

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

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

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

April–June 2024 in brief:

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

January–June 2024 in brief:

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

Key figures of the group, IFRS

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

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

Innofactor's future outlook for 2024

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

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

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

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

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

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

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

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

Strategy and its realization in the review period

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

Our purpose: Innovating to make the world work better

Our mission: Driving the modern digital organization

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

Our strategic choices:

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

Our values:

- Accountability
- Empowerment
- Innovation
- Customer

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

Employer Value Proposition: Be the real you

Our long-term financial goals:

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

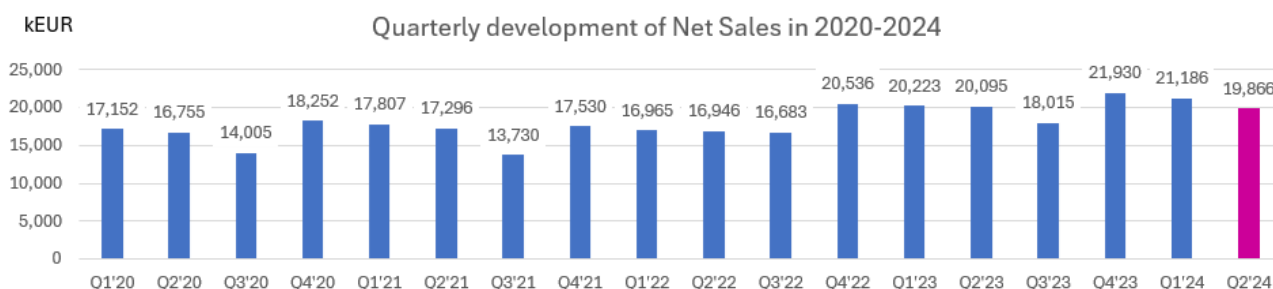
Innofactor's net sales in the first half of the year amounted to EUR 41.1 million (2023: 40.3), representing year-on-year growth of 1.8 percent. The prevailing weak market situation makes the

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

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

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

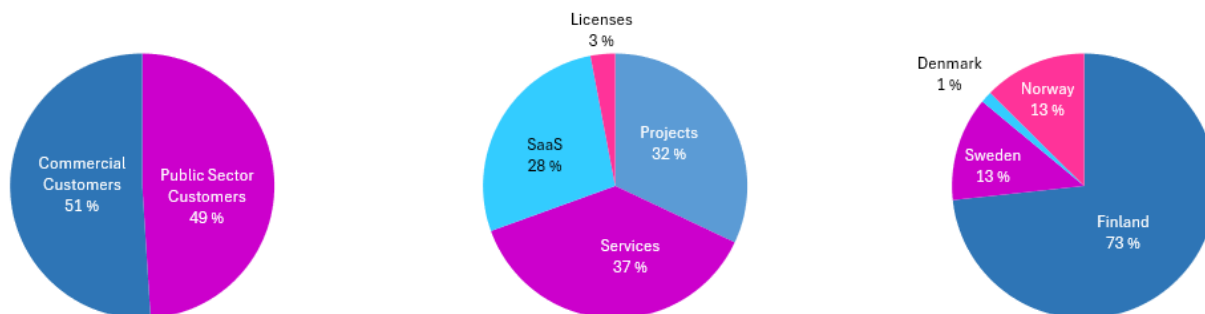
Innofactor’s Q2 net sales decreased year-on-year



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

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

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



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

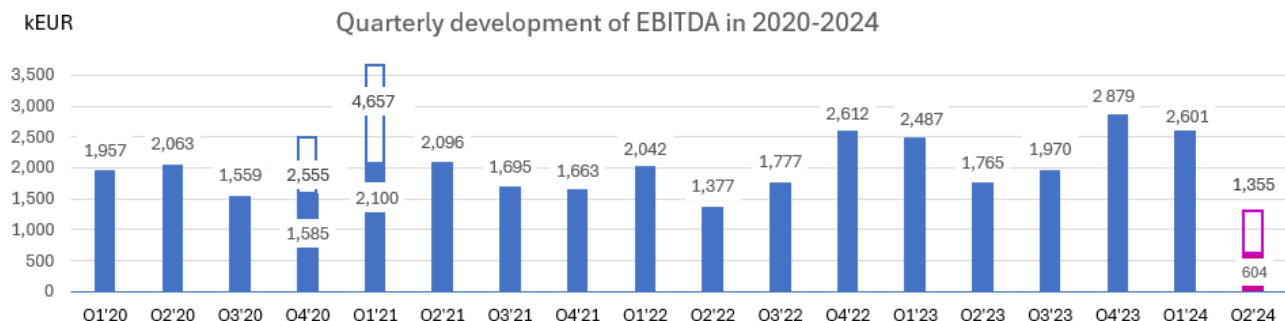
During the period January 1–June 30, 2024, approximately 51 percent of the net sales came from commercial customers (including third-sector customers) and approximately 49 percent came from public sector customers.

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

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

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

Innofactor’s operating margin decreased year-on-year



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

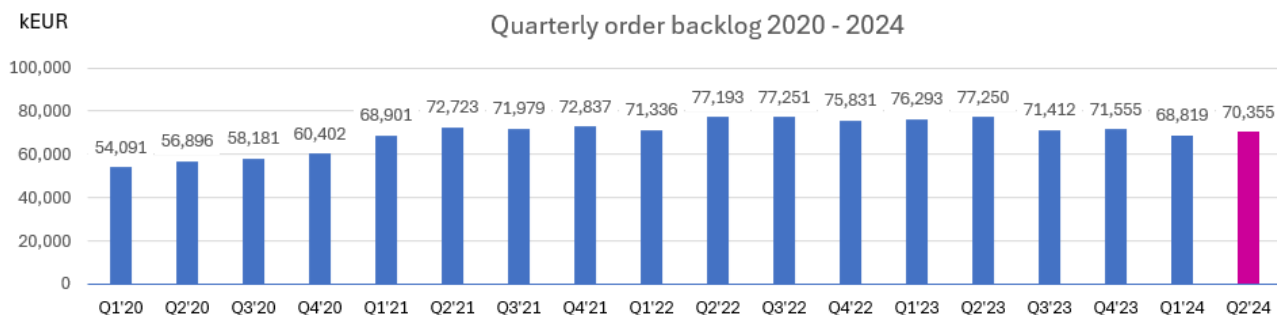
Innofactor’s operating margin (EBITDA) for January 1–June 30, 2024, was EUR 3,204 thousand (2023: 4,252), representing a decrease of 24.6 percent. EBITDA was 7.8 percent of net sales (2023: 10.5%). Innofactor’s operating margin was positive in Finland and Norway, and negative in Sweden and Denmark. The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

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

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

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

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



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

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

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

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

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

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

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

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

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

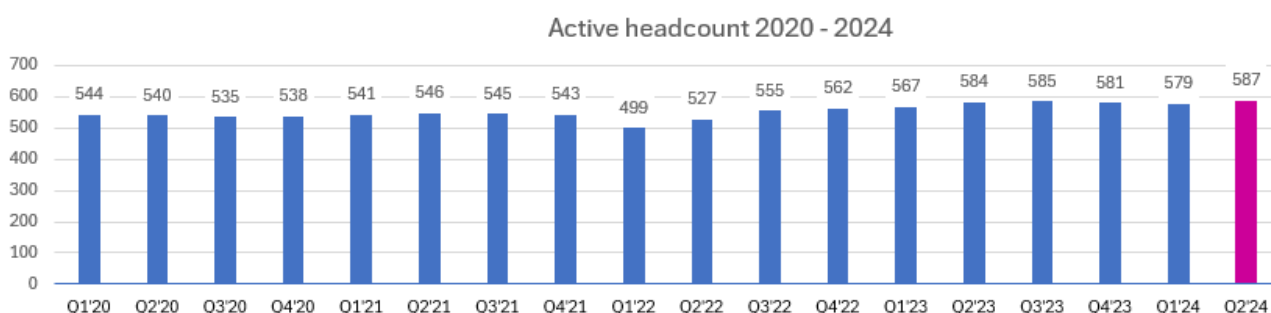
Innofactor’s gross investments in tangible and intangible assets during the review period of January 1–June 30, 2024, came to EUR 270 thousand (2023: 273), consisting of normal additional and replacement investments required by growth.

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

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

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

Innofactor’s number of personnel increased slightly



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

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

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

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

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

Growth was achieved in Digital Services and Information and Case Management

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

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

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

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

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

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

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

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

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

Other events in the review period

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

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

Shareholders

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

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

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

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

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

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

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

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

Decisions of the Annual General Meeting

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

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

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

The Board of Directors has been given the following authorizations:

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

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

Management of the company

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

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

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

Related party transactions

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

Market outlook and business environment

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

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

Short term risks and uncertainty factors

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

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

Acquisitions and changes in the Group structure

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

Events after the review period

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

Espoo, July 17, 2024

INNOFACTOR PLC

Board of Directors

Additional information:

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

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

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

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

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

Distribution:

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

Accounting policies

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

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

The interim report adheres to the same accounting policies and calculation methods as the last annual financial statement 2023. However, as of January 1, 2024, the Group has introduced the new or renewed IFRS standards and IFRIC interpretations published by IASB and mentioned in the accounting policies section of the financial report 2023. The principles for calculating the key figures and the calculation formulas have not been changed, and they have been presented in an appendix to this report.

In addition to the IFRS key figures, Innofactor publishes certain alternative key figures in order to present the financial development of the actual business operations and to improve comparisons between different periods, such as equity ratio, net gearing, return on investment, return on equity, and net sales per person. The formulas for calculating the other alternative key figures are presented at the end of this report.

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

Translation differences

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

The figures in this interim report have not been audited.

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

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

Consolidated balance sheet, IFRS
ASSETS

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

SHAREHOLDERS' EQUITY AND LIABILITIES

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

Statement of change in shareholders' equity, IFRS

EUR thousand	Share capital	Share premium reserve	Reserve fund	Fund for invested unrestricted equity	Own shares	Retained earnings	Exchange differences	Total shareholders' equity
Shareholders' equity Jan 1, 2024	2,100	72	59	15,069	-2,119	12,252	-1,950	25,483
Comprehensive income								
Result for the financial period						1,034		1,034
Other comprehensive income:								
Translation differences							-122	-122
Total comprehensive income						1,033	-122	911
Repayment of capital				-1,963				-1,963
Change in treasury shares								0
Shareholders' equity Jun 30, 2024	2,100	72	59	13,106	-2,119	13,286	-2,073	24,431

EUR thousand	Share capital	Share premium reserve	Reserve fund	Fund for invested unrestricted equity	Own shares	Retained earnings	Exchange differences	Total shareholders' equity
Shareholders' equity Jan 1, 2023	2,100	72	59	17,247	-1,592	8,815	-1,902	24,799
Comprehensive income								
Result for the financial period						1,496		1,496
Other changes						-6		-6
Other comprehensive income:								
Translation differences							-361	-361
Total comprehensive income						1,489	-361	1,128
Repayment of capital				-2,177				-2,177
Change in treasury shares					111			111
Shareholders' equity Jun 30, 2023	2,100	72	59	15,069	-1,481	10,304	-2,262	23,861

Consolidated cash flow statement, IFRS

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

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

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

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

Fair Values of Financial Assets and Liabilities

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

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

The Group's commitments and contingent liabilities

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

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

Largest shareholders

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

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

Formulas for calculating the key figures

Operating margin (EBITDA):

Operating profit/loss - Depreciations

Order backlog:

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

Framework agreement backlog:

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

Net sales/employee:

Net sales

Active personnel on average during the review period

Percentage of return on equity:

Profit/loss for the financial period

Shareholders' equity

Percentage of return on investment:

Profit or loss before taxes + Interest and other financial expenses

Shareholders' equity + Interest bearing financial liabilities

Net gearing:

Interest bearing liabilities - Cash funds

Shareholders' equity

Equity ratio, (%):

Shareholders' equity

Balance sheet total - Received advances

Result/share:

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

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