

Innofactor Plc Half-Yearly Report July 21, 2022, at 9:00 Finnish time

## **Innofactor Plc's Half-Yearly Report for January 1–June 30, 2022 (IFRS)**

**Innofactor's second quarter was challenging, but we, nevertheless, expect to achieve the guidance we have issued for 2022**

April–June 2022 in brief:

- Net sales were approximately EUR 16.9 million (2021: 17.3), representing a decrease of 2.0%
- Operating margin was approximately EUR 1.4 million (2021: 2.1), representing a decrease of 34.3%
- Operating profit was EUR 0.7 million (2021: 1.3), representing a decrease of 47.5%
- The order backlog at the end of the review period was EUR 77.2 million (2021: 72.7), which shows an increase of 6.1%
- Innofactor received several significant orders in the second quarter, for example:
  - Senate Properties' case and document management system and related maintenance and further development services, approximately EUR 2.2 million
  - Delivery of managed cloud services that support a Danish pharmaceutical company's data integration platform, approximately EUR 2.1 million, not yet entered into the order backlog at the end of the review period
  - IT expert services to support the development and maintenance of a Microsoft Dynamics 365 CRM system for the State Treasury of Finland, approximately EUR 5.0 million, not yet entered in the order backlog at the end of the review period
  - Maintenance and development of a grant and case management system for the Funding Centre for Social Welfare and Health Organisations (STEA), approximately EUR 1.8 million, not yet entered into the order backlog at the end of the review period
  - Case and document management system, as well as related maintenance and support services, for the Greater Stockholm Fire Brigade (Storstockholms brandförsvär), approximately EUR 0.35 million, not yet entered into the order backlog at the end of the review period
- Innofactor acquired Invenco Ltd, a Finnish company specialized in data and analytics with approximately 50 employees and net sales of approximately EUR 6 million

January–June 2022 in brief:

- Net sales were approximately EUR 33.9 million (2021: 35.1), representing a decrease of 3.4%
  - Without the Prime business sold in the first quarter of 2021, the comparable change would have been a decrease of 1.8 percent.

- Operating margin was approximately EUR 3.4 million (2020: 6.8), representing a decrease of 49.4%
  - The operating margin in 2021 includes a capital 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; the comparable change in operating margin is a decrease of 18.5%
- Operating profit was EUR 2.0 million (2021: 5.1), representing a decrease of 60.9%
  - The operating profit in 2021 includes a corresponding capital gain as the operating margin, without which the operating profit would have been approximately EUR 2.5 million; the comparable change in operating profit is a decrease of 21.3%

### Key figures of the group, IFRS

	Apr 1–Jun 30, 2022	Apr 1–Jun 30, 2021	Change	Jan 1–Jun 30, 2022	Jan 1–Jun 30, 2021	Change
Net sales, EUR thousand	16,946	17,296	-2.0%	33,911	35,103	-3.4%
Growth of net sales	-2.0%	3.2%		-3.4%	3.5%	
Operating result before depreciation and amortization (EBITDA), EUR thousand	1,377	2,096	-34.3%	3,419	6,753	-49.4%
percentage of net sales	8.1%	12.1%		10.1%	19.2%	
Operating profit/loss (EBIT), EUR thousand	668	1,272	-47.5%	1,987	5,081	-60.9%
percentage of net sales	3.9%	7.4%		5.9%	14.5%	
Earnings before taxes, EUR thousand	639	1,287	-50.4%	1,741	4,644	-62.5%
percentage of net sales	3.8%	7.4%		5.1%	13.2%	
Earnings, EUR thousand	547	989	-44.7%	1,393	3,626	-61.6%
percentage of net sales	3.2%	5.7%		4.1%	10.3%	
Order backlog	77,193	72,723	6.1%	75,193	72,723	3.4%
Net gearing	53.3%	30.5%		53.3%	30.5%	
Net gearing without IFRS 16	35.6%	16.8%		35.6%	16.8%	
Equity ratio	41.1%	49.9%		41.1%	49.9%	-17.6%
Equity ratio without IFRS 16	44.4%	53.6%		44.4%	53.6%	
Active personnel on average during the review period*	527	524	0.6%	513	529	-3.0%
Active personnel at the end of the review period*	557	526	5.9%	557	526	5.9%
Earnings per share (EUR)	0.0150	0.0265	-43.5%	0.0381	0.0970	-60.7%

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

**Innofactor's future outlook for 2022**

Innofactor's net sales and operating margin (EBITDA) in 2022 are estimated to increase from 2021, during which net sales were EUR 66.4 million. Innofactor's operating margin (EBITDA) for 2022 is estimated to increase from EUR 7.5 million, which would have been the operating margin for 2021 without the proceeds of EUR 2.6 million from the sale of the Prime business.

**CEO Sami Ensio's review: Successes in sales and acquisitions in Q2, our focus during the second half of the year will be on improving operational activities in Finland and Sweden**

Net sales in the second quarter of 2022 were EUR 16.9 million, representing a year-on-year decrease of 2.0 percent. Net sales in Denmark and Norway increased in the second quarter, but net sales in Finland and Sweden decreased due to the weakened invoicing ratio and challenges in individual project deliveries. The operating margin (EBITDA) decreased by 34.3 percent year-on-year and was EUR 1.4 million (8.1 percent of net sales). EBITDA was positive in all countries except Sweden. The decrease in EBITDA was mainly attributable to lower net sales.

Net sales in the first half of 2022 were EUR 33.9 million, representing a year-on-year decrease of 3.4 percent. Taking the sale of the Prime business in 2021 into consideration, comparable net sales decreased by 1.8 percent. In the first half of the year, net sales increased in Denmark and Norway but decreased in Finland and Sweden. The operating margin (EBITDA) decreased by 49.4 percent year-on-year and was EUR 3.4 million (10.1 percent of net sales). EBITDA was positive in all countries except Sweden. The operating margin in 2021 included a capital gain of approximately EUR 2.6 million from the sale of the Prime business, without which the comparable change would have been a decrease of 18.5 percent. The order backlog was EUR 77.2 million at the end of the quarter, which shows a year-on-year increase of 6.1 percent and is the highest in Innofactor's history.

Our sales performance was strong in the second quarter. Contracts won by Innofactor included Senate Properties' case and document management system and related maintenance and further development services, approximately EUR 2.2 million, the delivery of managed cloud services that support a Danish pharmaceutical company's data integration platform, approximately EUR 2.1 million, IT expert services to support the development and maintenance of a Microsoft Dynamics 365 CRM system for the State Treasury of Finland, approximately EUR 5.0 million, the maintenance and development of a grant and case management system for the Funding Centre for Social Welfare and Health Organisations (STEA), approximately EUR 1.8 million, and a case and document management system, as well as related maintenance and support services, for the Greater Stockholm Fire Brigade (Storstockholms brandförsvär), approximately EUR 0.35 million.

The case and document management system for the Greater Stockholm Fire Brigade is a particularly important strategic achievement, as it is the first delivery of our Dynasty product outside Finland. We see very attractive opportunities in Sweden and the other Nordic countries for significant market growth over the next few years with the help of our Dynasty product, which has become the market leader in Finland.

In June, Innofactor acquired Invenco Ltd, a company that specializes in data and analytics. Invenco is a long-term Microsoft partner. Invenco has approximately 50 employees, of whom 35 are senior data professionals. The company has four offices in Finland: Vantaa, Oulu, Tampere and Kuopio. Invenco's net sales were approximately EUR 6 million and EBITDA approximately 5 percent. Innofactor's objective going forward is to grow Invenco's net sales and improve its profitability

through synergies, among other things. The purchase price (Enterprise Value, EV) consists of a fixed purchase price of EUR 3.0 million and an additional purchase price tied to three years' net sales growth, which will amount to EUR 3.75 million at a maximum. We see significant growth opportunities in the area of data and analytics, and we will pursue these opportunities together with the professionals we acquired as part of the Invenco acquisition.

We cannot be satisfied with our operational performance in Finland and Sweden in the first half of 2022. We have initiated measures to improve our performance, and these measures will continue throughout the second half of the year. We see significant potential particularly in increasing our project profitability and invoicing rate by having an even stronger focus on our work with customers. During the second half of the year, we also aim to ensure the seamless integration of Invenco into Innofactor's operations.

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

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

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

Our purpose: Innovating to make the world work better

Our mission: Driving the modern digital organization

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

Our strategic choices:

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

Our values:

- Accountability
- Empowerment
- Innovation
- Customer

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

Our long-term financial goals:

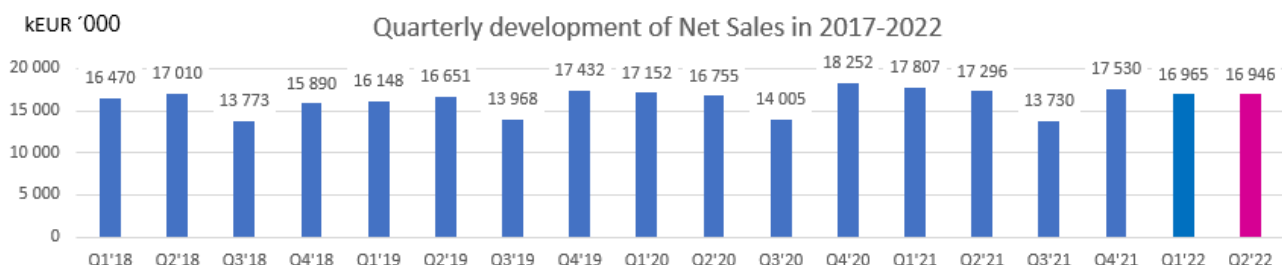
- To achieve annual growth of about 20 percent, the majority of which is intended to be achieved by organic growth
- To achieve about 20 percent EBITDA in relation to the net sales
- To keep the cash flow positive and secure good financial standing in all situations.

Innofactor's net sales in the first half of the year were EUR 33.9 million (2021: 35.1), representing a year-on-year decrease of 3.4 percent. Without the Prime business sold in the first quarter of 2021, the comparable change would have been a decrease of 1.8 percent. The net sales growth target is supported by Innofactor's large order backlog of EUR 77.2 million (2021: 72.7). The Invenco acquisition adds inorganic growth to our business, but we have also initiated measures to improve our performance and net sales in Finland and Sweden, and those measures will continue through the rest of the year.

The operating margin (EBITDA) was 10.1% of net sales (2021: 19.2%). EBITDA decreased by 49.4 percent year-on-year, which was particularly attributable to the capital gain recognized on the sale of the Prime business in 2021. Without the sale of the Prime business, the operating margin (EBITDA) would have decreased by 18.5 percent year-on-year. The measures we have initiated in Finland and Sweden to improve our performance and net sales are also aimed at improving the operating margin.

Innofactor's operating cash flow in the review period of January 1–June 30, 2022, was EUR 3.6 million (2021: EUR 6.9 million) and the equity ratio at the end of the review period was 41.1 percent (2021: 49.9 percent). Cash flow in 2021 was affected by EUR 2.2 million in proceeds from the sale of the Prime business. In connection with the Invenco acquisition, Innofactor took out a bank loan of EUR 2.5 million. The bank loan and the effect of consolidating Invenco into Innofactor's balance sheet on June 30, 2022, reduced the equity ratio. The strong operating cash flow supports Innofactor's strategic goal of profitable growth and securing solid financial standing in all situations.

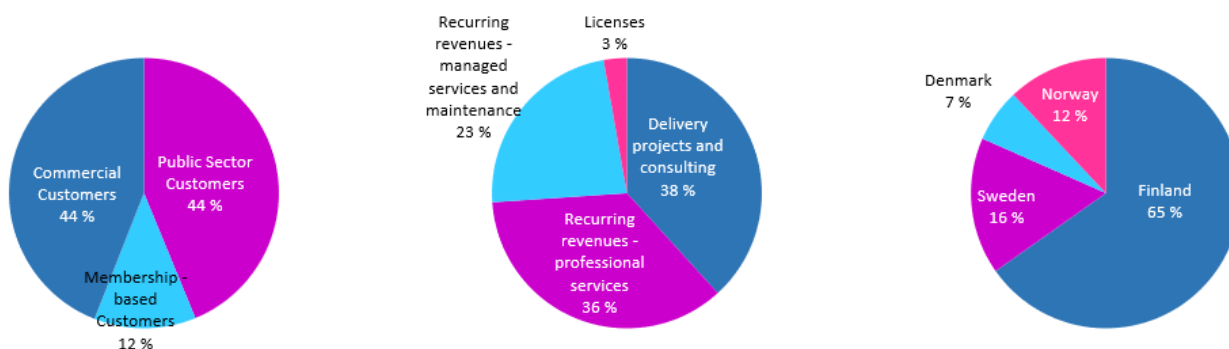
**Innofactor’s net sales decreased due to a lower invoicing ratio and challenges with certain project deliveries in Finland and Sweden**



Innofactor’s net sales for the period April 1–June 30, 2022, amounted to EUR 16,946 thousand (2021: 17,296), representing a decrease of 2.0 percent. Net sales per active employee amounted to approximately EUR 32.2 thousand (2021: 33,0), representing a decrease of 2.6 percent.

Innofactor’s net sales for the period January 1–June 30, 2022, amounted to EUR 33,911 thousand (2021: 35,103), representing a decrease of 3.4 percent. Net sales per active employee amounted to approximately EUR 66.1 thousand (2021: 66.4), representing a decrease of 0.4 percent. We focus on continuing to increase our net sales per active employee.

The Invenco acquisition will add inorganic net sales growth, but we have also initiated measures to improve our performance and net sales in Finland and Sweden, and those measures will continue through the rest of the year.



Innofactor’s business operations were focused on Finland, Sweden, Denmark and Norway. During the period January 1–June 30, 2022, approximately 65 percent of the net sales came from Finland, approximately 16 percent from Sweden, approximately 12 percent from Norway, and approximately 7 percent from Denmark. Compared with the corresponding period in 2021, the net sales increased in Denmark and Norway, but decreased in Finland and Sweden.

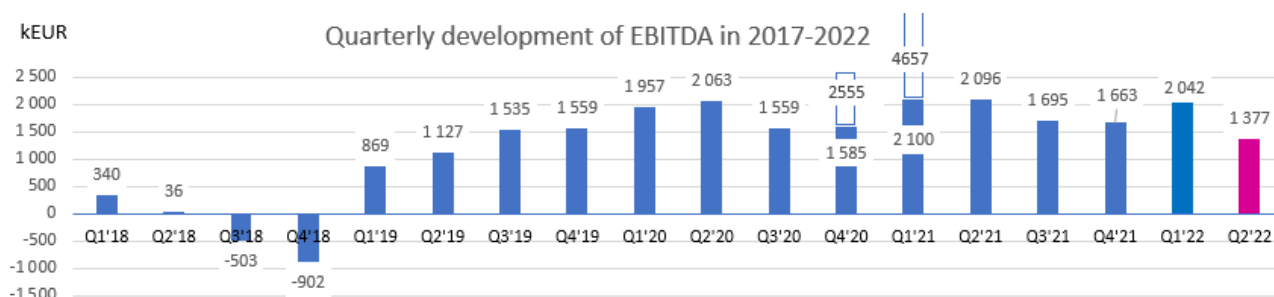
During the period January 1–June 30, 2022, approximately 44 percent of the net sales came from commercial clients, approximately 44 percent from public sector clients, and approximately 12 percent from third-sector clients.

Innofactor’s net sales for the review period of January 1–June 30, 2022, came from the following sources:

- 38 percent from IT system delivery projects and consulting
- 23 percent from services based on recurring service contracts, such as SaaS, cloud and hosting services, and from software maintenance
- 36 percent from specialist work based on recurring service contracts, such as smaller customer-specific changes and the further development of IT systems
- 3 percent from licenses, of which the share of licensing income to third parties was approximately 1 percent of net sales

Innofactor’s 10 largest clients accounted for approximately 28 percent of the net sales for the review period January 1–June 30, 2022.

### Innofactor’s EBITDA decreased, which was mainly due to lower net sales



Innofactor’s operating margin (EBITDA) for the period January 1–June 30, 2022, was EUR 1,377 thousand (2021: 2,096), representing a decrease of 34.3 percent. EBITDA represented 8.1 percent of net sales (2021: 12.1%). Innofactor’s operating margin was positive in all countries except Sweden.

Innofactor’s operating margin (EBITDA) for the period January 1–June 30, 2022, was EUR 3,419 thousand (2021: 6,753), representing a decrease of 49.4 percent. Excluding the Prime business that was divested on March 31, 2021, the comparable change was a decrease of 18.5 percent. EBITDA represented 10.1 percent of net sales (2021: 19.2%). Innofactor’s operating margin was positive in all countries except Sweden.

Innofactor’s operating profit for the period April 1–June 30, 2022, was EUR 668 thousand (2021: 1,272), representing a decrease of 47.5 percent. Operating profit represented 3.9 percent of net sales (2021: 7.4%)



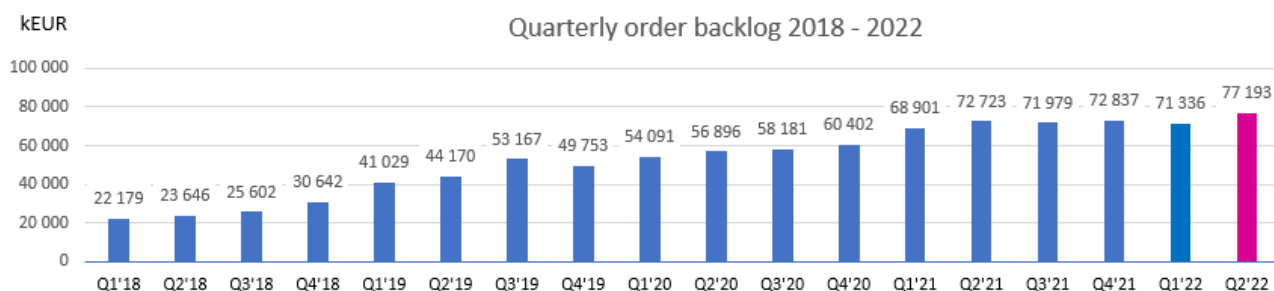
Innofactor’s operating profit for the period January 1–June 30, 2022, amounted to EUR 1,987 thousand (2021: 5,081), representing a decrease of 60.9 percent. Operating profit represented 5.9 percent of net sales (2021: 14.5%). Without the capital gain from the sale of the Prime business in 2021, the comparable change would have been a decrease of 21.3 percent.

The measures we have initiated in Finland and Sweden to improve our performance and net sales are also aimed at improving the operating margin.

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 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 reached an all-time high

Innofactor’s order backlog at the end of the review period was EUR 77,193 thousand (2021: 72,723), representing growth of 6.1 percent. The contracts that increased the order backlog included, for example, the case and document management system for Senate Properties and related maintenance and development services (approximately EUR 2.2 million), the case management, document management, transaction service and reference price information system of the Ministry of Social Affairs and Health (approximately EUR 1.2 million), the Sequence Number Register of the Housing Finance and Development Centre of Finland (ARA) (approximately EUR 0.7 million), the SaaS solution of the case management system for Finnvera (approximately EUR 1.0 million) and the administrative case management solution for the Social Insurance Institution of Finland (Kela) (approximately EUR 0.7 million).



### 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 59,960 thousand (2021: 53,574). The Group’s liquid assets totaled EUR 1,616 thousand (2021: 3,203), consisting entirely of cash funds.

The operating cash flow for the review period of January 1–June 30, 2022, was EUR 3,630 thousand (2021: 6,935). The cash flow from investing activities was EUR -2,800 thousand (2021: -459). The cash flow from investing activities includes the effect of the Invenco acquisition. The cash flow from operating activities for 2021 includes capital gains from the sale of the Prime business in the amount of EUR 2,199 thousand.

The equity ratio at the end of the review period was 41.1 percent (2021: 49.9%) and net gearing was 53.3 percent (2021: 30.5%). The decrease in the equity ratio is attributable to the financing of the Invenco acquisition and the consolidation of Invenco into Innofactor's balance sheet.

At the end of the review period, the company had EUR 4,562 thousand in current interest-bearing liabilities to financial institutions (2021: 1,873) and EUR 5,413 thousand in non-current interest-bearing liabilities to financial institutions (2021: 5,620). The total amount of interest-bearing liabilities to financial institutions was EUR 9,975 thousand (2021: 7,493). The company had IFRS 16 lease liabilities of EUR 4,158 thousand (2021: 3,516) of which EUR 1,810 thousand in current leases (2021: 1,627) and EUR 2,348 thousand in non-current leases (2021: 1,889). The total amount of interest-bearing liabilities was EUR 14,133 thousand (2021: 11,010). The increase in interest-bearing liabilities is mainly attributable to the financing of the Invenco acquisition (EUR 2,500 thousand).

The return on investment for the period January 1–June 30, 2022, decreased year-on-year and was 6.0 percent (2021: 15.9%). The return on equity for the period January 1–June 30, 2022, decreased year-on-year and was 5.7 percent (2021: 14.7%).

The non-current assets on Innofactor's balance sheet at the end of the review period totaled EUR 42,526 thousand.

Innofactor's gross investments in tangible and intangible assets during the review period of January 1–June 30, 2022, came to EUR 378 thousand (2021: 191), consisting of normal additional and replacement investments required by growth.

### **Innofactor's research and product development investments increased from previous year**

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

Innofactor's research and development costs recognized in profit or loss for January 1–June 30, 2022, were approximately EUR 2,089 thousand (2021: 1,762), representing 6.2 percent of net sales (2021: 5.0%).

### **Innofactor's number of personnel continued to grow**

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

The average number of active personnel during the period April 1–June 30, 2022, was 527 (2021: 524), representing an increase of 0.6 percent. Compared to the previous quarter (Q1/2022: 499), the increase was 5.6 percent.

At the end of the review period, the number of active personnel was 577 (2021: 526), representing an increase of 5.9 percent. Compared to the previous quarter (Q1/2022: 502), the increase was 11 percent. The figures for the end of the review period include the personnel acquired as part of the Invenco acquisition, who were transferred to Innofactor on 30 June 2022.

At the end of the review period, the average age of the personnel was 42.7 years (2021: 42.1). Women accounted for 25 percent (2021: 27%) of the personnel. Men accounted for 75 percent (2021: 73%) of the personnel.

### **Other events in the review period**

On April 12, 2022, Innofactor announced in a stock exchange release that Senate Properties has selected Innofactor in a public procurement competition as the provider of a case and document management system as well as the related maintenance and further development services. The system will be based on Innofactor's Dynasty 10 solution. Delivery of the system is scheduled to take place within the 2022–2023 period, after which the delivery comprises maintenance and further development services. The total value of the procurement (excluding VAT) quoted by Senate Properties in its procurement decision is approximately EUR 2.2 million. The agreement will be valid for fixed period of two (2) years from delivery, after which the agreement will be valid until further notice.

On May 12, 2022, Innofactor announced in a stock exchange release that Innofactor and a Danish pharmaceutical company have signed an agreement concerning the delivery of managed cloud services supporting a data integration platform. The services are implemented by using Microsoft Azure PaaS cloud services. The value (excluding VAT) of the agreement is approximately EUR 2.1 million. The agreement is valid until further notice.

On May 17, 2022, Innofactor announced in a stock exchange release that the State Treasury of Finland has selected Innofactor in a dynamic purchasing system to provide IT expert services to support the development and maintenance of a Microsoft Dynamics 365 CRM system. The tasks of the experts include the development, maintenance and support services of the CRM system that is already in use in the State Treasury. The development will be carried out mainly with agile methods according to the operating models of the State Treasury. Based on the assessment of the yearly work under the agreement provided by the State Treasury, Innofactor estimates the net

sales derived from the agreement to amount to at least EUR 5.0 million. The agreement period is eight years.

On June 3, 2022, Innofactor announced in a stock exchange release that the Funding Centre for Social Welfare and Health Organisations (STEA) has selected Innofactor in a public procurement competition to continue the maintenance and development of a grant and case management system. The work will be carried out with agile methods. Innofactor's estimate of the value of the procurement for the three-year contract period is approximately EUR 1.8 million.

On June 8, 2022, Innofactor announced in a stock exchange release that the Greater Stockholm Fire Brigade (Storstockholms brandförsvär) has selected Innofactor in a public procurement competition to provide a case and document management system, as well as maintenance and support services related to it. The system will be based on the Innofactor Dynasty information and case management solution. Innofactor's reference price for a contract period of eight years stated by the client in the procurement decision is approximately EUR 0.35 million.

On June 20, 2022, Innofactor issued a stock exchange release to announce that Innofactor Plc has signed an agreement on June 20, 2022, on acquiring the entire share capital of the privately owned company Invenco Ltd. The transaction is described in more detail under "Acquisitions and changes in the Group structure" and under "Preliminary acquisition cost calculation for Invenco Ltd" in the notes to the financial statements.

## Share and shareholders

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

During the period April 1–June 30, 2022, the highest price of the company's share was EUR 1.34 (2021: EUR 2.07), the lowest price was EUR 1.11 (2021: 1.65) and the average price was EUR 1.21 (2021: EUR 1.81).

The closing price for the review period on June 30, 2022, was EUR 1.17 (2021: EUR 1.75).

In public trading during the period of April 1–June 30, 2022, a total of 1,996,835 shares were traded (2021: 5,311,709), which corresponds to 5.5 percent (2021: 14.2%) of the average number of shares in the said period. During the period April 1–June 30, 2022, the average number of shares was 37,388,225 (2021: 37,388,225). The share trading volume decreased by 35.5 percent compared to the corresponding period in 2021.

During the period January 1–June 30, 2022, a total of 6,074,368 shares were traded (2021: 15,407,731), which corresponds to 16.6 percent (2021: 41.2%) of the average number of shares in the said period. During the period January 1–June 30, 2022, the average number of shares was

37,388,225 (2021: 37,388,225). The share trading volume decreased by 62.4 percent compared to the corresponding period in 2021.

The market value of the share capital at the closing price of EUR 1.17, on June 30, 2022, was EUR 43,744 thousand (2021: 65,429), representing a decrease of 33.1 percent.

On June 30, 2022, the company had a total of 12,148 shareholders (2021: 12,018), including nominee-registered shares.

On June 30, 2022, the company held 741,410 treasury shares.

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

On March 31, 2022, the Annual General Meeting decided, in accordance with the proposal of the Board of Directors that for the financial period of 2021 a repayment of capital of EUR 0.08 per share be paid. The repayment of capital was paid to shareholders who on the record date of the capital repayment on April 4, 2022, were recorded in the company's shareholders' register held by Euroclear Finland Oy. The repayment of capital was paid on April 11, 2022.

The Annual General Meeting of March 31, 2022, 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 General Meeting, the Board of Directors elected Anna Lindén as the Chairman of the Board.

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

The Board of Directors has been given the following authorizations:

- Until June 30, 2023, to decide on a share issue and granting of special rights entitling to shares, concerning a maximum of 3,600,000 new shares (decided by the Annual General Meeting of March 31, 2022); the authorization has not been used.
- Until June 30, 2023, to decide on an acquisition of a maximum of 3,600,000 treasury shares (decided by the Annual General Meeting of March 31, 2022); 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 3,279,058, which allows the distribution of assets up to a maximum of EUR 0.08 per share

### Management of the company

Innofactor Plc complies with the recommendations of the Corporate Governance Code 2021 for Finnish listed companies, published by the Securities Market Association.

Innofactor has drawn up a separate Corporate Governance Statement for the financial period of 2021.

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

### Related party transactions

The company's managers considered to be related parties have EUR 79 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 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 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

On 30 June 2022, Innofactor acquired the entire share capital of Invenco Ltd, which owned the entire share capital of Invenco Software Ltd.

Invenco is an expert organization specialized in corporate performance management, data warehousing and reporting, and its most important areas of expertise are data integration, data warehousing, Business Intelligence (BI) and analytical solutions. Invenco is a long-term Microsoft partner in data and analytics. Invenco has approximately 50 employees, of whom 35 are senior data professionals. The company has four offices in Finland: Vantaa, Oulu, Tampere and Kuopio.

Invenco Ltd's net sales for the financial period July 1, 2020–June 30, 2021 was approximately EUR 6.2 million and its operating margin (EBITDA) was about EUR 0.3 million, representing approximately 5 percent of net sales. Innofactor's objective going forward is to grow Invenco's net sales and improve its profitability through synergies, among other things.

The purchase price (Enterprise Value, EV) consists of a fixed purchase price of EUR 3.0 million and an additional purchase price tied to three years' net sales growth, which will amount to EUR 3.75 million at a maximum. The transaction will be financed with Innofactor's cash funds and bank financing.

Going forward, Invenco Ltd will operate as a subsidiary of Innofactor Plc under the name Innofactor Invenco Ltd, and Invenco Software Ltd will operate as a subsidiary of Innofactor Invenco Ltd under the name Innofactor Invenco Software Ltd.

Innofactor has initiated measures to simplify its group structure. The goal is dissolve Innofactor HRM Oy at the end of 2022. The entire business operations of Innofactor HRM Oy have previously been transferred to Innofactor Software Oy by means of a business transfer, and there is no longer any need for the company.

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

### Events after the review period

Innofactor had no significant events after the review period.

Espoo, July 21, 2022

INNOFACTOR PLC

Board of Directors

Additional information:

CEO Sami Ensio, Innofactor Plc

tel. +358 50 584 2029

[sami.ensio@innofactor.com](mailto:sami.ensio@innofactor.com)

### **Briefings concerning the Half-Yearly Report for January 1–June 30, 2022**

Innofactor will publish the Half-Yearly Report for January–June 2022 on Thursday, July 21, 2022, at around 9:00 Finnish time.

A video conference in Finnish concerning the interim report will be held for media, investors and analysts on the same day at 10:00 Finnish time. The corresponding video conference in English will be held at noon 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 notes January 1–June 30, 2022 (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 2021. However, as of January 1, 2022, 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 2021. 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, 2022	Apr 1–Jun 30, 2021	Jan 1–Jun 30, 2022	Jan 1–Jun 30, 2021
Net sales	16,946	17,296	33,911	35,103
Other operating income	12	10	34	2,579
Materials and services (–)	-2,564	-2,292	-4,737	-4,525
Employee benefit expenses (–)	-11,125	-11,387	-22,351	-23,395
Depreciation (–)	-710	-824	-1,432	-1,672
Other operating expenses (–)	-1,891	-1,532	-3,438	-3,009
<b>Operating profit/loss</b>	<b>668</b>	<b>1,272</b>	<b>1,987</b>	<b>5,081</b>
Financial income	-12	344	18	357
Financial expenses (–)	-17	-329	-263	-793
<b>Profit/loss before taxes</b>	<b>639</b>	<b>1,287</b>	<b>1,741</b>	<b>4,644</b>
Income taxes	-92	-298	-348	-1,019
<b>Profit/loss for the financial period</b>	<b>547</b>	<b>989</b>	<b>1,393</b>	<b>3,626</b>
<b>Distribution of the result</b>				
<b>To shareholders of the parent company</b>	<b>547</b>	<b>989</b>	<b>1,393</b>	<b>3,626</b>
<b>To non-controlling interests</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Other comprehensive income				
Items that may be later recognized				
in profit or loss:				
Translation differences	-374	-106	-347	31
<b>Total comprehensive income</b>	<b>173</b>	<b>883</b>	<b>1,047</b>	<b>3,656</b>
<b>Distribution of the comprehensive income</b>				
<b>To shareholders of the parent company</b>	<b>173</b>	<b>883</b>	<b>1,047</b>	<b>3,656</b>
<b>To non-controlling interests</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

basic earnings per share (EUR)	0.0150	0.0265	0.0381	0.0970
diluted earnings per share (EUR)	0.0150	0.0265	0.0381	0.0970

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

<b>EUR thousand</b>	<b>Jun 30, 2022</b>	<b>Jun 30, 2021</b>	<b>Dec 31, 2021</b>
<b>Non-current assets</b>			
Tangible assets	862	503	535
Right-of-use assets	4,061	3,422	3,166
Goodwill	30,240	26,483	26,393
Other intangible assets	2,607	1,483	633
Shares and holdings	5	5	5
Receivables	143	245	129
Deferred tax assets	4,608	5,329	4,830
<b>Non-current assets</b>	<b>42,526</b>	<b>37,471</b>	<b>35,691</b>
<b>Current assets</b>			
Trade and other receivables	15,818	12,899	13,403
Cash and cash equivalents	1,616	3,203	1,963
<b>Current assets</b>	<b>17,434</b>	<b>16,103</b>	<b>15,366</b>
<b>TOTAL ASSETS</b>	<b>59,960</b>	<b>53,574</b>	<b>51,057</b>

**SHAREHOLDERS' EQUITY AND LIABILITIES**

<b>EUR thousand</b>	<b>Jun 30, 2022</b>	<b>Jun 30, 2021</b>	<b>Dec 31, 2021</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	17,247	20,174	20,174
Retained earnings	6,889	4,617	5,496
Own shares	-1,204	0	-1,146
Translation differences	-1,698	-1,417	-1,351
<b>Equity attributable to the shareholders of the parent company</b>	<b>23,466</b>	<b>25,605</b>	<b>25,404</b>
Non-controlling interest	0	0	0
<b>Total shareholders' equity</b>	<b>23,466</b>	<b>25,605</b>	<b>25,404</b>
<b>Non-current liabilities</b>			
Loans from financial institutions	5,413	5,620	4,683
Lease liabilities	2,348	1,889	1,658
Deferred tax liabilities	1,881	1,767	1,487
Other non-current liabilities	3,185	0	0
<b>Total non-current liabilities</b>	<b>12,827</b>	<b>9,276</b>	<b>7,828</b>
<b>Current liabilities</b>			
Loans from financial institutions	4,562	1,873	1,873
Lease liabilities	1,810	1,627	1,603
Trade and other payables	17,296	15,192	14,349
<b>Current liabilities total</b>	<b>23,667</b>	<b>18,693</b>	<b>17,825</b>
<b>Total liabilities</b>	<b>36,494</b>	<b>27,969</b>	<b>25,653</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>59,960</b>	<b>53,574</b>	<b>51,057</b>

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

EUR thousand	Share capital	Share premium reserve	Reserve fund	Fund for invested unrestricted equity	Own shares	Retained earnings	Exchange difference	Total	Non-controlling interest	Total shareholder s' equity
<b>Shareholders' equity Jan 1, 2022</b>	2 100	72	59	20 174	-1 146	5 496	-1 351	25 404	0	25 404
Comprehensive income										
Result for the financial period						1 393		1 393	0	1 393
Exchange differences							-347	-347		-347
Total comprehensive income						1 393	-347	1 047	0	1 047
Dividends						-748				-748
Repayment of capital				-748						-748
<b>Shareholders' equity June 30, 2022</b>	2 100	72	59	17 247	-1 204	6 889	-1 698	23 466	0	23 466
<b>Shareholders' equity Jan 1, 2021</b>	2 100	72	59	20 921	0	1 739	-1 448	23 444	0	23 444
Comprehensive income										
Result for the financial period						4 504		4 504	0	4 504
Other changes						0		0	0	0
Other comprehensive income:						0		0	0	0
Exchange differences							97	97	0	97
Total comprehensive income						4 504	97	4 601	0	4 601
<b>Shareholders' equity June 30, 2021</b>	2 100	72	59	20 174	-1 146	5 496	-1 351	25 404	0	25 404

**Consolidated cash flow statement, IFRS**

EUR thousand	Jan 1–Jun 30, 2022	Jan 1–Jun 30, 2021
<b>Cash flow from operating activities</b>		
Operating profit	1,987	5,081
Adjustments:		
Depreciation	1,432	1,672
Other transactions with no related cash flow	22	-90
<b>Operating profit before change in working capital</b>	<b>3,441</b>	<b>6,663</b>
Change in trade and other receivables (+/-)	-1,234	893
Change in trade and other payables (+/-)	1,589	-360
<b>Change in working capital</b>	<b>355</b>	<b>533</b>
<b>Cash flow from operating activities before financing and income taxes paid</b>	<b>3,796</b>	<b>7,196</b>
Interest received	3	6
Interest paid (-)	-170	-267
Taxes paid	0	0
<b>Net cash flow from operating activities</b>	<b>3,630</b>	<b>6,935</b>
<b>Investment cash flow</b>		
Acquisition of subsidiaries	-2,385	0
Investments in intangible and tangible assets (-)	-378	-191
Receivables from sales	0	-400
Loan receivables repaid	-37	132
<b>Net cash flow from investments</b>	<b>-2,800</b>	<b>-459</b>
<b>Cash flow from financing</b>		
Loans withdrawn	3,746	0
Loans paid	-937	-3,937
Lease liability payments	-1,002	-907
Dividend distribution/repayment of capital	-2,927	-1,496
Payment of equity loans	0	0
Purchase of own shares	-58	0
<b>Net cash flow from financing</b>	<b>-1,177</b>	<b>-6,339</b>
<b>Change in cash and cash equivalents (+/-)</b>	<b>-347</b>	<b>137</b>
Cash and cash equivalents, opening balance	1,963	3,066
Cash and cash equivalents, closing balance	1,616	3,203

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

EUR thousand	2022				2021			
	Jan 1– Mar 31, 2022	Apr 1–Jun 30, 2022	Jul 1–Sep 30, 2022	Oct 1–Dec 31, 2022	Jan 1– Mar 31, 2021	Apr 1–Jun 30, 2021	Jul 1–Sep 30, 2021	Oct 1–Dec 31, 2021
<b>Net sales</b>	<b>16,964</b>	<b>16,946</b>			<b>17,807</b>	<b>17,296</b>	<b>13,730</b>	<b>17,530</b>
Other operating income	22	12			2,569	10	11	91
Materials (–)	-2,172	-2,564			-2,233	-2,292	-2,050	-2,298
Employee benefit expenses (–)	-11,225	-11,125			-12,008	-11,387	-8,600	-11,457
Depreciation (–)	-723	-710			-848	-824	-780	-1,139
Other operating expenses (–)	-1,547	-1,891			-1,477	-1,532	-1,395	-2,203
<b>Operating profit/loss</b>	<b>1,319</b>	<b>668</b>			<b>3,809</b>	<b>1,272</b>	<b>915</b>	<b>523</b>
Financial income	30	-12			13	344	4	-1
Financial expenses (–)	-247	-17			-465	-329	-163	-191
<b>Profit/loss before taxes</b>	<b>1,102</b>	<b>639</b>			<b>3,357</b>	<b>1,287</b>	<b>755</b>	<b>330</b>
Income taxes	-256	-92			-721	-298	-174	-34
<b>Profit/loss for the financial period</b>	<b>846</b>	<b>547</b>			<b>2,637</b>	<b>989</b>	<b>581</b>	<b>297</b>
EBITDA	2,042	1,377			4,657	2,096	1,695	1,663

## 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, 2022	Jun 30, 2021	Dec 31, 2021
Trade and other receivables	15,818	12,899	13,403
Cash and cash equivalents	1,616	3,203	1,963
<b>Total</b>	<b>17,434</b>	<b>16,103</b>	<b>15,366</b>
Interest-bearing liabilities:			
Loans from financial institutions	9,975	7,493	6,557
Lease liabilities	4,158	3,516	3,261
Trade and other payables:			
Received advances	2,905	2,285	1,353
Trade payables	2,063	881	1,341
Other liabilities	6,407	2,893	4,884
Accrued expenses	9,104	9,133	6,771
<b>Total</b>	<b>34,614</b>	<b>26,202</b>	<b>24,166</b>



## The Group's commitments and contingent liabilities

EUR thousand	Jun 30, 2022	Jun 30, 2021
<b>Collateral given for own commitments</b>		
Lease collateral	156	158
Mortgages on company assets	16,950	17,006
Bank guarantees	309	296
<b>Other own liabilities</b>		
Lease liabilities		
Current lease liabilities	128	14
Lease liabilities maturing in 1–5 years	112	4
<b>Total</b>	<b>240</b>	<b>18</b>
<b>Other own liabilities total</b>	<b>240</b>	<b>18</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.

## Preliminary acquisition cost calculation for Invenco Ltd

On June 20, Innofactor signed an agreement to acquire the entire share capital of Invenco Ltd. According to the agreement announced by the company on June 20, the acquisition price will be determined according to Invenco Ltd's operating margin for 2020–2022 and the additional purchase price will be determined by Invenco Ltd's net sales growth during the period 2023–2025.

The debt-free net purchase price (Enterprise Value, EV) is EUR 3.0 million at a minimum, and it was paid when the acquisition was completed on June 30, when Innofactor acquired ownership of all shares in Invenco Ltd. At the time of completing the transaction, the sellers were paid an initial purchase price of approximately EUR 2.5 million in cash. This was financed entirely by a new bank loan.

The remainder of the debt-free net purchase price, which may range from zero to EUR 3.75 million, will be paid annually over a period of three years. The debt-free net purchase price (Enterprise Value, EV) will be approximately EUR 6.75 at a maximum.

Invenco Ltd's financial figures were consolidated into the Innofactor Group's balance sheet effective from June 30, 2022, and are, therefore, not included in the balance sheet of June 30, 2021. Invenco Ltd's name will be changed to Innofactor Invenco Ltd, and Invenco's services will subsequently be provided under the Innofactor brand.

The IFRS acquisition cost is the estimated purchase price of the shares, which is EUR 5,708 thousand according to the acquisition cost calculation and presented in more detail in the following calculation.

	<b>Fair values entered in consolidation (EUR thousand)</b>
Tangible assets	157
Intangible assets	2,284
Right-of-use assets	317
Deferred tax assets	172
Non-current assets	14
Trade and other receivables	1,192
Cash and cash equivalents	138
<b>Total assets</b>	<b>4,274</b>
Lease liabilities	317
Other liabilities	1,966
Deferred tax liabilities	424
<b>Total liabilities</b>	<b>2,707</b>
Net assets	1,567 (total assets – total liabilities)
Acquisition cost	5,708 (cash 2,523, contingent consideration 3,185)
Goodwill	4,141 (acquisition cost – net assets)
Purchase price paid in cash	2,523
Cash assets of the acquired subsidiary	138
Cash flow effect	- 2,385

The fair value of customer contracts and related customer relationships included in intangible assets has been determined on the basis of the estimated duration of the customer relationships and the discounted net cash flows from existing customer contracts.

The acquisition generated goodwill of EUR 4,141 thousand. The goodwill is based on the expected synergies from the Invenco Ltd acquisition, leveraging the growth of the shared sales and marketing network, and expanding customer relationships in the Group.

The acquisition cost calculation has been prepared as a preliminary calculation.

## 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, 2022, was as follows.

Name	Number of shares	% of share capital
1. Ensio Sami	7,895,773	21.10%
<i>Sami Ensio</i>	5,722,013	15.28%
<i>Minor under guardianship</i>	724,588	1.94%
<i>Iiris Ensio</i>	724,586	1.94%
<i>Minor under guardianship</i>	724,586	1.94%
Ilmarinen Mutual Pension Insurance Company	1,800,000	4.81%
2. Linturi Kaija and Risto	1,256,411	3.36%
<i>R. Linturi Oyj</i>	489,107	1.31%
<i>Linturi Kaija Anneli</i>	430,000	1.15%
<i>Linturi Risto Erkki Olavi</i>	337,304	0.97%
4. Laiho Rami Tapani	1,155,316	3.09%
5. Ärje Matias Juhanpoika	854,253	2.28%
6. Mäki Antti-Jussi	613,725	1.64%
7. Tilman Tuomo Tapani	563,538	1.51%
8. Hellen Stefan Andreas	486,000	1.30%
9. Ingman Finance Oy Ab	450,000	1.20%
10. Muukkonen Teemu Heikki	410,357	1.10%
11. Järvenpää Janne-Olli	266,397	0.71%
12. Rausanne Oy	230,000	0.67%
13. Mandatum Life Insurance Company Limited	219,445	0.58%
14. Kukkonen Heikki-Harri	218,606	0.54%
15. Puolakka Petri Yrjö Emil	202,511	0.54%
16. Laiho Jari Olavi	200,371	0.53%
17. Varsio Jussi Ilari	190,000	0.51%
18. Kannisto Jaakko Mikael	188,281	0.51%
19. Mäkinen Antti Vilho Juhani	164,000	0.44%
20. Muurinen Hannu Olavi	125,750	0.41%
<b>Total</b>	<b>17,490,734</b>	<b>46.90%</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