

Innofactor Plc Half-Yearly Report July 22, 2021, at 9:00 Finnish time

## **Innofactor Plc's Half-Yearly Report for January 1–June 30, 2021 (IFRS)**

**Innofactor achieved the best second quarter net sales and EBITDA in its history, as well as the highest order backlog ever**

April–June 2021 in brief:

- The net sales were approximately EUR 17.3 million (2020: 16.8), which shows an increase of 3.2%
  - Excluding the Prime business sold on March 31, 2021, the comparable growth was 7.6%, which was entirely organic growth
- The operating margin was approximately EUR 2.1 million (2020: 2.1), which shows an increase of 1.6%
- The operating profit was EUR 1.3 million (2020: 0.9), which shows an increase of 43.8%
- The order backlog at the end of the review period was EUR 72.7 million (2020: 56.9), which shows an increase of 27.8%
- Innofactor received several significant orders in the second quarter, for example,
  - Case and document management services for the joint municipal authority for the county of Ostrobothnia, approximately EUR 0.9 million
  - A case management solution for six universities, approximately EUR 0.9 million (not yet in the order backlog at the end of the review period)
  - Case management solution for the Finnish Forest Centre, approximately EUR 0.6 million

January–June 2021 in brief:

- The net sales were approximately EUR 35.1 million (2020: 33.9), which shows an increase of 3.5%
  - Excluding the Prime business sold on March 31, 2021, the comparable growth as of April 1, 2021 was 5.6%, which was entirely organic growth
- The operating margin was approximately EUR 6.8 million (2020: 4.0), which shows an increase of 68.0%
  - 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 4.2 million (2020: 4.0), which shows an increase of 4.4%
- The operating profit was EUR 5.1 million (2020: 1.7), which shows an increase of 198.8%

- The operating profit includes a corresponding sales gain as the operating margin, without which the operating profit would have been approximately EUR 2.5 million (2020: 1.7), which shows an increase of 48.5%

**Key figures of the group, IFRS**

	Apr 1–Jun 30, 2021	Apr 1–Jun 30, 2020	Change	Jan 1–Jun 30, 2021	Jan 1–Jun 30, 2020	Change
Net sales, EUR thousand	17,296	16,755	3.2%	35,103	33,907	3.5%
Growth of net sales	3.2%	3.8%		3.5%	3.4%	
Operating result before depreciation and amortization (EBITDA), EUR thousand	2,096	2,063	1.6%	6,753	4,020	68.0%
percentage of net sales	12.1%	12.3%		19.2%	11.9%	
Operating profit/loss (EBIT), EUR thousand*	1,272	884	43.8%	5,081	1,700	198.8%
percentage of net sales*	7.4%	5.3%		14.5%	5.0%	
Earnings before taxes, EUR thousand*	1,287	1,196	7.6%	4,644	1,073	332.9%
percentage of net sales*	7.4%	7.1%		13.2%	3.2%	
Earnings, EUR thousand*	989	1,274	-22.4%	3,626	1,478	145.3%
percentage of net sales*	5.7%	7.6%		10.3%	4.4%	
Order backlog	72,723	56,896	27.8%	72,723	56,896	27.8%
Net gearing	30.5%	69.2%		30.5%	69.2%	
Net gearing without IFRS 16	16.8%	48.7%		16.8%	48.7%	
Equity ratio	49.9%	41.3%		49.9%	41.3%	
Equity ratio without IFRS 16	53.6%	45.2%		53.6%	45.2%	
Active personnel on average during the review period**	524	546	-4.0%	529	549	-3.6%
Active personnel at the end of the review period**	526	548	-4.0%	526	548	-4.0%
Earnings per share (EUR)	0.0265	0.0341	-22.4%	0.0970	0.0395	145.3%

\*) In accordance with IFRS 3, the operating result for April 1–June 30, 2021, includes EUR 139 thousand (2020: 473) and for January 1–Jun 30, 2021, EUR 277 thousand (2020: 947) 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 continued to perform consistently during Q2 and repaid a large share of its debts to financial institutions prematurely from its cash assets**

The net sales in the second quarter of 2021 were EUR 17.3 million, which shows an increase of 3.2 percent compared to the previous year. Excluding the Prime business sold on March 31, 2021, the comparable growth was 7.6% in the second quarter, which was entirely organic growth. The net sales grew in all countries. The operating margin (EBITDA) grew by 1.6 percent from the previous year and was EUR 2.1 million (12.1 percent of the net sales). EBITDA was positive in Finland, Norway and Denmark. In the second quarter, the order backlog once again grew to a record-breaking amount and was EUR 72.7 million at the end of the quarter, which shows an increase of 27.8 percent compared to the corresponding time in the previous year.

The net sales in the first half of 2021 were EUR 35.1 million, which shows an increase of 3.5 percent compared to the previous year. Excluding the Prime business sold on March 31, 2021, the comparable growth as of April 1, 2021 was 5.6%, which was entirely organic growth. The operating margin (EBITDA) grew by 68.0 percent from the previous year and was EUR 6.8 million (19.2 percent of the net sales), of which the sale of the Prime business during the first quarter accounted for approximately EUR 2.6 million.

Innofactor prematurely repaid approximately EUR 2.7 million of its loans to financial institutions using its cash assets. Together with normal loan repayments, this will significantly reduce Innofactor's annual financial expenses. Innofactor's equity ratio increased to 49.9 percent (53.6% excluding the effects of IFRS16) and net gearing decreased to 30.5 percent (16.8% cent excluding the effects of IFRS16). The strengthened financial position will provide the company with additional room for maneuver in the restructuring of the industry.

The COVID-19 pandemic is not expected to cause significant harm to Innofactor's business in 2021. However, the prolonged epidemic has affected people's coping, which is why the summer holiday season has been sorely needed. The turnover of personnel was also higher than usual in the entire industry during the first half of the year, including at Innofactor, which has an impact on costs, among other things. Innofactor has defined a new hybrid working model for the post-COVID-19 period, based significantly on the ability of employees to choose between office and remote work. The new hybrid working model will be adopted without delay after the summer, once the COVID-19 situation allows.

In the long term, we believe that the digital step the society is taking due to the COVID-19 pandemic will increase Innofactor's possibilities to grow its business. The abilities of a modern digital organization will be even more important for our customers in the future. It is also possible that some of our customers will transfer some of their operations back to the Nordic countries in order to be closer to their customers. This would have a favorable effect as regards the business model of Innofactor's chosen strategy based on Nordic specialists. We also believe that Microsoft's position has strengthened during the COVID-19 pandemic. We are confident in our chances of increasing our market share.

Innofactor's goal is to accelerate our growth further. We will update our strategy in this regard during the summer and expect to publish it at the end of August.

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:

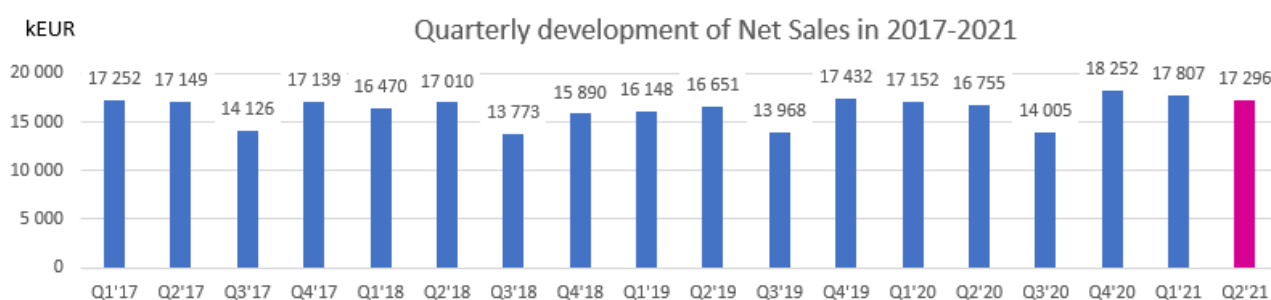
- To achieve annual growth of about 20 percent, majority of which is intended to be achieved by organic growth
- To achieve about 20 percent EBITDA in relation to the net sales
- To keep the cash flow positive and secure good financial standing in all situations.

Innofactor’s net sales in the first half of the year were EUR 35.1 million (2020: 33.9), which shows an increase of 3.5 percent compared to the previous year. Excluding the Prime business sold on March 31, 2021, the comparable growth as of April 1, 2021 was 5.6%, which was entirely organic growth. During the first half of the year, Finland, Norway and Denmark accounted for the growth, and in the second quarter all countries saw growth. The strategic goal of getting the net sales to grow is also supported by the record-breaking order backlog of EUR 72.7 million (2020: 56.9). In 2021, Innofactor will pay special attention to the management of growth, sales, expertise and resourcing, in connection with which we have revised our organization, among other measures, with Martin Söderlind starting in the new Chief Innovation and Talent Officer role in April 2021. In our strategy to be revised in August, we will focus particularly on supporting the acceleration of growth.

The operating margin (EBITDA) grew in the review period by 68.0 percent from the previous year and was EUR 6.8 million (19.2 percent of the net sales). Without the divestment of the Prime business, the operating margin would have grown by 4.4 percent in the review period and would have been EUR 4.2 million (12.0 percent of the net sales). As regards profitability (excluding the Prime divestment), Innofactor was able to improve its performance slightly, but some effort is still needed in order to reach the long-term goal of approximately 20 percent.

Innofactor’s operating cash flow in the review period of January 1–June 30, 2021, was EUR 6.9 million (2020: EUR 6.3 million) and the equity ratio at the end of the review period was 49.9 percent (2020: 41.3 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.

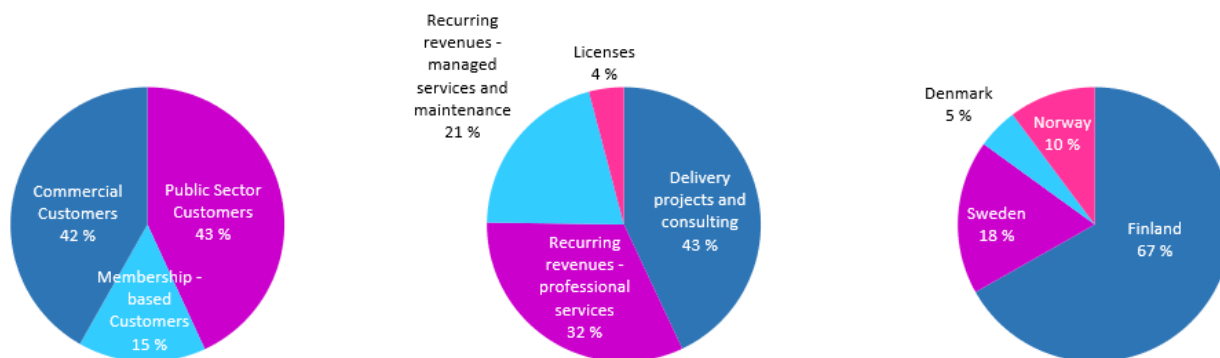
**Innofactor's net sales grew from the comparison period, although the Prime business was no longer included in the figures – the growth of net sales per active employee was particularly strong**



Innofactor’s net sales in April 1–June 30, 2021, were EUR 17,296 thousand (2020: 16,755), which shows an increase of 3.2 percent. Excluding the Prime business sold on March 31, 2021, the comparable growth was 7.6%, which was entirely organic growth. The net sales per active

employee were approximately EUR 33.0 thousand (2020: 30.7), which shows an increase of 7.6 percent.

Innofactor’s net sales in January 1–June 30, 2021, were EUR 35,103 thousand (2020: 33,907), which shows an increase of 3.5 percent. Excluding the Prime business sold on March 31, 2021, the comparable growth as of April 1, 2021 was 5.6%, which was entirely organic growth. The net sales per active employee were approximately EUR 66.4 thousand (2020: 61.8), which shows an increase of 7.4 percent. We focus on continuing to increase the net sales per active employee.



Innofactor's business operations were focused on Finland, Sweden, Denmark, and Norway. In January 1–June 30, 2021, approximately 67 percent of the net sales came from Finland, approximately 18 percent from Sweden, approximately 10 percent from Norway, and approximately 5 percent from Denmark. The net sales grew in all countries in the second quarter.

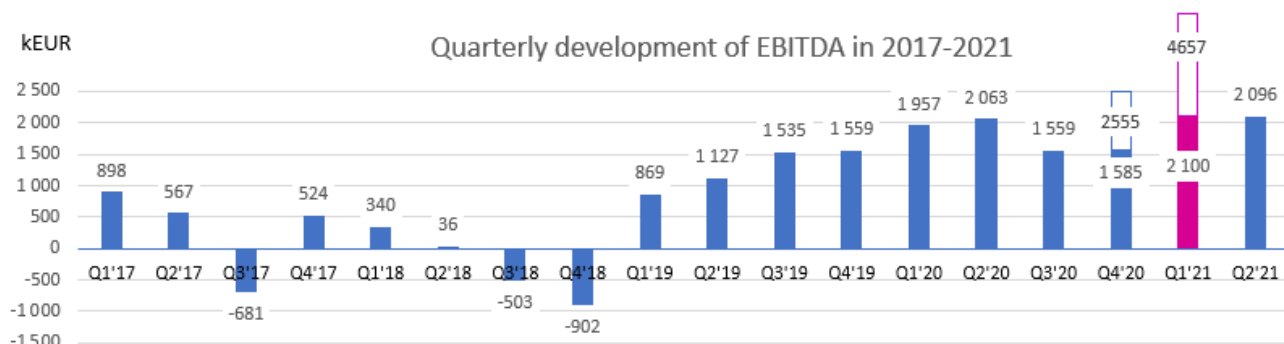
Of the net sales in January 1–June 30, 2021, approximately 42 percent came from commercial clients, approximately 43 percent from public sector clients, and approximately 15 percent from third sector clients. The decrease in the share of third sector clients is due to the impact of the Prime business divested on March 31, 2021.

Innofactor's net sales in the review period of January 1–June 30, 2021, came from the following sources:

- approximately 43 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 21 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 4 percent of the net sales

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

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



Innofactor’s operating margin (EBITDA) in April 1–June 30, 2021, was EUR 2,096 thousand (2020: 2,063), which shows an increase of 1.6 percent. EBITDA accounted for 12.1 percent of the net sales (2020: 12.3%). Innofactor’s operating margin was positive in Finland, Norway and Denmark, and slightly negative in Sweden.

Innofactor’s operating margin (EBITDA) in January 1–June 30, 2021, was EUR 6,753 thousand (2020: 4,020), which shows an increase of 68.0 percent. EBITDA accounted for 19.2 percent of the net sales (2020: 11.9%). 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 4,196 thousand (12.0% of the net sales, growth of 4.4%).

Innofactor’s operating profit in April 1–June 30, 2021, was EUR 1,272 thousand (2020: 884), which shows an increase of 43.8 percent. Operating profit accounted for 7.4 percent of the net sales (2020: 5.3%).

Innofactor’s operating profit in January 1–June 30, 2021, was EUR 5,081 thousand (2020: 1,700), which shows an increase of 199 percent. Operating profit accounted for 14.5 percent of the net sales (2020: 5.0%).

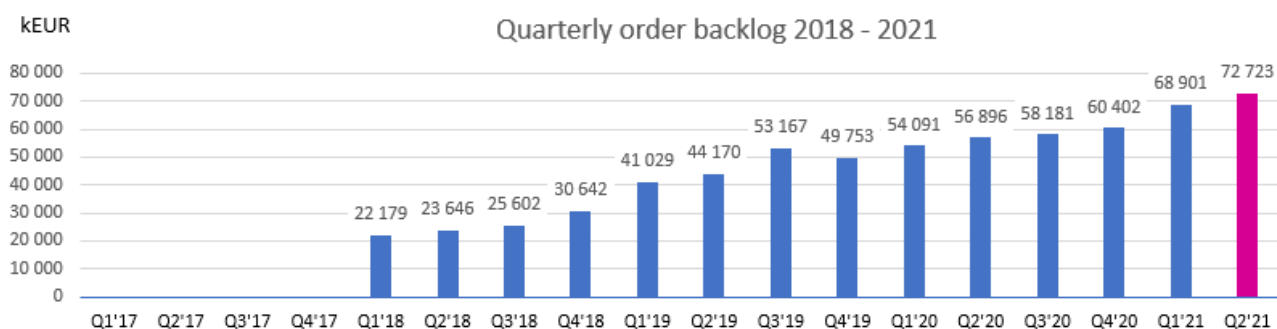
Acquisitions have been a central part of Innofactor’s strategy. Depreciations of intangible rights resulting from acquisitions vary greatly depending on how valuable the customer contracts and technology of the acquired company are estimated to be and also in what kind of schedule the resulting intangible 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 April 1–June 30, 2021, includes EUR 139 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 review period of April 1–June 30, 2021 would have been EUR 1,411 thousand (2020: 1,358), which shows an increase of 3.9 percent, and the operating profit



accounted for 8.2 percent of the net sales (2020: 8.1%). Adjusted for the said depreciation, Innofactor’s operative business profit for the review period of January 1–June 30, 2021 would have been EUR 4,804 thousand (2020: 2,674), which shows an increase of 81.5 percent, and the operating profit would have accounted for 13.7 percent of the net sales (2020: 11.9%).

**Innofactor’s order backlog grew again, making an all-time record**



Innofactor's order backlog at the end of the review period was EUR 72,723 thousand (2020: 56,896), which shows an increase of 27.8 percent. The order backlog increased due to the the Finnish Institute of Occupational Health’s enterprise resource planning system, approximately EUR 1.6 million, Metsähallitus’ case management system, approximately EUR 0.7 million, the joint municipal authority for the county of Ostrobothnia’s case and document management services, approximately EUR 0.9 million, and the Finnish Forest Centre’s case management application, approximately EUR 0.6 million.

**Innofactor's equity ratio increased to 49.9 percent in the review period and net gearing decreased to 30.5 percent**

Innofactor's balance sheet total at the end of the review period was EUR 53,574 thousand (2020: 60,131). The Group's liquid assets totaled EUR 3,203 thousand (2020: 5,322), consisting totally of cash funds.

The operating cash flow in the review period of January 1–June 30, 2021 was EUR 6,935 thousand (2020: 6,319). The investment cash flow was EUR -459 thousand (2020: -80).

The equity ratio at the end of the review period was 49.9 percent (2020: 41.3%) and net gearing was 30.5 percent (2020: 69.2%). In the review period, Innofactor repaid EUR 2.7 million of its loans to financial institutions prematurely.

At the end of the review period, the company had EUR 1,873 thousand in current interest bearing liabilities to financial institutions (2020: 1,423) 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: 11,583). The company had lease liabilities in accordance with IFRS 16 (leases for the duration of fixed-term leases) EUR 3,516 thousand (2020: 4,877) of which EUR 1,627 thousand in current leases (2020: 1,825) and EUR 1,889 thousand in non-current leases (2020: 3,053). The total amount of interest bearing liabilities was EUR 11,010 thousand (2020: 16,461).

The return on investment in January 1–June 30, 2021, improved from the previous year and was 15.9 percent (2020: 3.3%). The return on equity in January 1–June 30, 2021, improved from the previous year and was 14.7 percent (2020: 5.6%).

The non-current assets in Innofactor's balance sheet at the end of the review period were EUR 37,471 thousand in total.

Innofactor's gross investments in tangible and intangible assets in the review period of January 1–June 30, 2021, were EUR 191 thousand (2020: 315), 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 April 1–June 30, 2021, were approximately EUR 721 thousand (2020: 866), which accounts for 4.2 percent of the net sales (2020: 5.6%). The sale of the Prime business on March 31, 2021, contributed to the decrease in research and product development investments to some extent.

**Innofactor's number of personnel decreased from the comparison period, which was particularly due to the Prime divestment**

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

The average number of active personnel in April 1–June 30, 2021, was 524 persons (2020: 546), which shows a decrease of 4.0 percent. At the end of review period, the number of active personnel was 526 (2020: 548), which shows a decrease of 4.0 percent. The sale of the Prime business on March 31, 2021, which involved the transfer of 14 employees from Innofactor, had a particular impact on the decrease in the number of employees.

At the end of the review period, the average age among personnel was 42.1 years (2020: 41.2). 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 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.

### **Share and shareowners**

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

In April 1–June 30, 2021, the highest price of the company share was EUR 2.07 (2020: EUR 0.96), the lowest price was EUR 1.65 (2020: 0.60), and the average price was EUR 1.81 (2020: 0.83).

In January 1–June 30, 2021, the highest price of the company share was EUR 2.07 (2020: 0.96), the lowest price was EUR 1.24 (2020: 0.51), and the average price was EUR 1.64 (2020: 0.77).

The closing price for the review period on June 30, 2021, was EUR 1.75 (2020: 0.90).

In public trading in April 1–June 30, 2021, a total of 5,311,709 shares were traded (2020: 3,741,256), which corresponds to 14.2 percent (2020: 10.0%) of the average number of shares in the said period. In April 1–June 30, 2021, there were 37,388,225 shares on the average (2020: 37,388,225). The share trading increased by 42.0 percent compared to the corresponding period in 2020.

In public trading in January 1–June 30, 2021, a total of 15,407,731 shares were traded (2020: 9,150,940), which corresponds to 41.2 percent (2020: 24.5%) of the average number of shares in the said period. In January 1–June 30, 2021, there were 37,388,225 shares on the average (2020: 37,388,225). The share trading increased by 68.4 percent compared to the corresponding period in 2020.

The market value of the share capital at the closing price of EUR 1.75, on June 30, 2021, was EUR 65,429 thousand (2020: 33,649), which shows an increase of 94.4 percent.

On June 30, 2021, the company had a total of 12,018 shareholders (2020: 11,121), 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 the end of the review period, the company had no treasury shares.

### **Management of the company**

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

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 92 thousand of 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 at the minimum 0%. 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

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

Espoo, July 22, 2021

INNOFACTOR PLC

Board of Directors

Additional information:

CEO Sami Ensio, Innofactor Plc

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### Briefings concerning the half-yearly report January 1–June 30, 2021

Innofactor will publish the half-yearly report for January–June 2021 on Thursday, July 22, 2021, at around 9:00 Finnish time.

A video conference in Finnish concerning the half-yearly 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.com](http://www.innofactor.com)



## Financial statement summary and appendixes January 1–June 30, 2021 (IFRS)

### Accounting policies

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

This half-yearly report has been drafted in accordance with the IAS 34 Interim Financial Reporting standard.

The half-yearly report adheres to the same accounting policies and calculation methods as the last annual financial statement 2020. However, as of January 1, 2021, 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–June 30, 2021, were EUR 277 thousand (2020: 947).

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 half-yearly report have not been audited.

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

EUR thousand	Apr 1–Jun 30, 2021	Apr 1–Jun 30, 2020	Jan 1–Jun 30, 2021	Jan 1–Jun 30, 2020
Net sales	17,296	16,755	35,103	33,907
Other operating income	10	73	2,579	78
Materials (–)	-2,292	-1,664	-4,525	-3,127
Employee benefit expenses (–)	-11,387	-11,229	-23,395	-22,624
Depreciation (–)	-824	-1,179	-1,672	-2,320
Other operating expenses (–)	-1,532	-1,873	-3,009	-4,215
<b>Operating profit/loss</b>	<b>1,272</b>	<b>884</b>	<b>5,081</b>	<b>1,700</b>
Financial income	344	273	357	365
Financial expenses (–)	-329	39	-793	-992
<b>Profit/loss before taxes</b>	<b>1,287</b>	<b>1,196</b>	<b>4,644</b>	<b>1,073</b>
Income taxes	-298	78	-1,019	405
<b>Profit/loss for the financial period</b>	<b>989</b>	<b>1,274</b>	<b>3,626</b>	<b>1,478</b>
<b>Distribution of the result</b>				
<b>To shareholders of the parent company</b>	<b>989</b>	<b>1,219</b>	<b>3,626</b>	<b>1,422</b>
<b>To owners with no control</b>	<b>0</b>	<b>56</b>	<b>0</b>	<b>56</b>
Other comprehensive income				
Items that may be later recognized				
in profit or loss:				
Exchange differences	-106	-403	31	-91
<b>Total comprehensive income</b>	<b>883</b>	<b>872</b>	<b>3,656</b>	<b>1,387</b>
<b>Distribution of the comprehensive income</b>				
<b>To shareholders of the parent company</b>	<b>883</b>	<b>816</b>	<b>3,656</b>	<b>1,331</b>
<b>To owners with no control</b>	<b>0</b>	<b>56</b>	<b>0</b>	<b>56</b>

Earnings per share calculated from the profit attributable to equity holders of the parent:

basic earnings per share (EUR)	0.0265	0.0326	0.0970	0.0386
diluted earnings per share (EUR)	0.0265	0.0326	0.0970	0.0386

**Consolidated Balance Sheet, IFRS**
**ASSETS**

EUR thousand	Jun 30, 2021	Jun 30, 2020	Dec 31, 2020
<b>Non-current assets</b>			
Tangible assets	503	470	473
Right-of-use assets	3,422	4,801	3,865
Goodwill	26,483	26,169	26,531
Other intangible assets	1,483	3,209	2,084
Shares and holdings	5	8	5
Receivables	245	330	245
Deferred tax assets	5,329	5,602	6,413
<b>Non-current assets</b>	<b>37,471</b>	<b>40,589</b>	<b>39,616</b>
<b>Current assets</b>			
Trade and other receivables	12,899	14,220	13,925
Cash and cash equivalents	3,203	5,322	3,066
<b>Current assets</b>	<b>16,103</b>	<b>19 541</b>	<b>16,991</b>
<b>TOTAL ASSETS</b>	<b>53,574</b>	<b>60,131</b>	<b>56,607</b>

**SHAREHOLDERS' EQUITY AND LIABILITIES**

<b>EUR thousand</b>	<b>Jun 30, 2021</b>	<b>Jun 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	20,921
Retained earnings	3,200	651	292
<b>Equity attributable to the shareholders of the parent company</b>	<b>25,605</b>	<b>23,804</b>	<b>23,444</b>
Share of the owners with no control	0	-25	
<b>Total shareholders' equity</b>	<b>25,605</b>	<b>23,778</b>	<b>23,444</b>
 <b>Non-current liabilities</b>			
Loans from financial institutions	5,620	10,160	8,890
Lease liabilities	1,889	3,053	2,218
Deferred tax liabilities	1,767	608	1,824
<b>Long-term liabilities total</b>	<b>9,276</b>	<b>13,821</b>	<b>12,933</b>
 <b>Current liabilities</b>			
Loans from financial institutions	1,873	1,423	2,540
Lease liabilities	1,627	1,825	1,738
Trade and other payables	15,192	19,283	15,953
<b>Current liabilities total</b>	<b>18,693</b>	<b>22,531</b>	<b>20,230</b>
 <b>Total liabilities</b>	<b>27,969</b>	<b>36,352</b>	<b>33,163</b>
 <b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>53,574</b>	<b>60,131</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 differences	Total shareholders' equity of the parent company	Share of the owners with control	Total shareholders' equity
<b>Shareholders' equity Jan 1, 2021</b>	2,100	72	59	20,921	0	1,739	-1,448	23,444		23,444
Comprehensive income										
Result for the financial period						3,626		3,626	0	3,626
Other comprehensive income:										
Exchange differences							31	31		31
Total comprehensive income						3,626	31	3,656	0	3,656
Dividend distribution						-748				-748
Repayment of capital				-748						-748
<b>Shareholders' equity June 30, 2021</b>	2,100	72	59	20,174	0	4,617	-1,417	27,101	0	25,605

EUR thousand	Share capital	Share premium reserve	Reserve fund	Fund for invested unrestricted equity	Own shares	Retained earnings	Exchange differences	Total shareholders' equity of the parent company	Share of the owners with control	Total shareholders' equity
<b>Shareholders' equity Jan 1, 2020</b>	2,100	72	59	20,921	0	-22	-985	22,145		22,145
Comprehensive income										
Result for the financial period						1,422		1,422	56	1,478
Adjustments for previous financial periods						246		246		246
Other comprehensive income:										
Exchange differences						81		81	-81	0
Total comprehensive income				0		1,750	-91	1,659	-25	1,633
<b>Shareholders' equity June 30, 2020</b>	2,100	72	59	20,921	0	1,728	-1,076	23,804	-25	23,778

**Consolidated Cash Flow Statement, IFRS**

EUR thousand	Jan 1–Jun 30, 2021	Jan 1–Jun 30, 2020
<b>Cash flow from operating activities</b>		
Operating profit	5,081	1,700
Adjustments:		
Depreciation *)	1,672	2,320
Other transactions with no related cash flow:	-90	0
<b>Operating profit before change in working capital</b>	<b>6,663</b>	<b>4,020</b>
Change in trade and other receivables (+/-)	893	-305
Change in trade and other payables (+/-)	-360	3,017
Other adjustments	0	-82
<b>Change in working capital</b>	<b>533</b>	<b>2,630</b>
<b>Cash flow from operating activities before financing and income taxes paid</b>	<b>7,196</b>	<b>6,650</b>
Interest received	6	43
Interest paid (-)	-267	-373
Taxes paid	0	0
<b>Net cash flow from operating activities</b>	<b>6,935</b>	<b>6,319</b>
<b>Investment cash flow</b>		
Acquisition of subsidiaries	0	0
Investments in intangible and tangible assets (-)	-191	-315
Receivables from sales	-400	0
Loan receivables paid back	132	236
Shares and holdings	0	0
<b>Net cash flow from investments</b>	<b>-459</b>	<b>-80</b>
<b>Cash flow from financing</b>		
Loans withdrawn	0	7,083
Loans paid	-3,937	-7,902
Lease liability payments *)	-907	-1,009
Payments received from share issue	-1,496	0
<b>Net cash flow from financing</b>	<b>-6,339</b>	<b>-1,828</b>
<b>Change in cash and cash equivalents (+/-)</b>	<b>137</b>	<b>4,412</b>
Cash and cash equivalents, opening balance	3,066	910
Cash and cash equivalents, closing balance	3,203	5,322

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

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



## Group's commitments and contingent liabilities

EUR thousand	Jun 30, 2021	Jun 30, 2020
<b>Collateral given for own commitments</b>		
Lease collateral	158	20
Mortgages on company assets	17,006	16,491
Bank guarantees	296	296
<b>Other own liabilities</b>		
Lease liabilities		
Current lease liabilities	14	15
Lease liabilities maturing in 1–5 years	4	10
<b>Total</b>	<b>18</b>	<b>25</b>
<b>Lease liabilities</b>		
Current lease liabilities	0	0
Lease liabilities maturing in 1–5 years	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
<b>Other own liabilities total</b>	<b>18</b>	<b>25</b>

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.

**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, 2021	Jun 30, 2020	Dec 31, 2020
Trade and other receivables	12,899	14,220	13,925
Cash and cash equivalents	3,203	5,322	3,066
<b>Total</b>	<b>16,103</b>	<b>19 541</b>	<b>16,991</b>
Loans from financial institutions	7,493	11,583	11,430
Lease liabilities	3,516	4,877	3,956
<b>Total</b>	<b>11,010</b>	<b>16,461</b>	<b>15,386</b>
Trade and other payables:			
Received advances	2,285	2,537	1,078
Trade payables	881	3,051	1,559
Other liabilities	2,893	4,665	4,766
Accrued expenses	9,133	9,030	8,550
<b>Total</b>	<b>15,192</b>	<b>19,283</b>	<b>15,953</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 June 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>
2. Ilmarinen Mutual Pension Insurance	1,800,000	4.81%
3. 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	882,065	2.36%
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	225,000	0.60%
16. Puolakka Petri Yrjö Emil	202,511	0.54%
17. Kannisto Jaakko Mikael	173,660	0.46%
18. Mäkinen Antti Vilho Juhani	164,000	0.44%
19. Heikki Tervonen Oy	153,000	0.41%
20. Mandatum Life Insurance Company Limited	133,489	0.36%
<b>Total</b>	<b>18,371,784</b>	<b>49.12%</b>

**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