

Innofactor Plc Interim Report October 25, 2022, at 9:00 Finnish time

## **Innofactor Plc's Interim Report for January 1–September 30, 2022 (IFRS)**

**Innofactor made a strong return to the path of profitable growth – highest-ever Q3 net sales, operating margin and order backlog**

July–September 2022 in brief:

- Net sales were approximately EUR 16.7 million (2021: 13.7), representing an increase of 21.5%
  - Of the growth, approximately EUR 1.8 million (13.4%) was organic
- Operating margin was approximately EUR 1.8 million (2021: 1.7), representing an increase of 4.8%
- Operating profit was EUR 1.0 million (2021: 0.9), representing an increase of 4.9%
- The order backlog at the end of the review period was EUR 77.3 million (2021: 72.0), representing an increase of 7.3%
- Innofactor received several significant orders in the third quarter, for example:
  - Continued development and maintenance of the ERP and document management system for administrative courts and special courts for the Legal Register Centre (HAIPA project), approximately EUR 4.0 million, of which approximately EUR 2.0 million is entered in the order backlog (excluding years subject to options)
  - Development and maintenance of the Aalto University Foundation's centralized data warehouse, approximately EUR 5.0 million, to be entered in the order backlog in stages according to agreements to be subsequently concluded with the customer

January–September 2022 in brief:

- Net sales were approximately EUR 50.6 million (2021: 48.8), representing an increase of 3.6%
  - Without the Prime business sold in the first quarter of 2021, the comparable change would have been an increase of 4.9 percent
  - Of the growth, approximately EUR 1.3 million (2.6%) was organic
- Operating margin was approximately EUR 5.2 million (2021: 8.4), representing a decrease of 38.5%
  - 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 operating margin

would have been approximately EUR 5.9 million; the comparable change in operating margin is a decrease of 11.8%

- Operating profit was EUR 2.9 million (2021: 6.0), representing a decrease of 50.9%
  - The operating profit for 2021 includes a corresponding sales gain as the operating margin, without which the operating profit would have been approximately EUR 3.4 million, representing a decrease of 14.3%

## Key figures of the group, IFRS

	Jul 1–Sep 30, 2022	Jul 1–Sep 30, 2021	Change	Jan 1–Sep 30, 2022	Jan 1–Sep 30, 2021	Change
Net sales, EUR thousand	16,683	13,730	21.5%	50,594	48,834	3.6%
Growth of net sales	21.5%	-2.0%		3.6%	1.9%	
Operating result before depreciation and amortization (EBITDA), EUR thousand	1,777	1,695	4.8%	5,196	8,448	-38.5%
percentage of net sales	10.7%	12.3%		10.3%	17.3%	
Operating profit/loss (EBIT), EUR thousand*	959	915	4.9%	2,946	5,996	-50.9%
percentage of net sales	5.8%	6.7%		5.8%	12.3%	
Earnings before taxes, EUR thousand*	759	755	0.5%	2,500	5,400	-53.7%
percentage of net sales	4.6%	5.5%		4.9%	11.1%	
Earnings, EUR thousand*	599	581	3.0%	1,992	4,207	-52.6%
percentage of net sales	3.6%	4.2%		3.9%	8.6%	
Order backlog	77,251	71,979	7.3%	77,251	71,979	7.3%
Net gearing*	56.9%	34.0%		56.9%	34.0%	
Net gearing without IFRS 16	41.8%	21.2%		41.8%	21.2%	
Equity ratio	43.7%	52.9%		43.7%	52.9%	-17.4%
Equity ratio without IFRS 16	46.8%	56.8%		46.8%	56.8%	
Active personnel on average during the review period*	555	508	9.3%	527	493	6.9%
Active personnel at the end of the review period*	554	497	11.5%	554	497	11.5%
Earnings per share (EUR)	0.0164	0.0155	5.3%	0.0544	0.1125	-51.6%

\*) 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: Focus on increasing customer work and project profitability improved Innofactor's organic growth and profitability in Q3 – we will continue on the same path for the remainder of the year**

Net sales in the third quarter of 2022 amounted to EUR 16.7 million, representing year-on-year growth of 21.5 percent, with the rate of organic growth being 13.4 percent. The operating margin (EBITDA) grew by 4.8 percent year-on-year and came to EUR 1.8 million (10.7 percent of net sales). Innofactor's net sales grew, and operating margin was positive in all countries (Finland, Sweden, Norway and Denmark).

Net sales for the first nine months of 2022 amounted to EUR 50.6 million, representing year-on-year growth of 3.6 percent. Excluding the Prime business sold on March 31, 2021, from April 1, 2021, onwards the comparable rate of growth was 4.9 percent. The rate of organic growth was 2.6 percent. The operating margin (EBITDA) decreased by 38.5 percent year-on-year and came to EUR 5.2 million (10.3 percent of net sales). 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 operating margin in 2021 would have amounted to EUR 5.9 million and the comparable change in the operating margin would have been a decrease of 11.8 percent.

The order backlog increased slightly from the previous quarter and amounted to EUR 77.3 million at the end of the review period, representing year-on-year growth of 7.3 percent.

In connection with our half-yearly report, I noted that we could not be satisfied with our operational performance in Finland and Sweden in the first half of 2022. As previously announced, we immediately took action in the summer to improve our performance. We focused particularly on increasing project profitability and the invoicing ratio by focusing even more on customer work. The actions we took enabled us to systematically increase the invoicing ratio from one week to the next during the quarter, especially in Finland. Our goal is to maintain the invoicing ratio at least at the level we achieved at the end of the quarter until the end of the year, and to further increase it in 2023.

Martin Söderlind was appointed in September as Country Manager for Innofactor Sweden. Martin has previously served as a member of Innofactor's Group Executive Board and held the position of Chief Innovation and Talent officer since April 2021. In his new role, Martin will continue as a member of the Group Executive Board. Innofactor Sweden's previous Country Manager, Marcus Hasselblad, will leave Innofactor Group in November to pursue other opportunities. Innofactor has appointed Anni Pokkinen as Innofactor Group's Chief People Officer and a member of the Group Executive Board. She has taken over a significant share of the duties previously handled by Martin Söderlind. Anni has held several HR-related roles at Innofactor since July 2015. Most recently, she held the position of HR Director, Nordic Development and Operations, and HR Director, Finland. In her new position, Anni will also continue to lead Innofactor's Finnish HR.

The integration of Invenco Ltd into Innofactor's operations has progressed according to plan. Invenco Ltd was acquired by Innofactor in June 2022. We have harmonized our operating models and moved to shared office premises. We opened a new office in Oulu at the end of September, which we hope will also support the recruitment of new professionals in the Oulu region. We aim to complete all key aspects of the integration process by the end of the year.

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

## Strategy and its realization in the review period

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

Our purpose: Innovating to make the world work better

Our mission: Driving the modern digital organization

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

Our strategic choices:

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

Our values:

- Accountability
- Empowerment
- Innovation
- Customer

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

Our long-term financial goals:

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

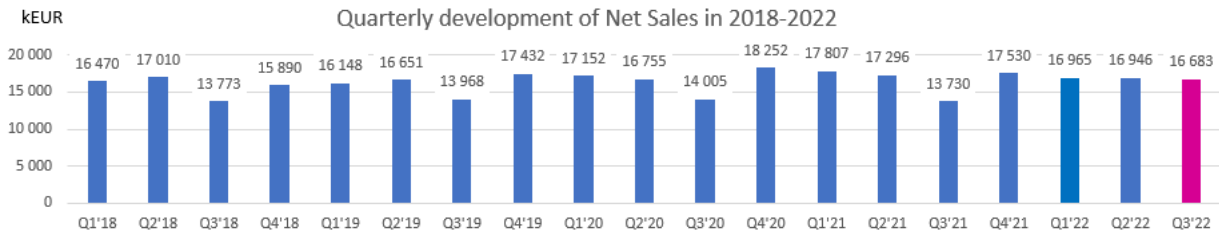
Innofactor's net sales in January–September 2022 amounted to EUR 50.6 million (2021: 48.8), representing year-on-year growth of 3.6 percent. Without the Prime business sold in the first quarter of 2021, the comparable change would have been an increase of 4.9 percent.

Approximately EUR 1.3 million (2.6%) of the growth was organic, excluding the net sales derived from the Invenco acquisition. The net sales growth target is supported by Innofactor's record-high order backlog of EUR 77.3 million (2021: 71.9). The Invenco acquisition adds inorganic growth to our business, and we have also successfully 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 10.3 percent of net sales (2021: 17.3%). EBITDA for the review period decreased by 38.5 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 11.8 percent year-on-year. The measures we have initiated in Finland and Sweden to improve our performance and net sales are aimed at increasing our EBITDA in the fourth quarter and, in line with our market guidance, we expect to exceed last year's EBITDA, excluding the effect of the capital gain recognized on the sale of the Prime business.

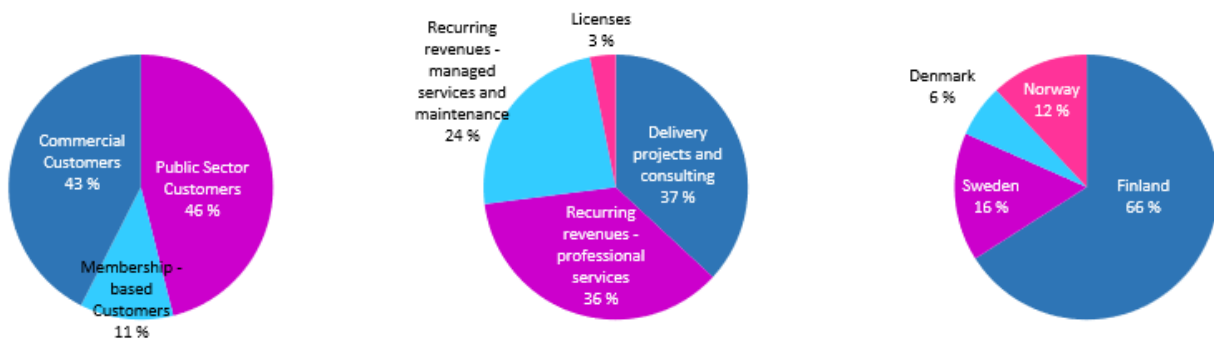
Innofactor's operating cash flow for the review period of January 1–September 30, 2022, amounted to EUR 3.0 million (2021: EUR 6.2 million) and the equity ratio at the end of the review period was 43.7 percent (2021: 52.9 percent). Cash flow in 2021 was increased by EUR 2.2 million in proceeds from the sale of the Prime business. In connection with the Invenco acquisition, Innofactor took out a bank loan of EUR 2.5 million in June 2022. The bank loan and the effect of consolidating Invenco into Innofactor's balance sheet on June 30, 2022, reduces the equity ratio in 2022. Cash flow from financing was also weakened by repayments of Invenco Ltd's loans in the third quarter. Innofactor's strong operating cash flow supports the company's strategic goal of profitable growth and securing a solid financial standing in all situations.

**Innofactor’s net sales show substantial year-on-year growth**



Innofactor’s net sales for the period July 1–September 30, 2022, amounted to EUR 16,683 thousand (2021: 13,730), representing growth of 21.5 percent. Of the growth, approximately EUR 1.8 million (13.4%) was organic, with the remainder being attributable to the acquisition of Invenco Ltd at the end of June. Net sales per active employee amounted to approximately EUR 30.1 thousand (2021: 27.0), representing an increase of 11.2 percent.

Innofactor’s net sales for the period January 1–September 30, 2022, amounted to EUR 50,594 thousand (2021: 48,834), representing growth of 3.6 percent. Net sales per active employee amounted to approximately EUR 96.0 thousand (2021: 99.1), representing a decrease of 3.1 percent. We are focusing on increasing our net sales per active employee for the full year 2022.



Innofactor’s business operations were focused on Finland, Sweden, Denmark and Norway. During the period January 1–September 30, 2022, approximately 66 percent of the net sales came from Finland, approximately 16 percent from Sweden, approximately 12 percent from Norway, and approximately 6 percent from Denmark. Net sales grew in the third quarter in all of Innofactor’s operating countries (Finland, Sweden, Denmark and Norway).

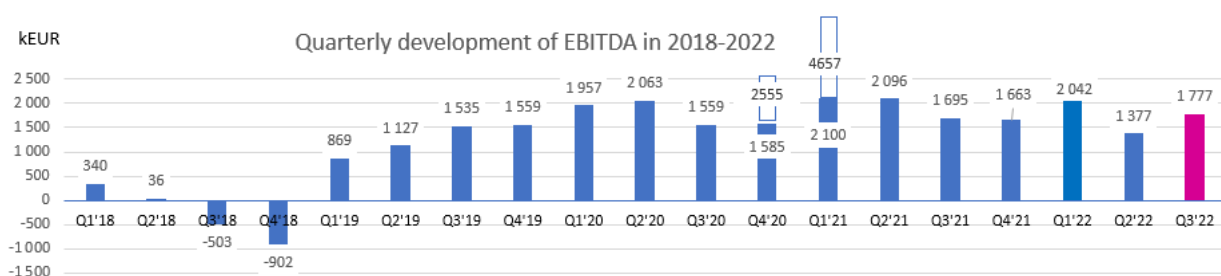
During the period January 1–September 30, 2022, approximately 43 percent of the net sales came from commercial clients, approximately 46 percent from public sector clients, and approximately 11 percent from third-sector clients.

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

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

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

**Innofactor’s EBITDA grew slightly compared to the third quarter of 2021**



Innofactor’s operating margin (EBITDA) for the period July 1–September 30, 2022, was EUR 1,777 thousand (2021: 1,695), representing growth of 4.8 percent. EBITDA represented 10.7 percent of net sales (2021: 12.3%). Innofactor’s operating margin was positive in all countries (Finland, Sweden, Denmark and Norway).

Innofactor’s operating margin (EBITDA) for the period January 1–September 30, 2022, was EUR 5,196 thousand (2021: 8,448), representing a decrease of 38.5 percent. EBITDA represented 10.3 percent of net sales (2021: 17.3%). 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 operating margin would have been approximately EUR 5,891 thousand (12.1% of net sales, a decline of 11.8%).

Innofactor’s operating profit for the period July 1–September 30, 2022, was EUR 959 thousand (2021: 915), representing growth of 4.9 percent. Operating profit represented 5.8 percent of net sales (2021: 6.7%).

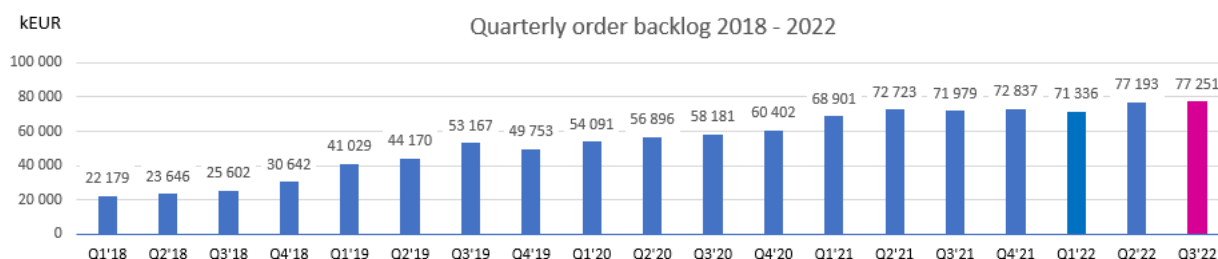
Innofactor’s operating profit for the period January 1–September 30, 2022, amounted to EUR 2,946 thousand (2021: 5,996), representing a decrease of 50.9 percent. Operating profit was 5.8



percent of net sales (2021: 12.3%). Without the capital gain from the sale of the Prime business in 2021, the comparable change would have been a decrease of 14.3 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 remains strong**



Innofactor’s order backlog at the end of the review period was EUR 77,251 thousand (2021: 71,979), representing growth of 7.3 percent. Projects that contributed to the growth of the order backlog included, among others, the continued development and maintenance of the ERP and document management system for administrative courts and special courts for the Legal Register Centre (HAIPA project), of which approximately EUR 2.0 million has been entered in the order backlog (excluding years subject to options).

**Operating cash flow remained strong during the review period**

Innofactor’s balance sheet total at the end of the review period was EUR 56,917 thousand (2021: 51,152). The Group’s liquid assets totaled EUR 174 thousand (2021: 1,947), consisting entirely of cash funds.

The operating cash flow for the review period of January 1–September 30, 2022, was EUR 2,972 thousand (2021: 6,182). The cash flow from investing activities was EUR -3,455 thousand (2021: -527). The cash flow from investing activities includes the effect of the Invenco acquisition, which was EUR -2,425 thousand. The operating cash flow for 2021 includes capital gains from the sale of the Prime business in the amount of EUR 2,199 thousand. Cash flow from financing was also weakened by EUR 349 thousand in repayments of Invenco Ltd’s loans in the third quarter.

The equity ratio at the end of the review period was 43.7 percent (2021: 52.9%) and net gearing was 56.9 percent (2021: 34.0%). The decrease in the equity ratio is attributable to the financing of the Invenco Ltd acquisition and the consolidation of Invenco into Innofactor's balance sheet.

At the end of the review period, the company had EUR 4,737 thousand in current interest-bearing liabilities to financial institutions (2021: 1,873) and EUR 5,456 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 10,193 thousand (2021: 7,493). The company had IFRS 16 lease liabilities (leases for the duration of fixed-term leases) of EUR 3,643 thousand (2021: 3,372) of which EUR 1,703 thousand in current leases (2021: 1,603) and EUR 1,940 thousand in non-current leases (2021: 1,770). The total amount of interest-bearing liabilities was EUR 13,836 thousand (2021: 10,866). The increase in interest-bearing liabilities is mainly attributable to the bank loan of EUR 2,500 thousand withdrawn for the purpose of financing the acquisition.

The return on investment for the period January 1–September 30, 2022, decreased year-on-year and was 8.8 percent (2021: 18.5%). The return on equity for the period January 1–September 30, 2022, decreased year-on-year and was 7.9 percent (2021: 16.8%). Both of these indicators were affected by the sale of the Prime business in 2021.

The non-current assets on Innofactor's balance sheet at the end of the review period totaled EUR 41,711 thousand.

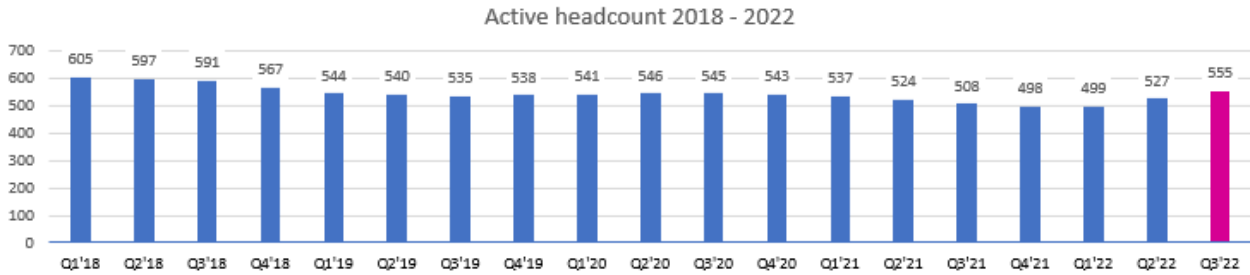
Innofactor's gross investments in tangible and intangible assets during the review period of January 1–September 30, 2022, came to EUR 656 thousand (2021: 262), consisting of normal additional and replacement investments required by growth.

### **Innofactor's research and product development investments increased slightly**

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

Innofactor's research and development costs recognized in profit or loss for January 1–September 30, 2022, amounted to approximately EUR 2,975 thousand (2021: 2,342), representing 5.9 percent of net sales (2021: 4.8%).

**Innofactor’s number of employees increased year-on-year**



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 July 1–September 30, 2022, was 555 (2021: 508), representing growth of 9.3 percent. At the end of the review period, the number of active personnel was 554 (2021: 497), representing growth of 11.5 percent. Approximately 75 percent of the growth is attributable to the Invenco acquisition completed at the end of June 2022.

At the end of the review period, the average age of the personnel was 42.6 years (2021: 42.0). Women accounted for 26 percent (2021: 27%) and men for 74 percent (2021: 73%) of the personnel.

**Other events in the review period**

On August 3, 2022, Innofactor announced in a stock exchange release that the Legal Register Centre has selected Innofactor to continue the development and maintenance work of the ERP and document management system for administrative courts and special courts (HAIPA project). The system is based on Innofactor’s Dynasty product family. The total value of the procurement (excluding VAT) stated by the Legal Register Centre in the procurement decision is approximately EUR 4.0 million. The contract period is two years, in addition to which there are two one-year options, which will be decided on separately.

On August 9, 2022, Innofactor announced in a stock exchange release that the Aalto University Foundation has selected Innofactor in a public procurement competition as part of a consortium formed with Invenco Ltd to develop and maintain Aalto University’s centralized data warehouse. The tender was submitted as a consortium with Invenco Ltd, with Innofactor subsequently issuing a stock exchange release on June 20, 2022, to announce the acquisition of the share capital of Invenco Ltd. The acquisition was completed on June 30, 2022, after which Invenco Ltd is part of Innofactor Group. The estimated total value (excluding VAT) stated by the Aalto University Foundation in the public procurement decision for a contract period of four years is approximately EUR 5.0 million.

On September 28, 2022, Innofactor issued a stock exchange release announcing that, at its meeting on September 27, 2022, the Board of Directors of Innofactor Plc had decided to commence the acquisition of the company's own shares for the purpose of developing the company's capital structure. The company will acquire a maximum of 800,000 shares, which corresponds to approximately 2.1% of the total number of shares. The maximum amount to be used for the acquisition of shares is EUR 1,000,000. The decision was made on the basis of the authorization given by Innofactor Plc's Annual General Meeting on March 31, 2022, to acquire a maximum of 3,600,000 shares. The repurchase of shares will commence on September 28, 2022, at the earliest and will end at the latest on March 24, 2023, or at an earlier Annual General Meeting. Innofactor Plc has a total of 37,388,225 shares, of which the company currently owns 741,410 (approximately 2.0%). The company's own shares will be acquired at the current market price in public trading arranged by NASDAQ Helsinki Ltd using the company's unrestricted equity.

### Share and shareholders

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

During the period July 1–September 30, 2022, the highest price of the company's share was EUR 1.23 (2021: EUR 1.91), the lowest price was EUR 0.83 (2021: 1.43) and the average price was EUR 0.97 (2021: EUR 1.66).

During the period January 1–September 30, 2022, the highest price of the company's share was EUR 1.54 (2021: 2.07), the lowest price was EUR 0.83 (2021: 1.24), and the average price was EUR 1.21 (2021: 1.65).

The closing price for the review period on September 30, 2022, was EUR 0.86 (2021: EUR 1.45).

In public trading during the period of July 1–September 30, 2022, a total of 3,031,993 shares were traded (2021: 7,359,678), which corresponds to 8.3 percent (2021: 19.7%) of the average number of shares in the period in question. During the period July 1–September 30, the average number of shares was 37,388,225 (2021: 37,388,225). The share trading volume decreased by 58.8 percent compared to the corresponding period in 2021.

In public trading during the period of January 1–September 30, 2022, a total of 11,542,508 shares were traded (2021: 22,767,409), which corresponds to 31.5 percent (2021: 60.9%) of the average number of shares in the period in question. During the period January 1–September 30, 2022, the average number of shares was 37,388,225 (2021: 37,388,225). The share trading volume decreased by 49.3 percent compared to the corresponding period in 2021.

The market value of the share capital at the closing price of EUR 0.86, on September 30, 2022, was EUR 32,004 thousand (2021: 54,213), representing a decrease of 41.0 percent.

On September 30, 2022, the company had a total of 11,974 shareholders (2021: 12,206), including nominee-registered 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 were 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 the acquisition of a maximum of 3,600,000 treasury shares (decided by the General Meeting of March 31, 2022); the Board of Directors decided on September 27, 2022, to commence the repurchase of the company's shares. The company will repurchase a maximum of 800,000 shares. A total of 12,000 shares were repurchased under the authorization in September. At the end of the review period, the company held a total of 753,410 treasury shares.
- 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 policy and statements are available on the company's web site at: <https://www.innofactor.com/invest-in-us/corporate-governance/>

### **Related party transactions**

The company's managers considered to be related parties have EUR 71 thousand in liabilities from the company's personnel issues to the company. The loan period is five years, and the loan is repaid in fixed monthly installments. The interest rate is the 12-month Euribor 360 interest rate. However, the interest rate is always a minimum of 0%. The accrued interest is paid monthly to the company. The company does not have any other major related party transactions.

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

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

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

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

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

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

### **Acquisitions and changes in the Group structure**

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

### **Events after the review period**

Innofactor had no significant events after the review period.

Espoo, October 25, 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 Interim Report for January 1–September 30, 2022**

Innofactor Plc will publish its Interim Report for January–September 2022 on Tuesday, October 25, 2022, at approximately 9:00 am Finnish time.

A video conference call for media, investors and analysts will be held in English on the same day beginning at 12:00 Finnish time. The report will be presented by CFO Markku Puolanne.

To participate in the conference, kindly register in advance by sending an e-mail to [ir@innofactor.com](mailto:ir@innofactor.com). The participation link will be sent via e-mail to the registered participants the day before the conference.

The presentation materials will be available on Innofactor website after the conference.

Distribution:

NASDAQ Helsinki

Main media

[www.innofactor.com](http://www.innofactor.com)

**Financial statement summary and notes January 1–September 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.

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

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

The figures in this interim report have not been audited.



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

<b>EUR thousand</b>	<b>Jul 1–Sep 30, 2022</b>	<b>Jul 1–Sep 30, 2021</b>	<b>Jan 1–Sep 30, 2022</b>	<b>Jan 1–Sep 30, 2021</b>
Net sales	16,683	13,730	50,594	48,834
Other operating income	9	11	43	2,590
Materials and services (–)	-2,900	-2,050	-7,636	-6,576
Employee benefit expenses (–)	-10,265	-8,600	-32,616	-31,995
Depreciation (–)	-817	-780	-2,250	-2,452
Other operating expenses (–)	-1,751	-1,395	-5,189	-4,404
<b>Operating profit/loss</b>	<b>959</b>	<b>915</b>	<b>2,946</b>	<b>5,996</b>
Financial income	14	4	32	360
Financial expenses (–)	-214	-163	-478	-957
<b>Profit/loss before taxes</b>	<b>759</b>	<b>755</b>	<b>2,500</b>	<b>5,400</b>
Income taxes	-160	-174	-508	-1,193
<b>Profit/loss for the financial period</b>	<b>599</b>	<b>581</b>	<b>1,992</b>	<b>4,207</b>
<b>Distribution of the result</b>				
<b>To shareholders of the parent company</b>	<b>599</b>	<b>581</b>	<b>1,992</b>	<b>4,207</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	-71	27	-418	58
<b>Total comprehensive income</b>	<b>528</b>	<b>609</b>	<b>1,574</b>	<b>4,265</b>
<b>Distribution of the comprehensive income</b>				
<b>To shareholders of the parent company</b>	<b>528</b>	<b>609</b>	<b>1,574</b>	<b>4,265</b>
<b>To non-controlling interests</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

EUR thousand	Sep 30, 2022	Sep 30, 2021	Dec 31, 2021
<b>Non-current assets</b>			
Tangible assets	1,025	491	535
Right-of-use assets	3,545	3,276	3,166
Goodwill	30,139	26,446	26,393
Other intangible assets	2,399	1,221	633
Shares and holdings	5	5	5
Receivables	153	162	129
Deferred tax assets	4,445	4,872	4,830
<b>Non-current assets</b>	<b>41,711</b>	<b>36,474</b>	<b>35,691</b>
<b>Current assets</b>			
Trade and other receivables	15,033	12,731	13,403
Cash and cash equivalents	174	1,947	1,963
<b>Current assets</b>	<b>15,207</b>	<b>14,678</b>	<b>15,366</b>
<b>TOTAL ASSETS</b>	<b>56,917</b>	<b>51,152</b>	<b>51,057</b>

**SHAREHOLDERS' EQUITY AND LIABILITIES**

<b>EUR thousand</b>	<b>Sep 30, 2022</b>	<b>Sep 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	7,488	5,199	5,496
Own shares	-1,204	0	-1,146
Translation differences	-1,769	-1,390	-1,351
<b>Equity attributable to the shareholders of the parent company</b>	<b>23,993</b>	<b>26,214</b>	<b>25,404</b>
Non-controlling interest	0	0	0
<b>Total shareholders' equity</b>	<b>23,993</b>	<b>26,214</b>	<b>25,404</b>
<b>Non-current liabilities</b>			
Loans from financial institutions	5,456	5,620	4,683
Lease liabilities	1,940	1,770	1,658
Deferred tax liabilities	1,862	1,486	1,487
Other non-current liabilities	3,185	0	0
<b>Total non-current liabilities</b>	<b>12,443</b>	<b>8,876</b>	<b>7,828</b>
<b>Current liabilities</b>			
Loans from financial institutions	4,737	1,873	1,873
Lease liabilities	1,703	1,603	1,603
Trade and other payables	14,041	12,587	14,349
<b>Current liabilities total</b>	<b>20,482</b>	<b>16,063</b>	<b>17,825</b>
<b>Total liabilities</b>	<b>32,924</b>	<b>24,938</b>	<b>25,653</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>56,917</b>	<b>51,152</b>	<b>51,057</b>

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

EUR thousand	Share capital	Share premium reserve	Reserve	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						1 992		1 992		1 992
Exchange differences							-418	-418		-418
Total comprehensive income						1 992	-418	1 574		1 574
Dividends								0		0
Repayment of capital				-2 927				-2 927		-2 927
Purchase of own shares					-58			-58		-58
<b>Shareholders' equity Sept 30, 2022</b>	2 100	72	59	17 247	-1 204	7 488	-1 769	23 993	0	23 993

EUR thousand	Share capital	Share premium reserve	Reserve	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	20 921	0	1 739	-1 448	23 444		23 444
Comprehensive income										
Result for the financial period						4 207		4 207	0	4 207
Other changes										0
Other comprehensive income:										
Exchange differences							58	58		58
Total comprehensive income						4 207	58	4 265	0	4 265
<b>Shareholders' equity Sept 30, 2021</b>	2 100	72	59	20 174	0	5 199	-1 390	27 710	0	26 214

**Consolidated cash flow statement, IFRS**

EUR thousand	Jan 1–Sep 30, 2022	Jan 1–Sep 30, 2021
<b>Cash flow from operating activities</b>		
Operating profit	2,946	5,996
Adjustments:		
Depreciation	2,250	2,452
Other transactions with no related cash flow	90	-117
<b>Operating profit before change in working capital</b>	<b>5,286</b>	<b>8,332</b>
Change in trade and other receivables (+/–)	-594	1,142
Change in trade and other payables (+/–)	-1,404	-2,966
<b>Change in working capital</b>	<b>-1,998</b>	<b>-1,824</b>
<b>Cash flow from operating activities before financing and income taxes paid</b>	<b>3,288</b>	<b>6,508</b>
Interest received	4	6
Interest paid (–)	-320	-332
Taxes paid	0	0
<b>Net cash flow from operating activities</b>	<b>2,972</b>	<b>6,182</b>
<b>Investment cash flow</b>		
Acquisition of subsidiaries	-2,825	0
Investments in intangible and tangible assets (–)	-656	-262
Receivables from sales	0	-400
Loan receivables repaid	26	135
<b>Net cash flow from investments</b>	<b>-3,455</b>	<b>-527</b>
<b>Cash flow from financing</b>		
Loans withdrawn	4,530	0
Loans paid	-1,296	-3,937
Lease liability payments	-1,556	-1,342
Payment of dividend and capital repayment	-2,927	-1,496
Purchase of own shares	-58	0
<b>Net cash flow from financing</b>	<b>-1,307</b>	<b>-6,774</b>
<b>Change in cash and cash equivalents (+/–)</b>	<b>-1,789</b>	<b>-1,119</b>
Cash and cash equivalents, opening balance	1,963	3,066
Cash and cash equivalents, closing balance	174	1,947

**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	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>16,965</b>	<b>16,946</b>	<b>16,683</b>	<b>17,807</b>	<b>17,296</b>	<b>13,730</b>	<b>17,530</b>
Other operating income	22	12	9	2,569	10	11	91
Materials (–)	-2,172	-2,564	-2,900	-2,233	-2,292	-2,050	-2,298
Employee benefit expenses (–)	-11,225	-11,125	-10,265	-12,008	-11,387	-8,600	-11,457
Depreciation (–)	-723	-710	-817	-848	-824	-780	-1,139
Other operating expenses (–)	-1,547	-1,891	-1,751	-1,477	-1,532	-1,395	-2,203
<b>Operating profit/loss</b>	<b>1,319</b>	<b>668</b>	<b>959</b>	<b>3,809</b>	<b>1,272</b>	<b>915</b>	<b>523</b>
Financial income	30	-12	14	13	344	4	-1
Financial expenses (–)	-247	-17	-214	-465	-329	-163	-191
<b>Profit/loss before taxes</b>	<b>1,102</b>	<b>639</b>	<b>759</b>	<b>3,357</b>	<b>1,287</b>	<b>755</b>	<b>330</b>
Income taxes	-256	-92	-160	-721	-298	-174	-34
<b>Profit/loss for the financial period</b>	<b>846</b>	<b>547</b>	<b>599</b>	<b>2,637</b>	<b>989</b>	<b>581</b>	<b>297</b>
EBITDA	2,042	1,377	1,777	4,657	2,096	1,695	1,663

**The Group's commitments and contingent liabilities**

EUR thousand	Sep 30, 2022	Sep 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>

## 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 million 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 was changed to Innofactor Invenco Ltd, and Invenco's services are now provided under the Innofactor brand.

The IFRS acquisition cost is the estimated purchase price of the shares, which is EUR 5,610 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	142
Intangible assets	2,264
Right-of-use assets	317
Deferred tax assets	201
Non-current assets	14
Trade and other receivables	1,083
Cash and cash equivalents	160
<b>Total assets</b>	<b>4,181</b>
Lease liabilities	317
Other liabilities	1,971
Deferred tax liabilities	420
<b>Total liabilities</b>	<b>2,707</b>
<b>Net assets</b>	<b>1,474 (total assets – total liabilities)</b>
Acquisition cost	5,610 (cash 2,425, contingent consideration 3,185)
Goodwill	4,136 (acquisition cost – net assets)
Purchase price paid in cash	2,425
Cash assets of the acquired subsidiary	138
Cash flow effect	- 2,287

The fair value of customer contracts and related customer relationships included in intangible assets (EUR 2,100 thousand) 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 4,136 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 shareholders at the end of the review period, on September 30, 2022, was as follows:

Name	Number of shares	% of share capital
1. Ensio Sami	7,895,773	21.12%
<i>Ensio Sami</i>	5,722,013	15.30%
<i>Minor under guardianship</i>	724,588	1.94%
<i>Ensio Iiris</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. R. Linturi Oyj (under control of)	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	1,123,010	3.00%
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	0.62%
13. Mandatum Life Insurance Company Limited	223,590	0.60%
14. Kukkonen Heikki-Harri	218,606	0.58%
15. Puolakka Petri Yrjö Emil	202,511	0.54%
16. Laiho Jari Olavi	200,371	0.54%
17. Kannisto Jaakko Mikael	193,281	0.52%
18. Varsio Jussi Ilari	190,000	0.51%
19. Mäkinen Antti Vilho Juhani	168,000	0.45%
20. Saarnio Mikko Markus	138,000	0.37%
<b>Total</b>	<b>17,483,823</b>	<b>46.76%</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