representing a decrease of 2.0 percent. Excluding the Prime business sold on March 31, 2021, the year-on-year growth rate in the third quarter would have been 3.0 percent, consisting entirely of organic growth. Net sales per active employee amounted to approximately EUR 27.0 thousand (2020: 25.7), representing an increase of 5.2 percent.

Innofactor’s net sales for the period January 1–September 30, 2021, amounted to EUR 48,834 thousand (2020: 47,913), representing an increase of 1.9 percent. Excluding the Prime business sold on March 31, 2021, the rate of growth in the first three quarters was 4.9 per cent, consisting entirely of organic growth. Net sales per active employee amounted to approximately EUR 99.1 thousand (2020: 87.3), representing an increase of 13.5 percent.



Innofactor’s business operations were focused on Finland, Sweden, Denmark and Norway. During the period January 1–September 30, 2021, approximately 67 percent of net sales came from Finland, approximately 18 percent from Sweden, approximately 10 percent from Norway and approximately 5 percent from Denmark. Net sales grew in the third quarter in Denmark and Norway.

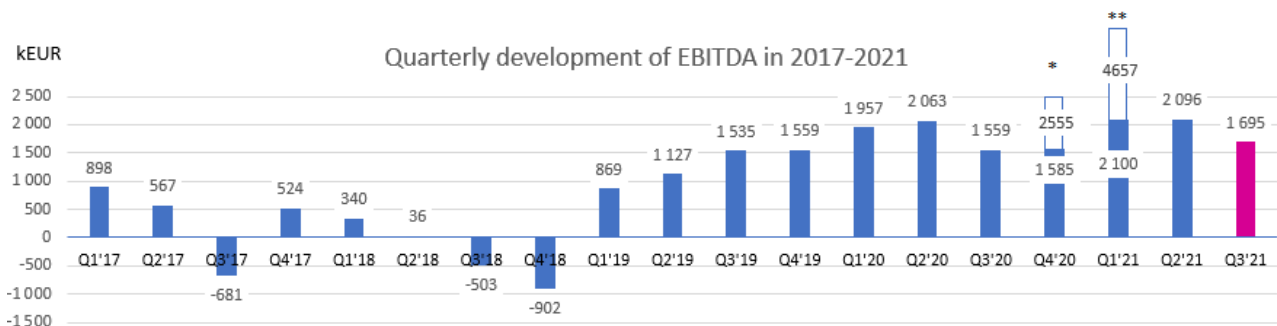
Of the net sales for the period January 1–September 30, 2021, approximately 44 percent came from commercial clients, approximately 42 percent from public sector clients and approximately 14 percent from third sector clients.

Innofactor’s net sales for the review period of January 1–September 30, 2021, came from the following sources:

- approximately 41 percent from IT system delivery projects and consulting
- approximately 32 percent from specialist work based on recurring service contracts, such as smaller customer-specific changes and further development of IT systems
- approximately 23 percent from services based on recurring service contracts, such as SaaS, cloud and hosting services, and from software maintenance
- approximately 4 percent from licenses, of which the share of licensing income to third parties was approximately 2 percent of net sales

Innofactor’s 10 largest clients accounted for approximately 29 percent of the net sales for the review period January 1–September 30, 2021.

**Innofactor’s operating margin was slightly higher than in the comparison period**



\* EBITDA in Q4/2020 was reduced by EUR 970 thousand by a write-down on a customer project in Sweden in 2019

\*\* EBITDA in Q1/2021 was increased by EUR 2,557 thousand by the sales gain recognized on the divestment of the Prime business

Innofactor’s operating margin (EBITDA) for the period July 1–September 30, 2021, was EUR 1,695 thousand (2020: 1,559), which is an increase of 8.7 percent. EBITDA represented 12.3 percent of net sales (2020: 11.1%). Innofactor’s operating margin was positive in Finland, Denmark and Norway.

Innofactor’s operating margin (EBITDA) for the period January 1–September 30, 2021, was EUR 8,448 thousand (2020: 5,579), which is an increase of 51.4 percent. EBITDA represented 17.3 percent of net sales (2020: 11.6%). The operating margin includes a sales gain of approximately EUR 2.6 million from the divestment of the Prime business, without which the operating margin would have been approximately EUR 5,891 thousand (12.1% of net sales, growth of 5.6%).

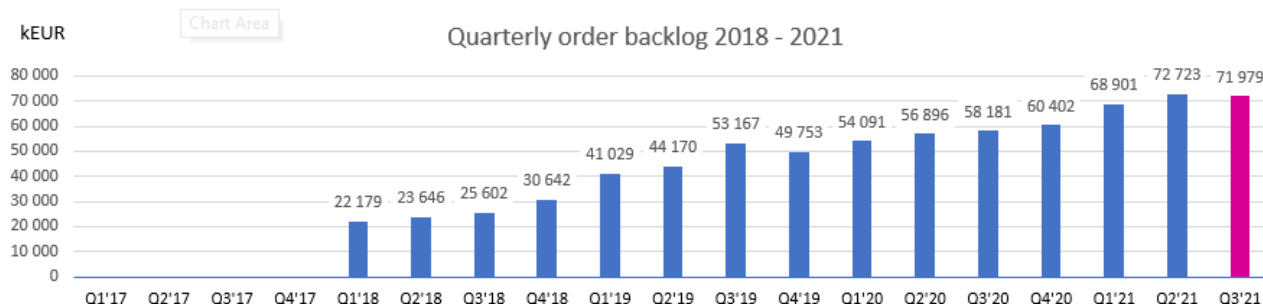
Innofactor’s operating profit for the period July 1–September 30, 2021, was EUR 915 thousand (2020: 397), which is an increase of 130.4 percent. Operating profit represented 6.7 percent of net sales (2020: 2.8%).

Innofactor’s operating profit for the period January 1–September 30, 2021, amounted to EUR 5,996 thousand (2020: 2,097), which is an increase of 185.9 percent. Operating profit represented 12.3 percent of net sales (2020: 4.4%).

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

In accordance with IFRS 3, the operating result for July 1–September 30, 2021, includes EUR 113 thousand (2020: 473) in depreciation related to acquisitions, consisting of allocations of the purchase price to intangible assets. Adjusted for the said depreciation, Innofactor’s operative business profit for the period July 1–September 30, 2021, would have been EUR 1,028 thousand (2020: 871), which is an increase of 18.1 percent, and the operating profit would have represented 7.5 percent of net sales (2020: 6.2%). Adjusted for the said depreciation, Innofactor’s operative business profit for the review period of January 1–September 30, 2021, would have been EUR 6,386 thousand (2020: 3,518), which is an increase of 81.6 percent, and the operating profit would have represented 13.1 percent of net sales (2020: 7.3%).

## Innofactor’s order backlog remained strong





Innofactor's order backlog at the end of the review period amounted to EUR 71,979 thousand (2020: 58,181), representing growth of 23.7 percent. No significant new large sales were made during the third quarter, which meant that the order backlog was roughly at the previous quarter's level.

**Operating cash flow remained strong during the review period, and Innofactor's financial position enables acquisitions as necessary**

Innofactor's balance sheet total at the end of the review period was EUR 51,152 thousand (2020: 56,329). The Group's liquid assets totaled EUR 1,947 thousand (2020: 3,194), consisting entirely of cash funds.

The operating cash flow for the review period of January 1–September 30, 2021 was EUR 6,182 thousand (2020: 4,873). The investment cash flow was EUR -527 thousand (2020: -168).

The equity ratio at the end of the review period was 52.9 percent (2020: 43.5%) and net gearing was 34.0 percent (2020: 66.7%).

At the end of the review period, the company had EUR 1,873 thousand in current interest-bearing liabilities to financial institutions (2020: 1,270) and EUR 5,620 thousand in non-current interest-bearing liabilities to financial institutions (2020: 10,160). The total amount of interest-bearing liabilities to financial institutions was EUR 7,493 thousand (2020: 11,430). The company had lease liabilities in accordance with IFRS 16 (leases for the duration of fixed-term leases) EUR 3,372 thousand (2020: 4,418) of which EUR 1,603 thousand in current leases (2020: 1,775) and EUR 1,770 thousand in non-current leases (2020: 2,644). The total amount of interest-bearing liabilities was EUR 10,866 thousand (2020: 15,848).

The return on investment for the period January 1–September 30, 2021, improved year-on-year and was 18.5 percent (2020: 1.7%). The return on equity for the period January 1–September 30, 2021, improved year-on-year and was 16.8 percent (2020: 6.6%).

The non-current assets on Innofactor's balance sheet at the end of the review period totaled EUR 36,474 thousand.

Innofactor's gross investments in tangible and intangible assets during the review period of January 1–September 30, 2021, came to EUR 262 thousand (2020: 473), consisting of normal additional and replacement investments required by growth.



**Innofactor's research and product development investments decreased slightly from last year, to some extent due to the sale of the Prime business**

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

Innofactor's research and development costs recognized in profit or loss for January 1–September 30, 2021, were approximately EUR 2,342 thousand (2020: 2,499), representing 4.8 percent of net sales (2020: 5.2%).

**Innofactor's number of personnel decreased slightly year-on-year**

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

The average number of active personnel during the period July 1–September 30, 2021, was 508 (2020: 545), representing a decrease of 6.8 percent. At the end of review period, the number of active personnel was 497 (2020: 546), representing a decrease of 9.0 percent. The divestment of the Prime business on March 31, 2021, which involved the transfer of 14 employees from Innofactor, contributed to the decrease in the number of personnel. Innofactor has decided to enhance its recruitment going forward and measures related to this goal have already been initiated.

At the end of the review period, the average age of the personnel was 42.0 years (2020: 41.5). Women accounted for 27 percent (2020: 28%) and men for 73 percent (2020: 72%) of the personnel.

**Other events in the review period**

On January 21, 2021, Innofactor announced in a stock exchange release that the Finnish Tax Administration selected Innofactor as the primary provider of IT specialist services in the area of Azure programming. The procurement consists of project manager and ICT specialist resources to support the project management, defining, programming, management and service design of the Tax Administration's systems and other technical know-how to support the Tax Administration's ICT. On the basis of the volume stated by the customer in connection with the procurement, the total value in this area is approximately EUR 15–25 million. The duration of the framework agreement is 6 years, and assignments started during the framework agreement period may continue 4 years after the expiration of the framework agreement.

On January 29, 2021, Innofactor announced in a stock exchange release that Innofactor and a Norwegian financial services company have signed an agreement concerning the migration and

implementation of services to Microsoft Azure. The solution will be built on the Innofactor Virtual Data Center solution. The value of the agreement (excluding VAT) is approximately EUR 500,000 and the services will be delivered during the year 2021.

On March 11, 2021, Innofactor announced in a stock exchange release that the Finnish Institute of Occupational Health had selected Innofactor as the provider for the renewal of the enterprise resource planning system. The procurement covers the delivery, implementation, and maintenance of the information system. The system is based on Microsoft Dynamics 365 for Finance & Supply Chain Management. Innofactor estimates the total value of the procurement to be approximately EUR 1,600,000.

On March 30, 2021, Innofactor announced in a stock exchange release that Metsähallitus had selected Innofactor as its case management system provider as SaaS. The procurement comprises of the delivery of the case management system, as well as support and maintenance services. The system will be based on Innofactor's Dynasty 10 solution. The service agreement related to the procurement will be valid for fixed period of four years after which it will be valid until further notice. The agreement value is approximately EUR 700,000.

On April 6, 2021, Innofactor announced in a stock exchange release that the joint municipal authority for the county of Ostrobothnia has selected Innofactor in a public procurement competition as the supplier of case and document management solutions as SaaS. The procurement consists of the delivery of the case and document management solutions, as well as support and maintenance services. The system suite will be based on Innofactor's Dynasty 10 solution. The total value of the procurement (excluding VAT) stated by the joint municipal authority for the county of Ostrobothnia in the procurement decision for a period of four years is EUR 860,240.

On April 27, 2021, Innofactor announced in a stock exchange release that Kela has terminated the contract for the administrative case management solution for reasons not attributable to Innofactor. The termination is due to changes in Kela's internal cloud service policies. According to the new policies, Kela deems that it cannot transfer the planned amount of data into a cloud service. Due to Kela's termination decision, Innofactor estimates that out of the original estimated total value it will not receive approximately 0,5 MEUR from maintenance services. This does not affect Innofactor's guidance for the year 2021 or its long-term financial goals.

On May 20, 2021, Innofactor announced in a stock exchange release that Metropolia University of Applied Sciences Ltd, Turku University of Applied Sciences Ltd, Haaga-Helia University of Applied Sciences Ltd, Novia University of Applied Sciences, Arcada University of Applied Sciences Ltd and Finnish University of Applied Sciences and Arts Ltd have selected Innofactor in a joint public procurement competition as the supplier of a case management solution. The public procurement competition was divided into SaaS and On-Premise areas, and Innofactor was selected as the supplier for both of these. The procurement consists of the delivery of Innofactor's Dynasty 10 system to these universities of applied sciences, support and maintenance services, specialist

services, as well as integrations and migrations specific to each university of applied sciences. The agreement will be valid for a fixed period of four years after which it will be valid until further notice. The estimated total value of the procurement (excluding VAT) stated by the universities of applied sciences in the procurement decision for a period of four years is EUR 850,000.

On May 31, 2021, Innofactor announced in a stock exchange release that the Finnish Forest Centre has selected Innofactor in a public procurement competition as the supplier of a case management application. The procurement includes the access rights to Innofactor's Dynasty product family's case management, archival and information management system, the delivery project, and support and maintenance. The total value of the procurement (excluding VAT) stated by the Finnish Forest Centre in the procurement decision for the four-year contract period is EUR 588,960. The customer also reserves an option for extending the service one year at a time.

On September 7, 2021, Innofactor issued a stock exchange release after Rimonne Baltic OÜ informed Innofactor Plc that its holdings of Innofactor's shares and voting rights fell below the 5% disclosure limit on September 6, 2021.

### Share and shareholders

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

During the period July 1–September 30, 2021, the highest price of the company's share was EUR 1.91 (2020: EUR 1.27), the lowest price was EUR 1.43 (2020: 0.9) and the average price was EUR 1.66 (2020: 1.15).

During the period January 1–September 30, 2021, the highest price of the company's share was EUR 2.07 (2020: 1.27), the lowest price was EUR 1.24 (2020: 0.51), and the average price was EUR 1.65 (2020: 0.92).

The closing price for the review period on September 30, 2021, was EUR 1.45 (2020: 1.19).

In public trading during the period of July 1–September 30, 2021, a total of 7,359,678 shares were traded (2020: 5,590,495), which corresponds to 19.7 percent (2020: 15.0%) of the average number of shares in the said period. During the period July 1–September 30, 2021, there were 37,388,225 shares on average (2020: 37,388,225). The share trading volume increased by 31.6 percent compared to the corresponding period in 2020.

In public trading during the period of January 1–September 30, 2021, a total of 22,767,409 shares were traded (2020: 14,741,435), which corresponds to 60.9 percent (2020: 39.4%) of the average number of shares in the said period. During the period January 1–September 30, 2021, there were

37,388,225 shares on average (2020: 37,388,225). The share trading volume increased by 54.4 percent compared to the corresponding period in 2020.

The market value of the share capital at the closing price of EUR 1.45 on September 30, 2021, was EUR 54,213 thousand (2020: 44,492), representing an increase of 21.8 percent.

On September 30, 2021, the company had a total of 12,206 shareholders (2020: 11,654), including nominee-registered shares.

### **Decisions of the Annual General Meeting**

On March 30, 2021, the Annual General Meeting decided, in accordance with the proposal of the Board of Directors that for the financial period of 2020 a dividend of EUR 0.02 per share and repayment of capital of EUR 0.02 per share to be paid. The dividend and repayment of capital were paid to shareholders who on the record date of the dividend payment and capital repayment on April 1, 2021 were recorded in the company's shareholders' register held by Euroclear Finland Oy. The dividend and repayment of capital were paid on April 12, 2021.

The Annual General Meeting of March 30, 2021, decided that the Board of Directors shall have four members. Mr. Sami Ensio, Ms. Anna Lindén and Mr. Risto Linturi and Mr. Heikki Nikku were re-elected as members to the Board of Directors. At the organizing meeting held 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, again as the auditor for the company, with Juha Hilmola as the main responsible auditor.

The Board of Directors has been given the following authorizations:

- Until June 30, 2022, to decide on a share issue and granting of special rights entitling to shares, concerning a maximum of 3,600,000 new shares (decided by the General Meeting of March 30, 2021); the authorization has not been used.
- Until June 30, 2022, to decide on a transfer of a maximum of 3,600,000 treasury shares (decided by the General Meeting of March 30, 2021); the authorization has not been used.
- Until the next Annual General Meeting, to distribute assets to shareholders as dividends or as repayment of capital totaling a maximum of EUR 1,639,529, which allows the distribution of assets up to a maximum of EUR 0.04 per share

At its meeting on October 4, 2021, the Board of Directors 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 800,000 shares, which corresponds to approximately 2.2% of the total number of shares. The maximum amount to be used for the acquisition of shares is EUR 1,600,000. The repurchase of shares will commence on October 5, 2021, at the earliest and will end at the latest on March 31, 2022, or at an earlier Annual General Meeting. 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 untied equity. The company had no treasury shares at the end of the review period.

### **Management of the company**

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

Innofactor has drawn up a separate Corporate Governance Statement for the financial period of 2020.

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/>

### **Related party transactions**

The company's managers considered to be related parties have EUR 104 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 0% at a minimum. The accrued interest is paid monthly to the company. The company does not have any other major related party transactions.

### **Market outlook and business environment**

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

There have been no significant changes in market outlook and business environment during the review period nor can any other significant changes be seen.

### **Short term risks and uncertainty factors**

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

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

### Acquisitions and changes in the Group structure

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

### Events after the review period

On October 5, 2021, Innofactor issued a stock exchange release announcing that, in its meeting on October 4, 2021, the Board of Directors 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 800,000 shares, which corresponds to approximately 2.2% of the total number of shares. The maximum amount to be used for the acquisition of shares is EUR 1,600,000. The decision was made on the basis of the authorization given by Innofactor Plc's Annual General Meeting on March 30, 2021, to acquire a maximum of 3,600,000 shares. The repurchase of shares will commence on October 5, 2021, at the earliest and will end at the latest on March 31, 2022, or at an earlier Annual General Meeting. Innofactor Plc has a total of 37,388,225 shares, none of which are currently in the company's possession. 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 untied equity.

Innofactor had no other significant events after the end of the review period.

Espoo, October 26, 2021

INNOFACTOR PLC

Board of Directors

Additional information:

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### Briefings concerning the Interim Report January 1–September 30, 2021

Innofactor will publish the Interim Report for January–September 2021 on Tuesday, October 26, 2021, at approximately 9:00 Finnish time.

A video conference in Finnish concerning the interim report will be held for media, investors and analysts on the same day at 10:00 Finnish time. The corresponding video conference in English will

be held at 12:00 Finnish time. The report will be presented by CEO Sami Ensio and CFO Markku Puolanne.

Please register for the conferences beforehand by sending email to [ir@innofactor.com](mailto:ir@innofactor.com). The link for participating will be sent to the registered persons on the previous day.

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

Distribution:  
NASDAQ Helsinki  
Main media  
[www.innofactor.fi](http://www.innofactor.fi)



## Financial statement summary and appendices January 1–September 30, 2021 (IFRS)

### Accounting policies

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

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

The interim report adheres to the same accounting policies and calculation methods as the last annual financial statement 2020. However, as of January 1, 2020, the Group has introduced the new or renewed IFRS standards and IFRIC interpretations published by IASB and mentioned in the accounting policies section of the financial report 2020. The principles for calculating the key figures and the calculation formulas have not been changed, and they have been presented in an appendix to this report.

In addition to the IFRS key figures, Innofactor publishes certain alternative key figures in order to present the financial development of the actual business operations and to improve comparisons between different periods. Acquisitions are a central part of Innofactor's strategy. Depreciations of intangible rights resulting from acquisitions vary greatly depending on how valuable the customer contracts and technology of the acquired company are estimated to be and also in what kind of schedule the resulting intangible rights will be depreciated. For this reason, the company's view is that instead of the operating profit, the primary measure for profitability should be the operating margin (EBITDA), because it is not affected by the said depreciations. In addition to the operating margin, the company also publishes the operative business results adjusted for the above-mentioned depreciations. Depreciations related to acquisitions, adjusted from the above-mentioned key figures, in the period January 1–September 30, 2021, were EUR 390 thousand (2020: 1,420).

Other alternative key figures used by Innofactor are order backlog, equity ratio, net gearing, return on investment, return on equity, and net sales per person. The equity ratio and net gearing have also been presented without the effect of the IFRS 16 standard in order to enable comparisons with earlier periods. The formulas for calculating the other alternative key figures are presented at the end of this report.

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

the Group. The figures of the statement have been rounded, so the sum of individual figures may differ from the sum presented.

The figures in this interim report have not been audited.

## Comprehensive consolidated profit and loss statement, IFRS

EUR thousand	Jul 1–Sep 30, 2021	Jul 1–Sep 30, 2020	Jan 1–Sep 30, 2021	Jan 1–Sep 30, 2020
Net sales	13,730	14,005	48,834	47,913
Other operating income	11	117	2,590	195
Materials (–)	-2,050	-1,384	-6,576	-4,511
Employee benefit expenses (–)	-8,600	-9,032	-31,995	-31,655
Depreciation (–)	-780	-1,162	-2,452	-3,482
Other operating expenses (–)	-1,395	-2,147	-4,404	-6,362
<b>Operating profit/loss</b>	<b>915</b>	<b>397</b>	<b>5,996</b>	<b>2,097</b>
Financial income	4	198	360	563
Financial expenses (–)	-163	-569	-957	-1,561
<b>Profit/loss before taxes</b>	<b>755</b>	<b>26</b>	<b>5,400</b>	<b>1,099</b>
Income taxes	-174	0	-1,193	405
<b>Profit/loss for the financial period</b>	<b>581</b>	<b>27</b>	<b>4,207</b>	<b>1,505</b>
<b>Distribution of the result</b>				
<b>To shareholders of the parent company</b>	<b>581</b>	<b>-33</b>	<b>4,207</b>	<b>1,445</b>
<b>To non-controlling interests</b>	<b>0</b>	<b>59</b>	<b>0</b>	<b>59</b>
Other comprehensive income				
Items that may be later recognized				
in profit or loss:				
Exchange differences	27	-52	58	-143
<b>Total comprehensive income</b>	<b>609</b>	<b>-26</b>	<b>4,265</b>	<b>1,362</b>
<b>Distribution of the comprehensive income</b>				
<b>To shareholders of the parent company</b>	<b>609</b>	<b>-85</b>	<b>4,265</b>	<b>1,302</b>
<b>To non-controlling interests</b>	<b>0</b>	<b>59</b>	<b>0</b>	<b>59</b>

**Consolidated balance sheet, IFRS**
**ASSETS**

EUR thousand	Sep 30, 2021	Sep 30, 2020	Dec 31, 2020
<b>Non-current assets</b>			
Tangible assets	491	454	473
Right-of-use assets	3,276	4,333	3,865
Goodwill	26,446	26,195	26,531
Other intangible assets	1,221	2,559	2,084
Shares and holdings	5	8	5
Receivables	162	330	245
Deferred tax assets	4,872	5,754	6,413
<b>Non-current assets</b>	<b>36,474</b>	<b>39,633</b>	<b>39,616</b>
<b>Current assets</b>			
Trade and other receivables	12,731	13,502	13,925
Cash and cash equivalents	1,947	3,194	3,066
<b>Current assets</b>	<b>14,678</b>	<b>16,696</b>	<b>16,991</b>
<b>TOTAL ASSETS</b>	<b>51,152</b>	<b>56,329</b>	<b>56,607</b>

**SHAREHOLDERS' EQUITY AND LIABILITIES**

<b>EUR thousand</b>	<b>Sep 30, 2021</b>	<b>Sep 30, 2020</b>	<b>Dec 31, 2020</b>
Share capital	2,100	2,100	2,100
Share premium reserve	72	72	72
Other reserves (+/-)	59	59	59
Fund for invested unrestricted equity	20,174	20,921	Retained earnings
Retained earnings	992	224	-22
Exchange differences	-1,390	-1,128	-1,448
Result for the financial period	4,207	1,505	1,761
<b>Equity attributable to the shareholders of the parent company</b>	<b>26,214</b>	<b>23,753</b>	<b>23,444</b>
Non-controlling interest	0	0	0
<b>Total shareholders' equity</b>	<b>26,214</b>	<b>23,753</b>	<b>23,444</b>
<b>Non-current liabilities</b>			
Loans from financial institutions	5,620	10,160	8,890
Lease liabilities	1,770	2,644	2,218
Deferred tax liabilities	1,486	506	1,824
<b>Long-term liabilities total</b>	<b>8,876</b>	<b>13,309</b>	<b>12,933</b>
<b>Current liabilities</b>			
Loans from financial institutions	1,873	1,270	2,540
Lease liabilities	1,603	1,775	1,738
Trade and other payables	12,587	16,222	15,953
<b>Current liabilities total</b>	<b>16,063</b>	<b>19,267</b>	<b>20,230</b>
<b>Total liabilities</b>	<b>24,938</b>	<b>32,576</b>	<b>33,163</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>51,152</b>	<b>56,329</b>	<b>56,607</b>

**Statement of change in shareholders' equity, IFRS**

EUR thousand	Share capital	Share premium reserve	Reserve fund	Fund for invested unrestricted equity	Own shares	Retained earnings	Exchange difference	Total	Non-controlling interest	Total shareholders' equity
<b>Shareholders' equity Jan 1, 2021</b>	2 100	72	59	20 921	0	1 739	-1 448	23 444	0	23 444
Comprehensive income										
Result for the financial period						4 207		4 207	0	4 207
Exchange differences							58	58		58
income						4 207	58	4 265	0	4 265
Dividends						-748				-748
Repayment of capital				-748						-748
<b>Shareholders' equity Sept 30, 2021</b>	2 100	72	59	20 174	0	5 199	-1 390	27 710	0	26 214

EUR thousand	Share capital	Share premium reserve	Reserve fund	Fund for invested unrestricted equity	Own shares	Retained earnings	Exchange difference	Total	Non-controlling interest	Total shareholders' equity
<b>Shareholders' equity Jan 1, 2020</b>	2 100	72	59	20 921	0	-22	-985	22 145	0	22 145
Comprehensive income										
Result for the financial period						1 445		1 445	59	1 505
Other changes						246		246	0	246
Other comprehensive income:						85		85	-85	0
Exchange differences							-143	-143	0	-143
income						1 776	-143	1 633	-25	1 608
<b>Shareholders' equity Sept 30, 2020</b>	2 100	72	59	20 921	0	1 754	-1 128	23 778	-25	23 753

**Consolidated Cash Flow Statement, IFRS**

EUR thousand	Jan 1–Sep 30, 2021	Jan 1–Sep 30, 2020
<b>Cash flow from operating activities</b>		
Operating profit	5,996	2,097
Adjustments:		
Depreciation	2,452	3,482
Other transactions with no related cash flow	-117	0
<b>Operating profit before change in working capital</b>	<b>8,332</b>	<b>5,579</b>
Change in trade and other receivables (+/–)	1,142	343
Change in trade and other payables (+/–)	-2,966	-168
Other adjustments	0	-410
<b>Change in working capital</b>	<b>-1,824</b>	<b>-235</b>
<b>Cash flow from operating activities before financing and income taxes paid</b>	<b>6,508</b>	<b>5,344</b>
Interest received	6	29
Interest paid (–)	-332	-501
Taxes paid	0	0
<b>Net cash flow from operating activities</b>	<b>6,182</b>	<b>4,873</b>
<b>Investment cash flow</b>		
Acquisition of subsidiaries	0	0
Investments in intangible and tangible assets (–)	-262	-473
Receivables from sales	-400	0
Loan receivables repaid	135	305
Shares and holdings	0	0
<b>Net cash flow from investments</b>	<b>-527</b>	<b>-168</b>
<b>Cash flow from financing</b>		
Loans withdrawn	0	7,083
Loans paid	-3,937	-8,055
Lease liability payments	-1,342	-1,501
Payment of dividend and capital repayment	-1,496	0
<b>Net cash flow from financing</b>	<b>-6,774</b>	<b>-2,474</b>
<b>Change in cash and cash equivalents (+/–)</b>	<b>-1,119</b>	<b>2,230</b>
Cash and cash equivalents, opening balance	3,066	963
Cash and cash equivalents, closing balance	1,947	3,194

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

EUR thousand	Jan 1– Mar 31, 2021	Apr 1– Jun 30, 2021	Jul 1–Sep 30, 2021	Jan 1–Mar 31, 2020	Apr 1–Jun 30, 2020	Jul 1–Sep 30, 2020	Oct 1–Dec 31, 2020
<b>Net sales</b>	<b>17,807</b>	<b>17,296</b>	<b>13,730</b>	<b>17,152</b>	<b>16,755</b>	<b>14,005</b>	<b>18,252</b>
Other operating income	2,569	10	11	5	73	117	87
Materials (–)	-2,233	-2,292	-2,050	-1,463	-1,664	-1,384	-1,703
Employee benefit expenses (–)	-12,008	-11,387	-8,600	-11,395	-11,229	-9,032	-11,895
Depreciation (–)	-848	-824	-780	-1,141	-1,179	-1,162	-1,181
Other operating expenses (–)	-1,477	-1,532	-1,395	-2,342	-1,873	-2,147	-3,156
<b>Operating profit/loss</b>	<b>3,809</b>	<b>1,272</b>	<b>915</b>	<b>816</b>	<b>884</b>	<b>397</b>	<b>404</b>
Financial income	13	344	4	92	273	198	766
Financial expenses (–)	-465	-329	-163	-1,032	39	-569	-219
<b>Profit/loss before taxes</b>	<b>3,357</b>	<b>1,287</b>	<b>755</b>	<b>-123</b>	<b>1,196</b>	<b>26</b>	<b>951</b>
Income taxes	-721	-298	-174	327	78	0	-694
<b>Profit/loss for the financial period</b>	<b>2,637</b>	<b>989</b>	<b>581</b>	<b>204</b>	<b>1,274</b>	<b>27</b>	<b>257</b>
EBITDA	4,657	2,096	1,695	1,957	2,063	1,559	1,585



## The Group's commitments and contingent liabilities

EUR thousand	Sep 30, 2021	Sep 30, 2021
<b>Collateral given for own commitments</b>		
Lease collateral	121	20
Mortgages on company assets	17,006	16,526
Bank guarantees	296	296
<b>Other own liabilities</b>		
Lease liabilities		
Current lease liabilities	11	15
Lease liabilities maturing in 1–5 years	1	8
<b>Total</b>	<b>12</b>	<b>23</b>
<b>Lease liabilities</b>		
Current lease liabilities	0	0
Lease liabilities maturing in 1–5 years	0	<b>Total</b>
<b>Total</b>	<b>0</b>	<b>0</b>
<b>Other own liabilities total</b>	<b>12</b>	<b>23</b>

**Largest shareholders**

According to the share register maintained by Euroclear Finland Oy, the share ownership of the 20 largest Innofactor Plc shareowners at the end of the review period on September 30, 2021, was as follows.

Name	Number of shares	% of share capital
1. Ensio Sami	7,886,142	21.10%
<i>Ensio Sami</i>	<i>5,712,382</i>	<i>15.28%</i>
<i>Minor under guardianship</i>	<i>724,588</i>	<i>1.94%</i>
<i>Minor under guardianship</i>	<i>724,586</i>	<i>1.94%</i>
<i>Minor under guardianship</i>	<i>724,586</i>	<i>1.94%</i>
Ilmarinen Mutual Pension Insurance Company	1,800,000	4.81%
2. Linturi Kaija and Risto	1,256,411	3.36%
<i>R. Linturi Oyj</i>	<i>489,107</i>	<i>1.31%</i>
<i>Linturi Kaija Anneli</i>	<i>430,000</i>	<i>1.15%</i>
<i>Linturi Risto Erkki Olavi</i>	<i>337,304</i>	<i>0.90%</i>
4. Laiho Rami Tapani	1,158,694	3.10%
5. Hallikainen Jyrki	1,000,000	2.67%
6. Ärje Matias Juhanpoika	868,641	2.32%
7. Mäki Antti-Jussi	613,725	1.64%
8. Tilman Tuomo Tapani	563,538	1.51%
9. Hellen Stefan Andreas	486,000	1.30%
10. Ingman Finance Oy Ab	450,000	1.20%
11. Muukkonen Teemu Heikki	420,357	1.12%
12. Järvenpää Janne-Olli	289,586	0.77%
13. Rausanne Oy	270,000	0.72%
14. Kukkonen Heikki-Harri	243,606	0.65%
15. Laiho Jari Olavi	210,000	0.56%
16. Puolakka Petri Yrjö Emil	202,511	0.54%
17. Kannisto Jaakko Mikael	174,801	0.47%
18. Mäkinen Antti Vilho Juhani	164,000	0.44%
19. Heikki Tervonen Oy	153,000	0.41%
20. Mandatum Life Insurance Company Limited	139,939	0.37%
Total	18,350,951	49.06%

**Formulas for calculating the key figures**

**Operating margin (EBITDA):**

Operating profit/loss - Depreciations

**Order backlog:**

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

**Net sales/employee:**

Net sales

Active personnel on average during the review period

**Percentage of return on equity:**

Profit/loss for the financial period

Shareholders' equity

**Percentage of return on investment:**

Profit or loss before taxes + Interest and other financial expenses

Shareholders' equity + Interest bearing financial liabilities

**Net gearing:**

Interest bearing liabilities - Cash funds

Shareholders' equity

**Equity ratio, (%):**

Shareholders' equity

Balance sheet total - Received advances

**Result/share:**

Profit before taxes attributable to equity holders of the parent - Taxes

Average number of shares on the financial period adjusted after the share issue