

Innofactor Plc Interim Report April 26, 2022, at 9:00 Finnish time

Innofactor Plc's Interim Report for January 1–March 31, 2022 (IFRS)

The absences due to sickness arising from the COVID-19 pandemic made the first quarter challenging – with the net sales and operative operating margin slightly smaller than the previous year

January–March 2022 in brief:

- Net sales were approximately EUR 17.0 million (2021: 17.8), representing a decrease of 4.7%
 - The net sales of 2021 include the net sales of the sold Prime business (EUR 0.6 million), without which the comparable change would have represented a decrease of 1.5%
- Operating margin was approximately EUR 2.0 million (2021: 4.7), representing a decrease of 56.2%
 - The operating margin of 2021 includes a sales gain of approximately EUR 2.6 million from the sale of the Prime business, without which the comparable change of the operating margin would have represented a decrease of 2.8%
- Operating profit was EUR 1.3 million (2021: 3.8), representing a decrease of 65.4%
 - The operating profit of 2021 includes a corresponding sales gain as the operating margin, without which the operating profit of 2021 would have been approximately EUR 1.3 million, in which case the comparable change would have represented an increase of 5.3%
- The order backlog at the end of the review period was EUR 71.3 million (2021: 68.9), which shows an increase of 3.5%
- Innofactor got several significant orders in the first quarter, for example,
 - The case management, document management, transaction service and reference price information system of the Finnish Ministry of Social Affairs and Health, approximately EUR 1.2 million (not yet in the order backlog at the end of the review period)
 - The Sequence Number Register of the Housing Finance and Development Centre of Finland (ARA), approximately EUR 0.7 million (not yet in the order backlog at the end of the review period)
 - The development and maintenance of the information systems of the Finnish Safety and Chemicals Agency (Tukes), approximately EUR 6.8 million for all three areas of the framework agreement, of which Innofactor is responsible for one (not yet in the order backlog at the end of the review period)

- The configuration, development, and support services of the Microsoft Dynamics 365 solution for a Swedish bank, approximately EUR 0.8 million
- The SaaS solution of the case management system for Finnvera, approximately EUR 1.0 million (not yet in the order backlog at the end of the review period)
- The administrative case management solution for the Social Insurance Institution of Finland (Kela), approximately EUR 0.7 million (not yet in the order backlog at the end of the review period)
- A cloud migration project for a Norwegian non-profit organization, approximately EUR 1.2 million

Key figures of the group, IFRS

	Jan 1–Mar 31, 2022	Jan 1–Mar 31, 2021	Change
Net sales, EUR thousand	16,964	17,807	-4.7%
Growth of net sales	-4.7%	3.8%	
Operating result before depreciation and amortization (EBITDA), EUR thousand	2,042	4,657	-56.2%
percentage of net sales	12.0%	26.2%	
Operating profit/loss (EBIT), EUR thousand*	1,319	3,809	-65.4%
percentage of net sales	7.8%	21.4%	
Earnings before taxes, EUR thousand	1,102	3,357	-67.2%
percentage of net sales	6.5%	18.9%	
Earnings, EUR thousand	846	2,637	-67.9%
percentage of net sales	5.0%	14.8%	
Order backlog	71,336	68,901	3.5%
Net gearing	26.5%	56.9%	
Net gearing without IFRS 16	10.1%	43.6%	
Equity ratio	51.7%	46.6%	10.9%
Equity ratio without IFRS 16	56.5%	44.0%	
Active personnel on average during the review period*	499	537	-7.1%
Active personnel at the end of the review period*	502	536	-6.3%
Earnings per share (EUR)	0.0231	0.0705	-67.2%

*) 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: In the first quarter, there were several important orders but, at the same time, the absences due to sickness arising from the COVID-19 pandemic undermined the operative result

Net sales in the first quarter of 2022 were EUR 17.0 million, representing a year-on-year decrease of 4.7 percent. Without the Prime business sold in the first quarter of 2021, the comparable change would have been a decrease of 1.5 percent. The net sales in Denmark and Norway increased in the first quarter. However, the net sales in Finland and Sweden decreased, affected by the increase in absences due to sickness as a result of the COVID-19 pandemic. The operating margin (EBITDA) increased by 56.2 percent from the previous year and was EUR 2.0 million (12 percent of the net sales), and it was positive in all countries with the exception of Sweden. The operating margin of 2021 included a sales gain of approximately EUR 2.6 million from the sale of the Prime business, without which the comparable change would have represented a decrease of 2.8 percent. The order backlog was EUR 71.3 million at the end of the quarter, which shows an increase of 3.5 percent compared to the corresponding time in the previous year.

We saw remarkable success in our sales during the first quarter. For instance, we landed the case management, document management, transaction service, and reference price information system of the Finnish 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 development and maintenance of the information systems of the Finnish Safety and Chemicals Agency (Tukes), approximately EUR 6.8 million (for all three areas of the framework agreement, of which Innofactor is responsible for one); the configuration, development, and support services of the Microsoft Dynamics 365 solution for a Swedish bank, approximately EUR 0.8 million; the SaaS solution of the case management system for Finnvera, approximately EUR 1.0 million; the administrative case management solution for the Social Insurance Institution of Finland (Kela), approximately EUR 0.7 million; as well as the cloud migration project for a Norwegian non-profit organization, approximately EUR 1.2 million. I would like to thank all our customers for your faith in Innofactor's services as well as all of Innofactor's sales force for your excellent work. The majority of these sales are not yet in the order backlog at the end of the quarter, which will increase the order backlog in the future.

The COVID-19 pandemic caused unforeseen challenges in the first quarter, during which period Innofactor's absences due to sickness approximately doubled from the previous year. As Innofactor's operations are largely based on the sale of man-hours, this resulted in a drastic reduction of our net sales. It is our belief that the worst of the wave of sicknesses is now behind us and the pandemic should not further reduce our net sales in the second quarter.

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

Strategy and its realization in the review period

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

Our purpose: Innovating to make the world work better

Our mission: Driving the modern digital organization

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

Our strategic choices:

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

Our values:

- Accountability
- Empowerment
- Innovation
- Customer

Our working principle: Our principle is to put people first in everything we do. We want to create solutions that make people's 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, of which majority 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.

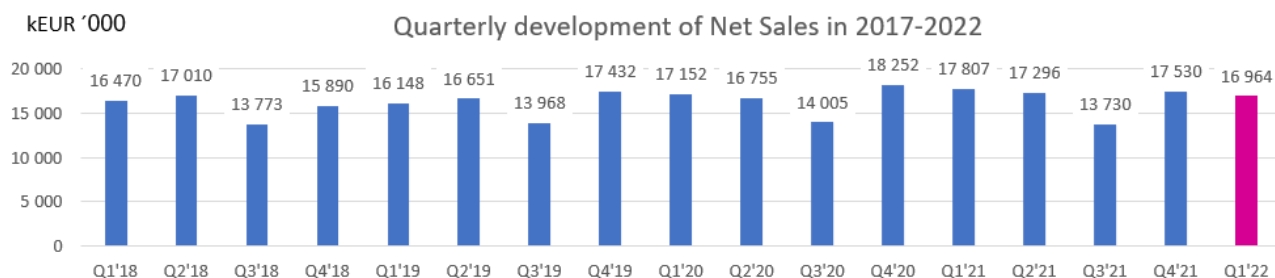
The net sales growth target is supported by Innofactor’s large order backlog of EUR 71.3 million (2021: 68.9). In 2022, Innofactor will pay special attention to growth management.

The operating margin (EBITDA) was 12.0 percent of the net sales (2021: 26.2%). EBITDA decreased by 56.2 percent from the corresponding period in the previous year, specifically as a result of the operating margin gained from the sale of the Prime business in 2021. Without the sale of the Prime business, the operating margin (EBITDA) would have decreased by 2.8 percent compared with the corresponding period in the previous year. Innofactor still strives to increase its operating margin percentage.

Innofactor’s operating cash flow in the review period of January 1–March 31, 2022, was EUR 2.7 million (2021 Q1: EUR 3.6 million) and the equity ratio at the end of the review period was 51.7

percent (2021: 46.6 percent). The strong operating cash flow supports Innofactor’s strategic goal of profitable growth and securing solid financial standing in all situations.

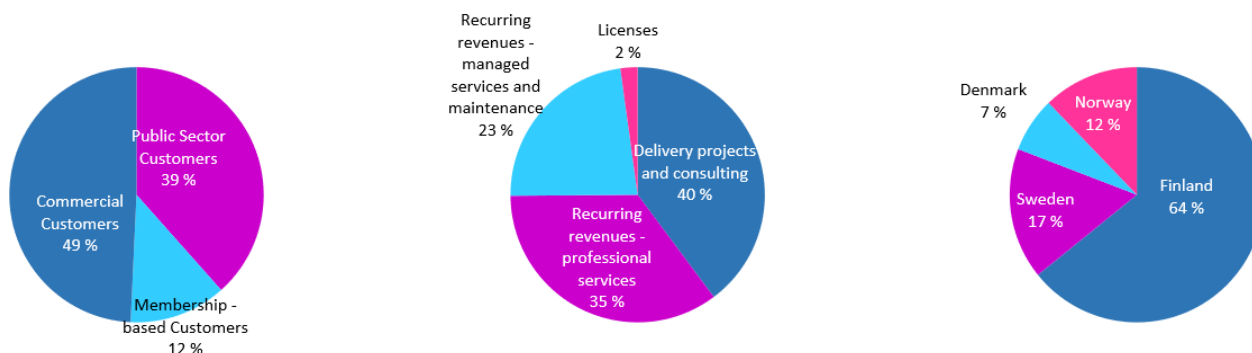
There was a slight reduction in Innofactor’s net sales compared to the comparison period, partly affected by the increase in absences due to sickness arising from the COVID-19 pandemic – however, the net sales per active employee continued to increase



Innofactor’s net sales for the period January 1–March 31, 2022, amounted to EUR 16,964 thousand (2021: 17,807), representing a decrease of 4.7 percent. Without the Prime business sold in the first quarter of 2021, the comparable change would have been a decrease of 1.5 percent.

Due to the COVID-19 pandemic, Innofactor’s absences due to sickness in the first quarter approximately doubled from the previous year. As Innofactor’s operations are largely based on the sale of man-hours, this resulted in a drastic reduction of our net sales. It is our belief that the worst of the wave of sicknesses is now behind us and the pandemic should not further reduce our net sales in the second quarter.

Net sales per active employee amounted to approximately EUR 34 thousand (2021: 33.2), representing an increase of 2.5 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 the period January 1–March 31, 2022, approximately 64 percent of the net sales came from Finland, approximately 17 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.

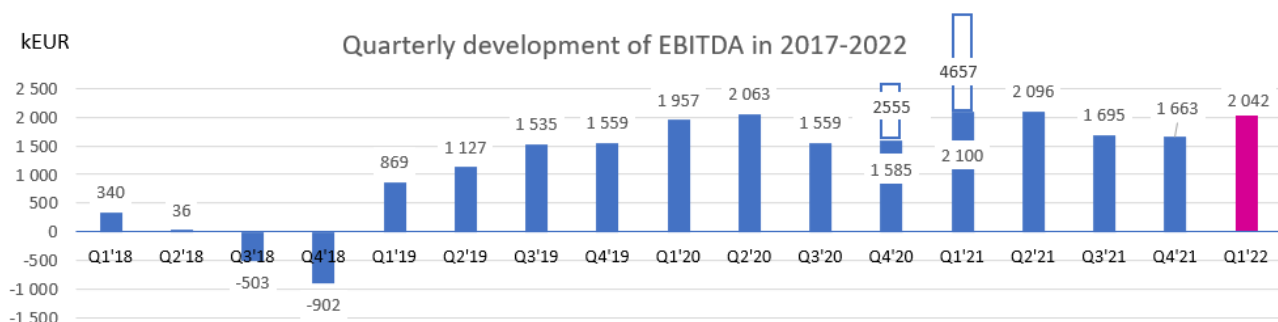
Of net sales for the period January 1–March 31, 2022, approximately 49 percent came from commercial clients, approximately 39 percent from public sector clients, and approximately 12 percent from third-sector clients.

Innofactor’s net sales for the review period of January 1–March 31, 2022, came from the following sources:

- approximately 40 percent from IT system delivery projects and consulting
- approximately 35 percent from services based on recurring service contracts, such as SaaS, cloud and hosting services, and from software maintenance
- approximately 23 percent from specialist work based on recurring service contracts, such as smaller customer-specific changes and the further development of IT systems
- approximately 2 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 29 percent of the net sales for the review period January 1–March 31, 2022.

Innofactor’s operative operating margin roughly at the level of the comparison year



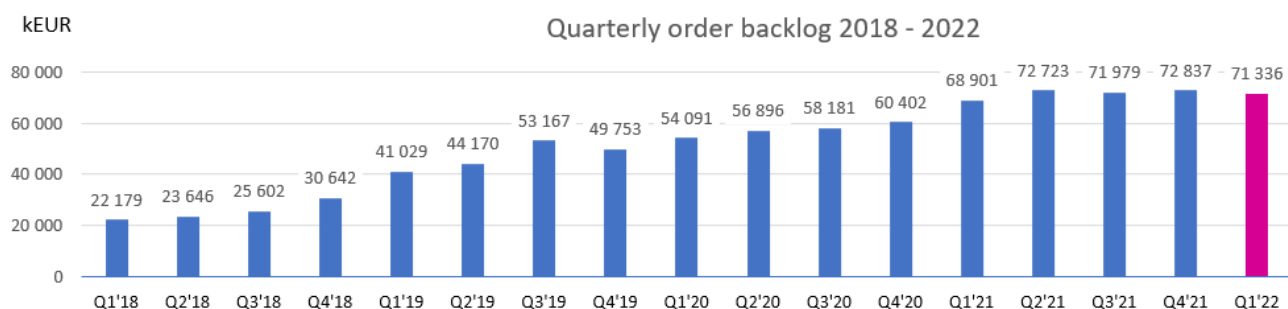
Innofactor’s operating margin (EBITDA) for the period January 1–March 31, 2022, was EUR 2,042 thousand (2021: 4,657), representing a decrease of 56.2 percent. EBITDA represented 12.0 percent of net sales (2021: 26.2%). The operating margin of 2021 includes a sales gain of approximately EUR 2.6 million from the sale of the Prime business, without which the comparable change would have represented a decrease of 2.8 percent. Innofactor’s operating margin was positive in all countries, except for Sweden.

Innofactor’s operating profit for the period January 1–March 31, 2022, amounted to EUR 1,319 thousand (2021: 3,809), representing a decrease of 65.4 percent. Operating profit represented 7.8 percent of net sales (2021: 21.4%). Without the sales gain of the 2021 sale of the Prime business, the comparable change would have represented an increase of 5.3 percent.

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 increased slightly compared to the comparison year

Innofactor’s order backlog at the end of the review period amounted to EUR 71,336 thousand (2021: 68,901), representing growth of 3.5 percent. Among other things, the order backlog was increased by the cloud migration project for a Norwegian non-profit organization worth approximately EUR 1.2 million as well as the configuration, development, and support services of the Microsoft Dynamics 365 solution for a Swedish bank, approximately EUR 0.8 million.



Innofactor’s operating cash flow in the review period improved from the situation one year earlier

Innofactor’s balance sheet total at the end of the review period was EUR 54,761 thousand (2021: 59,622). The Group’s liquid assets totaled EUR 3,919 thousand (2021: 6,184), consisting entirely of cash funds.

The operating cash flow for the review period of January 1–March 31, 2022 was EUR 2,705 thousand (2021: 3,624). The cash flow from investing activities was EUR -144 thousand (2021: -53).

The equity ratio at the end of the review period was 51.7 percent (2021: 46.6%) and net gearing was 26.5 percent (2021: 56.9%).

At the end of the review period, the company had EUR 1,873 thousand in current interest-bearing liabilities to financial institutions (2021: 2,540) and EUR 4,683 thousand in non-current interest-bearing liabilities to financial institutions (2021: 8,890). The total amount of interest-bearing liabilities to financial institutions was EUR 6,557 thousand (2021: 11,430). The company had lease liabilities in accordance with IFRS 16 (leases for the duration of fixed-term leases) of EUR 4,302 thousand (2021: 3,503) of which EUR 1,774 thousand in current leases (2021: 1,621) and EUR 2,528 thousand in non-current leases (2021: 1,882). The total amount of interest-bearing liabilities was EUR 10,859 thousand (2021: 14,933).

The return on investment for the period January 1–March 31, 2022, improved year-on-year and was 3.8 percent (2021: 10.9%). The return on equity for the period January 1–March 31, 2022, improved year-on-year and was 3.2 percent (2021: 10.7%).

The non-current assets on Innofactor's balance sheet at the end of the review period totaled EUR 36,264 thousand.

Innofactor's gross investments in tangible and intangible assets during the review period of January 1–March 31, 2022, came to EUR 154 thousand (2021: 105), consisting of normal additional and replacement investments required by growth.

Innofactor's research and product development investments increased slightly from last 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–March 31, 2022, were approximately EUR 1,088 thousand (2021: 1,041), representing 6.4 percent of net sales (2021: 5.8%).

Innofactor's number of employees decreased compared to the previous year, partly due to the sale of the Prime business – however, it slightly increased compared to the previous quarter

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 January 1–March 31, 2022, was 499 (2021: 537), representing a decrease of 7.1 percent, which was in part attributable to the sale of the Prime business in 2021. Compared to the previous quarter (Q4/2021: 495), the increase was 0.8 percent.

At the end of review period, the number of active personnel was 502 (2021: 536), representing a decrease of 6.3 percent, which was in part attributable to the sale of the Prime business in 2021. Compared to the previous quarter (Q4/2021: 500), the increase was 0.4 percent.

At the end of the review period, the average age of the personnel was 42.5 years (2021: 42.2). Women accounted for 28 percent (2021: 27%) of the personnel. Men accounted for 72 percent (2021: 73%) of the personnel.

Other events in the review period

On January 4, 2022, Innofactor announced in a stock exchange release that it had completed the share repurchase program. Repurchases of treasury shares began on October 26, 2021, and ended on January 3, 2022. During this period, Innofactor acquired 800,000 treasury shares at an average price of EUR 1.5045. The shares were acquired at the current market price in public trading arranged by Nasdaq Helsinki Ltd.

On January 18, 2022, Innofactor announced in a stock exchange release that the Finnish Ministry of Social Affairs and Health selected Innofactor in a public procurement competition as the provider of the case management, document management, transaction service, and reference price information system as well as the related maintenance and further development tasks of the Pharmaceuticals Pricing Board. The total value of the procurement (excluding VAT) stated by the Ministry of Social Affairs and Health in the procurement decision for the four-year contract period is approximately EUR 1,190,000.

On January 20, 2022, Innofactor announced in a stock exchange release that the Housing Finance and Development Centre of Finland (ARA) had selected Innofactor in a public procurement competition as the supplier of the Sequence Number Register. The procurement includes the planning and implementation of the Sequence Number Register, the support, maintenance and further development services for the implemented solution, as well as system operation and control. The solution is based on Microsoft Azure cloud services. Innofactor's share of the total value of the procurement is approximately EUR 680,000. The minimum agreement period is three years.

On February 16, 2022, Innofactor announced in a stock exchange release that the Finnish Safety and Chemicals Agency (Tukes) selected Innofactor in a public procurement competition as the supplier of the "Agile development of services, servicing and maintenance" section of the framework agreement on for IT system development and maintenance. The framework agreement comprises a total of three areas for which a total of four framework contract suppliers were selected. A total of two framework contract suppliers were selected for the "Agile development of services, servicing and maintenance". The Agile development of services, servicing and maintenance section focuses on the implementation of Tukes' systems in accordance with an agile approach, service validation, the servicing and maintenance of applications, and processing and repair of disruptions. The anticipated total value (excluding VAT) of the procurement indicated by Tukes in the procurement decision for all three covered areas is EUR 6.8. million. The duration of the framework agreement is four years, plus an option for two additional years.

On March 1, 2022, Innofactor announced in a stock exchange release that Innofactor and a Swedish bank have signed an agreement concerning the configuration, development, and support services for a Microsoft Dynamics 365 solution. Innofactor estimates the value of the agreement to be approximately EUR 800,000. The agreement will be valid until further notice.

On February 2, 2022, Innofactor announced in a stock exchange release that Finnvera had selected Innofactor as the provider of its case management system as a SaaS solution. The procurement comprises the case management system as well as the relevant access permissions, support and maintenance services, system delivery project, and supplementary expert services. The system will be based on Innofactor's Dynasty 10 solution. The service agreement related to the procurement will be valid for a fixed period of four (4) years, after which the agreement will be valid until further notice. The planned start of the deployment project is on April 1, 2022. Innofactor estimates the total value of the procurement to be approximately EUR 1.0 million.

On March 10, 2022, Innofactor announced in a stock exchange release that the Social Insurance Institution of Finland (Kela) has selected Innofactor as the provider of an administrative case management solution in a public procurement competition. The procurement includes a case management solution based on Innofactor's Dynasty 10 system, the delivery project, the maintenance and support services as well as any separately requested expert work related to the solution. The total value (excluding VAT) quoted by Kela in its procurement decision is approximately EUR 0.7 million. The agreement will be valid for a fixed period of four (4) years, after which the agreement will be valid until further notice.

On March 31, 2022, Innofactor announced in a stock exchange release that Innofactor and a Norwegian non-profit organization have signed an agreement concerning a cloud migration project, which comprises the migration of the organization's IT system from an external On Premises hosting environment to the Microsoft Azure cloud environment. The value (excluding VAT) of the agreement is approximately EUR 1.2 million. The cloud migration project will be delivered between April 2022 and January 2023.

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 January 1–March 31, 2022, the highest price of the company's share was EUR 1.54 (2021: EUR 2.07), the lowest price was EUR 1.07 (2021: 1.24) and the average price was EUR 1.37 (2021: EUR 1.56).

The closing price for the review period on March 31, 2022, was EUR 1.37 (2021: EUR 1.85).

In public trading during the period of January 1–March 31, 2022, a total of 6,513,680 shares were traded (2021: 10,096,022), which corresponds to 17.8 percent (2021: 27.0%) of the average number of shares in the said period. During the period January 1–March 31, 2022, there were 36,588,225 shares on average (2021: 37,188,225). The share trading decreased by 35.5 percent compared to the corresponding period in 2021.

The market value of the share capital at the closing price of EUR 1.37, on March 31, 2022, was EUR 51,035 thousand (2021: 69,168), representing a decrease of 26.2 percent.

On March 31, 2022, the company had a total of 12,253 shareholders (2021: 11,979), including nominee-registered shares.

On March 31, 2022, the company held 800,000 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/

Related party transactions

The company's managers considered to be related parties have EUR 87 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

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

Events after 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 development tasks. The system will be based on Innofactor's Dynasty 10 solution. The delivery project is planned to be implemented during years 2022–2023, after which maintenance and development services will be delivered. 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 a fixed period of two (2) years from delivery, after which the agreement will be valid until further notice.

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

Espoo, April 26, 2022

INNOFACTOR PLC

Board of Directors

Additional information:

CEO Sami Ensio, Innofactor Plc

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Briefings concerning the Interim Report January 1–March 31, 2022

Innofactor will publish the interim report for January–March 2022 on Tuesday, April 26, 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. 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

Financial statement summary and notes January 1–March 31, 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.

The figures in this interim report have not been audited.

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

EUR thousand	Jan 1–Mar 31, 2022	Jan 1–Mar 31, 2021
Net sales	16,964	17,807
Other operating income	22	2,569
Materials (–)	-2,172	-2,233
Employee benefit expenses (–)	-11,225	-12,008
Depreciation (–)	-723	-848
Other operating expenses (–)	-1,547	-1,477
Operating profit/loss	1,319	3,809
Financial income	30	13
Financial expenses (–)	-247	-465
Profit/loss before taxes	1,102	3,357
Income taxes	-256	-721
Profit/loss for the financial period	846	2,637
Distribution of the result		
To shareholders of the parent company	846	2,637
To non-controlling interests	0	0
Other comprehensive income		
Items that may be later recognized in profit or loss:		
Exchange differences	27	136
Total comprehensive income	873	2,773
Distribution of the comprehensive income		
To shareholders of the parent company	873	2,773
To non-controlling interests	0	0

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

basic earnings per share (EUR)	0.0231	0.0705
diluted earnings per share (EUR)	0.0231	0.0705

**Consolidated balance sheet,
IFRS**
ASSETS

EUR thousand	Mar 31, 2022	March 31, 2021	Dec 31, 2021
Non-current assets			
Tangible assets	576	505	535
Right-of-use assets	4,208	3,398	3,166
Goodwill	26,337	26,430	26,393
Other intangible assets	467	1,802	633
Shares and holdings	5	5	5
Receivables	129	245	129
Deferred tax assets	4,542	5,649	4,830
Non-current assets	36,264	38,034	35,691
Current assets			
Trade and Other Receivables	14,578	15,404	13,403
Cash and Cash Equivalents	3,919	6,184	1,963
Current assets	18,497	21,588	15,366
TOTAL ASSETS	54,761	59,622	51,057

**SHAREHOLDERS' EQUITY AND
LIABILITIES**

EUR thousand	Mar 31, 2022	March 31, 2021	Dec 31, 2021
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	20,174
Retained earnings	6,342	4,390	5,496
Own shares	-1,204	0	-1,146
Exchange differences	-1,324	-1,311	-1,351
Equity attributable to the shareholders of the parent company	26,219	26,232	25,404
Non-controlling interest	0	0	0
Total shareholders' equity	26,219	26,232	25,404
Non-current liabilities			
Loans from financial institutions	4,683	8,890	4,683
Lease liabilities	2,528	1,882	1,658
Deferred tax liabilities	1,472	1,796	1,487
Long-term liabilities total	8,683	12,567	7,828
Current liabilities			
Loans from financial institutions	1,873	2,540	1,873
Lease liabilities	1,774	1,621	1,603
Trade and other payables	16,212	16,662	14,349
Current liabilities total	19,859	20,823	17,825
Total liabilities	28,542	33,390	25,653
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	54,761	59,622	51,057

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	Total shareholders' equity
Shareholders' equity Jan 1, 2022	2,100	72	59	20,174	-1,146	5,495	-1,351	25,404	25,404
Comprehensive income									
Result for the financial period						846		846	846
Exchange differences							27	27	27
Total comprehensive income						846	27	873	873
Dividend distribution									
Repayment of capital									
Purchase of own shares					-58			-58	-58
Shareholders' equity March 31, 2022	2,100	72	59	20,174	-1,204	6,342	-1,324	26,219	26,219

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	Total shareholders' equity
Shareholders' equity Jan 1, 2021	2,100	72	59	20,921	0	1,739	-1,448	23,444	23,444
Comprehensive income									
Result for the financial period						2,651		2,651	2,651
Exchange differences							137	137	137
Total comprehensive income						2,651	137	2,788	2,788
Shareholders' equity March 31, 2021	2,100	72	59	20,921	0	4,390	-1,311	26,232	26,232

Consolidated Cash Flow Statement, IFRS

EUR thousand	Jan 1–Mar 31, 2022	Jan 1–Mar 31, 2021
Cash flow from operating activities		
Operating profit	1,319	3,809
Adjustments:		
Depreciation	723	848
Other transactions with no related cash flow	62	-42
Operating profit before change in working capital	2,103	4,616
Change in trade and other receivables (+/–)	-1,185	-1,531
Change in trade and other payables (+/–)	1,863	675
Change in working capital	678	-856
Cash flow from operating activities before financing and income taxes paid	2,781	3,760
Interest received	0	-23
Interest paid (–)	-76	-113
Net cash flow from operating activities	2,705	3,624
Investment cash flow		
Acquisition of subsidiaries	0	0
Investments in intangible and tangible assets (–)	-154	-105
Receivables from sales	0	0
Loan receivables repaid	10	52
Net cash flow from investments	-144	-53
Cash flow from financing		
Loans withdrawn	0	0
Loans paid	0	0
Lease liability payments	-547	-453
Payment of shares	0	0
Payment of equity loans	0	0
Purchase of own shares	-58	0
Net cash flow from financing	-605	-453
Change in cash and cash equivalents (+/–)	1,956	3,118
Cash and cash equivalents, opening balance	1,963	3,066
Cash and cash equivalents, closing balance	3,919	6,184

Consolidated Profit and Loss Statement by Quarter, IFRS

EUR thousand	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
Net sales	16,964				17,807	17,296	13,730	17,530
Other operating income	22				2,569	10	11	91
Materials (–)	-2,172				-2,233	-2,292	-2,050	-2,298
Employee benefit expenses (–)	-11,225				-12,008	-11,387	-8,600	-11,457
Depreciation (–)	-723				-848	-824	-780	-1,139
Other operating expenses (–)	-1,547				-1,477	-1,532	-1,395	-2,203
Operating profit/loss	1,319				3,809	1,272	915	523
Financial income	30				13	344	4	-1
Financial expenses (–)	-247				-465	-329	-163	-191
Profit/loss before taxes	1,102				3,357	1,287	755	330
Income taxes	-256				-721	-298	-174	-34
Profit/loss for the financial period	846				2,637	989	581	297
 EBITDA	 2,042				 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	Mar 31, 2022	March 31, 2021	Dec 31, 2021
Trade and Other Receivables	14,578	15,725	13,403
Cash and Cash Equivalents	3,919	6,184	1,963
Total	18,497	21,909	15,366
Loans from financial institutions	6,557	7,269	6,557
Lease liabilities	4,302	3,503	3,261
Total	10,859	10,772	9,818
Trade and other payables:			
Received advances	4,062	3,389	1,353
Trade payables	906	1,627	1,341
Other liabilities	3,324	3,384	4,884
Accrued expenses	7,919	8,262	6,771
Total	16,212	16,662	14,349

Group's commitments and contingent liabilities

EUR thousand	Mar 31, 2022	March 31, 2021
Collateral given for own commitments		
Lease collateral	126	159
Mortgages on company assets	16,350	17,000
Bank guarantees	309	296
Other own liabilities		
Lease liabilities		
Current lease liabilities	0	15
Lease liabilities maturing in 1–5 years	0	5
Total	0	20
Other own liabilities total	0	20

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

Largest shareholders

According to the share register maintained by Euroclear Finland Oy, the share ownership of the 20 largest Innofactor Plc shareowners at the end of the review period on March 31, 2022, was as follows.

Name	Number of shares	% of share capital
1. Ensio Sami	7,886,142	21.10%
<i>Ensio Sami</i>	5,712,382	15.28%
<i>Minor under guardianship</i>	724,588	1.94%
<i>Minor under guardianship</i>	724,586	1.94%
<i>Minor under guardianship</i>	724,586	1.94%
2. Ilmarinen Mutual Pension Insurance Company	1,800,000	4.81%
3. 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	0.90%
4. Laiho Rami Tapani	1,155,316	3.09%
5. Ärje Matias Juhanoika	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	250,000	0.67%
13. Kukkonen Heikki-Harri	218,606	0.58%
14. Puolakka Petri Yrjö Emil	202,511	0.54%
15. Laiho Jari Olavi	200,371	0.54%
16. Mandatum Life Insurance Company Limited	199,445	0.53%
17. Kannisto Jaakko Mikael	191,981	0.51%
18. Varsio Jussi Ilari	190,000	0.51%
19. Mäkinen Antti Vilho Juhani	164,000	0.44%
20. Muurinen Hannu Olavi	125,750	0.34%
Total	17,484,803	46.76%

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