

Innofactor Plc Financial Statement February 8, 2024, at 9:00 a.m. Finnish time

Innofactor Plc Financial Statement 2023 (IFRS)

Innofactor's full-year net sales for 2023 grew by 12.8 percent and exceeded EUR 80 million for the first time – EBITDA also increased to an all-time high of over EUR 9 million

October–December 2023 in brief:

- Net sales were approximately EUR 21.9 million (2022: 20.5), representing an increase of 6.8%
- The operating margin was approximately EUR 2.9 million (2022: 2.6), which shows an increase of 10.2%
- Operating profit was EUR 1.9 million (2022: 1.8), representing an increase of 7.0%
- The order backlog at the end of the review period was EUR 71.6 million (2022: 75.8), representing a decrease of 5.6%
 - We transferred part of the order backlog to the framework agreement backlog, which had a value of EUR 29.8 million at the end of the quarter (2022: 18.9)
- Innofactor received several significant orders in the fourth quarter, for example:
 - Continued development and maintenance of IF Metall's membership management system, approximately EUR 1.6 million
 - A comprehensive system delivery to Tampereen Infra Oy, EUR 1.6 million

January–December 2023 in brief:

- Net sales were approximately EUR 80.3 million (2022: 71.1), which shows an increase of 12.8%
 - Of the growth, approximately 9.1% was organic, excluding the Invenco acquisition of June 30, 2022
- The operating margin was approximately EUR 9.1 million (2022: 7.8), representing an increase of 16.6%
- Operating profit was EUR 5.8 million (2022: 4.8), which shows an increase of 22.8%

Key figures of the group, IFRS

	Oct 1–Dec 31, 2023	Oct 1–Dec 31, 2022	Change	Jan 1–Dec 31, 2023	Jan 1–Dec 31, 2022	Change
Net sales, EUR thousand	21,930	20,536	+6.8%	80,263	71,130	+12.8%
Growth of net sales	6.8%	17.1%		12.8%	7.2%	
Operating result before depreciation and amortization (EBITDA), EUR thousand	2,879	2,612	+10.2%	9,101	7,808	+16.6%
percentage of net sales	13.1%	12.7%		11.3%	11.0%	
Operating profit/loss (EBIT), EUR thousand	1,931	1,805	+7.0%	5,835	4,751	+22.8%
percentage of net sales	8.8%	8.8%		7.3%	6.7%	
Earnings before taxes, EUR thousand	1,623	1,678	-3.3%	5,174	4,178	+23.9%
percentage of net sales	7.4%	8.2%		6.4%	5.9%	
Earnings, EUR thousand	878	1,328	-33.9%	3,438	3,320	3.6%
percentage of net sales	4.0%	6.5%		4.3%	4.7%	
Order backlog	71,555	75,831	-5.6%	71,555	75,831	-5.6%
Net gearing	36.1%	50.0%	-13.9%	36.1%	50.0%	-13.9%
Net gearing without IFRS 16	23.1%	30.0%	-6.9%	23.1%	30.0%	-6.9%
Equity ratio	48.3%	44.8%	+3.5%	48.3%	44.8%	+3.5%
Equity ratio without IFRS 16	51.5%	49.2%	+2.3%	51.5%	49.2%	+2.3%
Active personnel on average during the review period*	581	562	+3.4%	578	536	+7.8%
Active personnel at the end of the review period*	581	564	+3.0%	581	564	+3.0%
Earnings per share (EUR)	0.02	0.04	-33.9%	0.09	0.09	3.6%

*) In accordance with IFRS 3, the operating result for October 1–December 31, 2023, includes EUR 184 thousand (2022: 55), and the operating result for January 1–December 31, 2023, EUR 359 thousand (2022: 277) in depreciations related to acquisitions, consisting of allocations of the purchase price to intangible assets.

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

Innofactor's future outlook for 2024

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

CEO Sami Ensio's review: We achieved a good result in the fourth quarter and for the full year in spite of the challenging market situation

Our net sales in the fourth quarter of 2023 amounted to EUR 21.9 million, representing year-on-year growth of 6.8 percent. Net sales increased in Finland and, denominated in the local currency, in Norway. Net sales decreased in Sweden and Denmark. Net sales per employee increased by 3.3 percent. The operating margin (EBITDA) increased by 10.2 percent year-on-year and came to EUR 2.9 million (13.1 percent of net sales). In the fourth quarter of 2023, EBITDA was positive in Finland but negative in the other countries. The order backlog at the end of the quarter amounted to EUR 71.6 million (2022: 75.8), representing a year-on-year decrease of 5.6 percent. We transferred part of the order backlog to the framework agreement backlog, which had a value of EUR 29.8 million at the end of the quarter (2022: 18.9).

Net sales for the full year 2023 totaled EUR 80.3 million, representing year-on-year growth of 12.8 percent. The operating margin (EBITDA) operationally was EUR 9.1 million (11.3 percent of net sales). We achieved good business growth in Finland and Norway in 2023, and profitability was positive in those countries. In Sweden and Denmark, net sales decreased in 2023 and profitability was negative. Our goal is to achieve a turnaround in growth and profitability in Sweden and Denmark in 2024. In the Information and Case Management solution area, which is based on our Dynasty product, we achieved growth of 29.8 percent in 2023 and the EBITDA was 29.0 percent in spite of the fact that the solution area is allocated product development costs amounting to 14.6 percent of net sales on a cost basis. Net sales of SaaS and licenses represent 60.9 percent of the solution area's net sales. Net sales of SaaS and licenses increased by 31.9 percent in 2023. Innofactor reached record-high net sales and EBITDA in 2023.

Price competition in the markets remained intense in the fourth quarter of 2023, although the weighted average prices of new contracts continued to increase slightly from the preceding quarter. We expect customer prices to continue to increase in 2024, although we predict that the situation will remain challenging at least for the first half of the year.

Our sales performance was excellent in the fourth quarter. Among other contracts, we signed a contract to continue the development, maintenance and support of IF Metall's membership management system in Sweden, valued at approximately EUR 1.6 million, and a contract on a comprehensive system delivery to Tampereen Infra Oy in Finland, valued at approximately EUR 1.6 million. In spite of the challenging competitive situation, we were able to even slightly increase our average selling price in 2023 compared to 2022. Our strong order backlog, framework agreements and other purchases by existing customers enable Innofactor to operate profitably.

In 2023, we managed to increase the share of SaaS and licenses to approximately 31.5 percent of net sales, compared to approximately 27.3 percent in the previous year. Increasing the share of SaaS and licenses is one of our key strategic objectives, and our target is to increase it to over 33 percent in the long term.

In 2023, Innofactor published a sustainability strategy, which is divided into four areas: we innovate for good, we are fair, we put people first, and we build trust.

Innofactor's strength lies in our highly competent and motivated personnel. In 2023, we strengthened our team, trained our personnel, completed certifications and developed our organization and management style. Innofactor's company-specific collective agreement for Finland was signed in early 2023. The aim of the company-specific collective agreement is to make it possible to agree on issues that are important to our personnel, and to have a more straightforward and easy-to-understand collective agreement that reflects us as a company and supports our values. At the end of 2023, we established a personnel bonus fund. Our employees can transfer their performance bonuses to the fund, and bonuses transferred to the fund are subject to increases. In accordance with its rules, the fund invests in Innofactor Plc's shares.

Generative artificial intelligence (ChatGPT, Microsoft Azure Open AI and Microsoft Copilot) received growing attention in the market in 2023. Generative AI presents our customers – and Innofactor – with significant opportunities for improving operational efficiency. Above all, it opens up significant new business opportunities for Innofactor, and we have quickly developed new offerings in response to these opportunities. We see Copilot for Microsoft 365 as particularly significant, as we expect it will enable us to grow our business in co-operation with our main partner Microsoft.

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.

I am pleased that we were able to use our distributable funds to purchase our own shares in 2023 and will be able to distribute funds to our shareholders for the year 2023 in accordance with our dividend policy at EUR 0.06 per share (2022: EUR 0.08 per share). I want to take this opportunity to thank our customers, partners, employees, and investors for the year 2023.

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.

Employer promise: Be the real you

Our long-term financial goals:

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

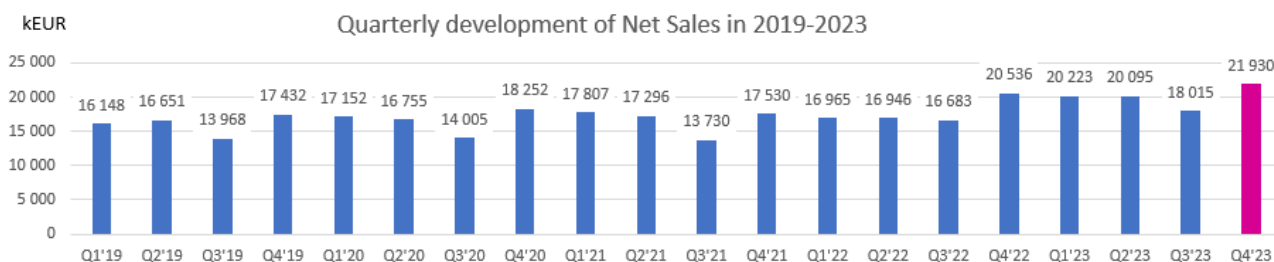
Innofactor's net sales for the review period January 1–December 31, 2023, amounted to EUR 80.3 million (2022: 71.1), representing year-on-year growth of 12.8 percent. Of the growth, approximately 9.1 percent was organic, excluding net sales derived from the Invenco acquisition of June 30, 2022. We are lagging behind our strategic growth target. We aim to further improve our operational performance to drive growth. Our goal is to increase the number of chargeable personnel, taking the order backlog into consideration. During the review period, the number of personnel at Innofactor increased by 7.8 percent year-on-year. We look for acquisition targets to enable inorganic growth.

The operating margin (EBITDA) increased in the review period of January 1–December 31, 2023, from EUR 7.8 million in the corresponding period of the previous year to EUR 9.1 million (11.3 percent of net sales). While profitability has improved, continued attention and efforts by the management are still needed in the coming years to reach the long-term target of approximately 20 percent. We aim to further enhance our operational performance to improve profitability. We will pay particular attention to improving profitability in our operating countries outside Finland.

Innofactor's operating cash flow for the review period January 1–December 31, 2023, amounted to EUR 7.2 million (2022: 6.7) and the equity ratio at the end of the review period was 48.3

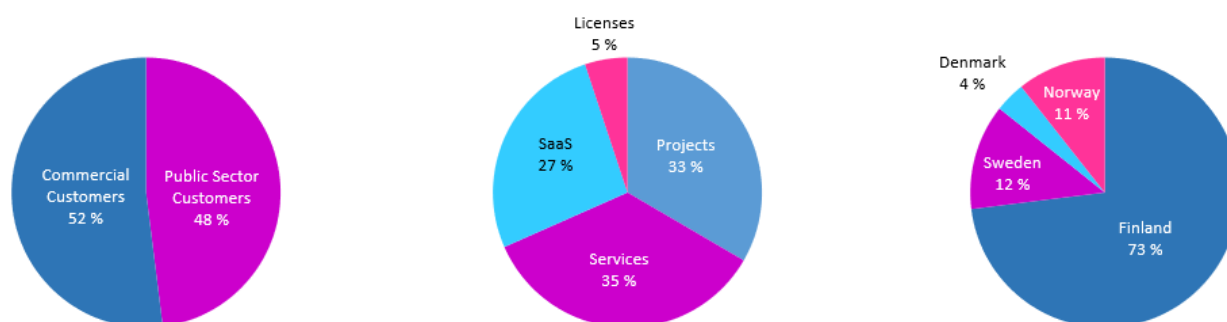
percent (2022: 44.8%). Innofactor’s strong operating cash flow supports the company’s strategic goal of profitable growth and securing a solid financial standing in all situations.

Innofactor’s net sales for the fourth quarter increased by 6.8 percent in spite of the challenging market situation, reaching an all-time high of EUR 21.9 million



Innofactor’s net sales for the period October 1–December 31, 2023, were EUR 21,930 thousand (2022: 20,536), representing an increase of 6.8 percent. Net sales per active employee amounted to approximately EUR 37.7 thousand (2022: 36.5), which shows an increase of 3.3 percent.

Innofactor’s net sales for the period January 1–December 31, 2023, were EUR 80,263 thousand (2022: 71,130), representing growth of 12.8 percent. Organic net sales growth was approximately 9.1 percent. Net sales per active employee amounted to approximately EUR 138.9 thousand (2022: 132.7), representing an increase of 4.6 percent. We focus on continuing to increase net sales per active employee in 2024.



Innofactor’s business operations were focused on Finland, Sweden, Denmark and Norway. During the period January 1–December 31, 2023, approximately 73 percent of the net sales came from Finland, approximately 12 percent from Sweden, approximately 11 percent from Norway, and approximately 4 percent from Denmark. Net sales increased in Finland and Norway, but decreased in Sweden and Denmark.

During the period January 1–December 31, 2023, approximately 52 percent of the net sales came from commercial customers (including third-sector customers) and approximately 48 percent came from public sector customers.

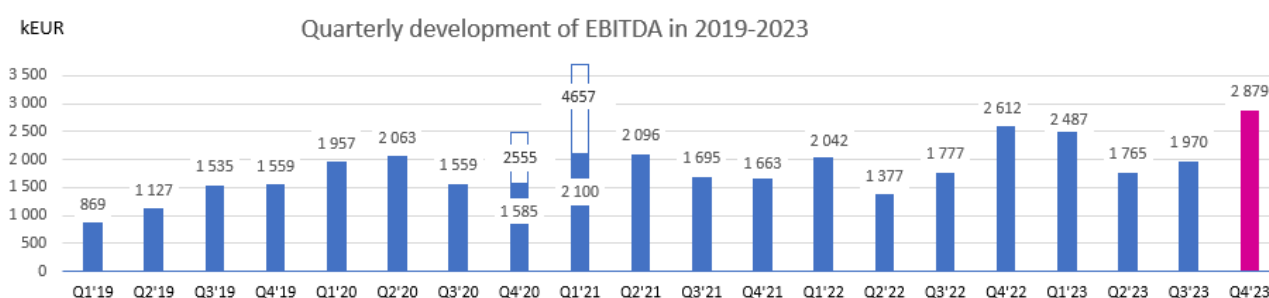
Net sales of licenses and SaaS grew throughout the year, from 27 percent in the first quarter to 32 percent in the fourth quarter, which improved profitability. Simultaneously, the share of projects decreased throughout the year, from 35 percent in the first quarter to 33 percent in the fourth quarter, which also had a positive effect on profitability.

Innofactor’s net sales for the review period of January 1–December 31, 2023, were derived from the following sources:

- Licenses: 5 percent, including all non-recurring fees received for software
- SaaS: 27 percent, including recurring income from SaaS, cloud and hosting services and from software maintenance
- Services: 35 percent, including specialist work based on recurring service contracts, such as smaller customer-specific changes and the further development of IT systems
- Projects: 33 percent from IT system delivery projects and consulting

Innofactor’s 10 largest clients accounted for approximately 30.7 percent of net sales for the review period January 1–December 31, 2023.

Innofactor’s operating margin for the fourth quarter increased by 10.2 percent and was a record-high EUR 2.9 million



Innofactor’s operating margin (EBITDA) for October 1–December 31, 2023, was EUR 2,879 thousand (2022: 2,612), which shows an increase of 10.2 percent. EBITDA represented 13.1 percent of net sales (2022: 12.7%). Innofactor’s operating margin was positive in Finland and negative in Sweden, Norway and Denmark.

Innofactor’s operating margin (EBITDA) for January 1–December 31, 2023, was EUR 9,101 thousand (2022: 7,808), which shows an increase of 16.6 percent. EBITDA represented 11.3

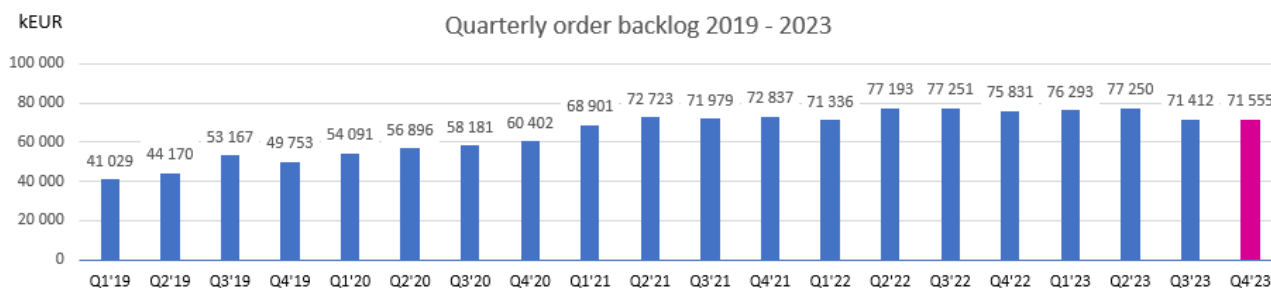
percent of net sales (2022: 11.0%). Innofactor’s operating margin was positive in Finland and Denmark, but negative in Sweden and Norway.

Innofactor’s operating profit for the period October 1–December 31, 2023, came to EUR 1,931 thousand (2022: 1,805), representing an increase of 7.0 percent. Operating profit was 8.8 percent of net sales (2022: 8.8%).

Innofactor’s operating profit for the period January 1–December 31, 2023, amounted to EUR 5,835 thousand (2022: 4,751), representing an increase of 22.8 percent. Operating profit was 7.3 percent of net sales (2022: 6.7%).

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 remained on a par with the preceding quarter in spite of part of the order backlog being transferred to the framework agreement backlog



Innofactor’s order backlog at the end of the review period was EUR 71,555 thousand (2022: 75,831), representing a decrease of 5.6 percent.

The decrease in the order backlog is due to the fact that we have redefined the criteria for entering orders in the order backlog. Recurring agreements that do not include a purchase obligation on the customer’s side have been reclassified as framework agreements. Going forward, we will move orders from the framework agreement backlog to the order backlog when the customer makes a binding order; for example, annually or semiannually.

At the end of the review period, the value of the framework agreement backlog was EUR 29,783 thousand (2022: 18,852).

Innofactor's operating cash flow in the review period continued to be strong

Innofactor's balance sheet total at the end of the review period was EUR 54,079 thousand (2022: 55,815). The Group's liquid assets totaled EUR 425 thousand (2022: 1,956), consisting entirely of cash funds.

Operating cash flow for the review period January 1–December 31, 2023, came to EUR 7,229 thousand (2022: 6,704). Cash flow from investing activities was EUR -533 thousand (2022: -3,593).

The equity ratio at the end of the review period was 48.3 percent (2022: 44.8%) and net gearing was 36.1 percent (2022: 50.0%).

At the end of the review period, the company had EUR 4,555 thousand in current interest-bearing liabilities to financial institutions (2022: 4,886) and EUR 1,770 thousand in non-current interest-bearing liabilities to financial institutions (2022: 4,517). The company had IFRS 16 lease liabilities (leases for the duration of fixed-term leases) of EUR 3,291 thousand (2022: 4,947) of which EUR 1,996 thousand in current leases (2022: 2,115) and EUR 1,295 thousand in non-current leases (2022: 2,832). The total amount of interest-bearing liabilities was EUR 9,616 thousand (2022: 14,349).

The return on investment for the period January 1–December 31, 2023, increased year-on-year and was 18.0 percent (2022: 14.5%). The return on equity for the period January 1–December 31, 2023, increased slightly year-on-year and was 13.7 percent (2022: 13.2%).

The non-current assets on Innofactor's balance sheet at the end of the review period totaled EUR 35,578 thousand.

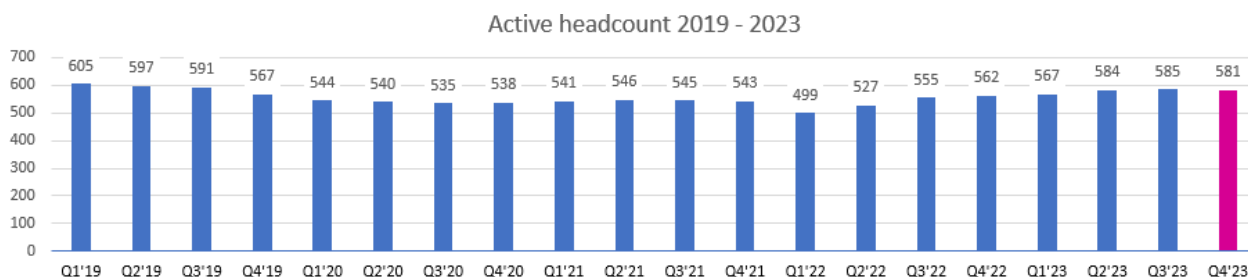
Innofactor's gross investments in tangible and intangible assets during the review period January 1–December 31, 2023, came to EUR 714 thousand (2022: 872), consisting of normal additional and replacement investments required by growth.

Innofactor's research and product development investments increased year-on-year

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

Innofactor's research and development costs recognized in profit or loss for January 1–December 31, 2023, amounted to approximately EUR 5,108 thousand (2022: 4,153), representing 6.4 percent of net sales (2021: 5.8%).

Innofactor’s headcount remained at the level of the preceding quarter, and the average age of the personnel decreased due to our heavy focus on hiring new graduates



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

The average number of active personnel during the period October 1–December 31, 2023, was 581 (2022: 562), representing an increase of 3.4 percent. The average number of active personnel during the period January 1–December 31, 2023, was 578 (2022: 536), representing an increase of 7.8 percent. At the end of the review period, the number of active personnel was 581 (2022: 564), representing an increase of 3.0 percent.

At the end of the review period, the average age of the personnel was 42.1 years (2022: 42.7). Women accounted for 26 percent (2022: 26%) of the personnel. Men accounted for 74 percent (2022: 74%) of the personnel.

A very strong year for Information and Case Management, with growth of 27.9 percent and an EBITDA of 24.1 percent, while Business Solutions had a challenging year in 2023

As indicated in our previous interim report, we have responded to feedback from shareholders and analysts by deciding to expand our reporting starting from this financial statement release by reporting key figures separately for our four solution areas. A summary by solution area is presented below. More detailed information is provided at the end of the release.

Digital Services help our customers to create new innovative digital solutions and digitalize their processes. Our solutions in the area of Digital Services include the following solutions and services, for example: software development and DevOps, application and data modernization, process digitalization, and low-code development.

The solution area’s net sales for the period October 1–December 31, 2023, amounted to EUR 5,421 thousand (2022: 4,266), representing growth of 26.7 percent. The solution area’s operating margin for the period October 1–December 31, 2023, was EUR 874 thousand (2022: 538), representing 16.1 percent of net sales (2022: 12.6%). The solution area’s order backlog at the end

of the review period amounted to EUR 15,938 thousand (2022: 26,035). We transferred part of the order backlog to the framework agreement backlog.

The solution area's full-year net sales for 2023 came to EUR 19,031 thousand (2022: 16,132), representing growth of 17.9 percent. The solution area's operating margin for the full year 2023 was EUR 3,159 thousand (2022: 2,448), representing 16.6 percent of net sales (2022: 15.2%).

Business Solutions help our customers build business agility by optimizing their digital business capabilities with intelligent business applications. This solution area includes the following solutions and services, for example: sales and marketing solutions (CRM), customer service solutions, finance and ERP solutions, and project management and membership management solutions. Our operations in this solution area are mainly based on the Microsoft Dynamics product family.

The solution area's net sales for the period October 1–December 31, 2023, amounted to EUR 4,604 thousand (2022: 5,026), which shows a decrease of 8.0 percent. The solution area's operating margin for the period October 1–December 31, 2023, was EUR -196 thousand (2022: 18), representing -4.3 percent of net sales (2022: 0.4%). The solution area's order backlog at the end of the review period amounted to EUR 14,373 thousand (2022: 11,957).

The solution area's full-year net sales for 2023 came to EUR 17,866 thousand (2022: 17,819), representing an increase of 0.5 percent. The solution area's operating margin for the full year 2023 was EUR -364 thousand (2022: -107), representing -2.0 percent of net sales (2022: -0.6%).

Information and Case Management helps our customers to manage information and processes in their organization. This solution area includes the following solutions and services, for example: document and records management, metadata management systems, case and decision management, electronic signatures, contract management and quality management. The business of the Information and Case Management solution area is mainly based on our Innofactor Dynasty product family.

The solution area's net sales for the period October 1–December 31, 2023, amounted to EUR 5,917 thousand (2022: 4,557), representing an increase of 29.8 percent. The solution area's operating margin for the period October 1–December 31, 2023, was EUR 1,719 thousand (2022: 1,262), representing 29.0 percent of net sales (2022: 27.7%). The solution area's order backlog at the end of the review period amounted to EUR 23,147 thousand (2022: 16,727).

The solution area's full-year net sales for 2023 came to EUR 19,530 thousand (2022: 15,275), representing an increase of 27.9 percent. The solution area's operating margin for the full year 2023 was EUR 4,733 thousand (2022: 3,337), representing 24.2 percent of net sales (2022: 21.8%).

Cloud, Data, Modern Work and Data Security helps our customers to leverage secure and scalable cloud platforms. The solution area includes the following solutions and services, for example:

cloud transformation, cloud management model and cloud automation, Cloud Operations, DevOps, data platform design and maintenance, advanced analytics, identity and access management, collaboration and modern work, artificial intelligence, and data security. The solution area's business is mainly based on the Microsoft Azure and Microsoft 365 product families.

The solution area's net sales for the period October 1–December 31, 2023, amounted to EUR 5,988 thousand (2022: 6,686), which shows a decrease of 10.5 percent. The solution area's operating margin for the period October 1–December 31, 2023, was EUR 481 thousand (2022: 798), representing 8.0 percent of net sales (2022: 11.9%). The solution area's order backlog at the end of the review period amounted to EUR 18,097 thousand (2022: 21,111). We transferred part of the order backlog to the framework agreement backlog.

The solution area's full-year net sales for 2023 came to EUR 23,836 thousand (2022: 21,902), representing an increase of 8.6 percent. The solution area's operating margin for the full year 2023 was EUR 1,572 thousand (2022: 2,129), representing 6.6 percent of net sales (2022: 9.7%). The decrease in profitability was particularly due to challenges outside Finland.

Other events in the review period

On February 13, 2023, Innofactor issued a stock exchange release to announce that Innofactor and Metso Outotec Plc have signed a contract to continue the digitalization of the company's quotation process. Innofactor will continue the development work started in 2020 to design and implement, using agile methods, a cloud-based solution for managing the quotation process and handling and storing related information and documents. The solution is implemented using Microsoft Azure PaaS cloud services. The value of the agreement (excluding VAT) is at most EUR 0.70 million and the services will be delivered during the year 2023.

On February 16, 2023, Innofactor announced in a stock exchange release that Senate Properties has selected Innofactor with a procurement decision to continue the development and maintenance of an HR system. The system is based on the Innofactor Kide HR solution. Innofactor estimates the total value of the procurement at approximately EUR 0.8 million.

On February 17, 2023, Innofactor announced in a stock exchange release that the Board of Directors of Innofactor Plc has decided, based on the authorization granted to it by the Annual General Meeting, on a share-based incentive plan for all of Innofactor Group's personnel in order to commit the personnel to the company and its goals ("Personnel Share Issue"). In the Personnel Share Issue, a maximum total of 400,000 shares ("Personnel Shares") of the company will be issued to the Innofactor Group's personnel, deviating from the shareholders' pre-emptive subscription rights. At the time of making the decision Innofactor Plc had 37,388,225 shares. Innofactor Plc's shares which are in the company's possession will be used for the Personnel Share Issue. The subscription price for the Personnel Shares will be EUR 1.01 per share. The share

subscription price is based on the trade volume weighted average price of the company's share on Nasdaq Helsinki Ltd for the previous month and on a discount of 10 percent thereof.

On March 1, 2023, Innofactor issued a stock exchange release to announce that Innofactor Plc has completed its share buy-back program. The repurchases of the shares began on September 29, 2022, and ended on February 28, 2023. During that period, Innofactor repurchased 800,000 of its own shares for an average price per share EUR 1.0550. The shares were acquired at the current market price in the public trading arranged by Nasdaq Helsinki. The purpose of the acquisition of the company's own shares is to develop the company's capital structure. Following the repurchases, Innofactor holds a total of 1,491,410 of its own shares.

On March 20, 2023, Innofactor issued a stock exchange release to announce that Innofactor Plc's directed personnel share issue was fully subscribed. Subscriptions were made by a total of 211 of the Group's employees. Subscriptions were made in all of Innofactor's operating countries: Finland, Sweden, Denmark and Norway. The shares subscribed for in the personnel issue are subject to a transfer restriction until March 31, 2024. The subscribed shares will be transferred to the subscribers by the end of March 2023, after which the company will hold 1,091,410 shares. The subscription price of EUR 404,000 for the personnel shares will be recognized in total in Innofactor Plc's unrestricted equity.

On May 10, 2023, Innofactor issued a stock exchange release announcing that the Board of Directors of Innofactor Plc had decided to cancel a total of 1,044,534 Innofactor shares owned by the company. The treasury shares to be cancelled were acquired within the company's acquisition of own shares announced by the company on October 5, 2021, and September 28, 2022. Prior to the cancellation of the own shares, the total number of registered Innofactor shares was 37,388,225. After the cancellation was registered in the trade register, the total number of Innofactor shares would be 36,343,691 and the total number of votes carried by the shares would be 36,343,691. The cancellation of the shares would have no effect on the share capital of Innofactor Plc.

On June 8, 2023, Innofactor issued a stock exchange release announcing that Innofactor Plc's CFO Markku Puolanne has decided to assume responsibilities with another employer and has resigned from his position on June 7, 2023. His notice period is four months, and his last working day with Innofactor will be October 7, 2023.

On June 12, 2023, Innofactor issued a stock exchange release confirming that the cancellation of shares announced on May 10, 2023, has been registered in the trade register maintained by the Finnish Patent and Registration Office on June 12, 2023. After the register entry, Innofactor Plc has a total of 36,343,691 shares and the total number of votes carried by the shares is 36,343,691. After the cancellation, Innofactor Plc does not hold any shares in the company.

On July 20, 2023, Innofactor issued a stock exchange release announcing that, at its meeting on July 19, 2023, 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 600,000 shares, which corresponds to approximately 1.7% 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, 2023, to acquire a maximum of 3,600,000 shares. The repurchase of shares will commence on July 24, 2023, at the earliest and will end at the latest on March 22, 2024, or at an earlier Annual General Meeting. Innofactor Plc has a total of 36,343,691 shares. The company held no treasury shares on the date of the stock exchange release, July 20, 2023. 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.

On August 28, 2023, Innofactor issued a stock exchange release announcing that the Board of Directors had appointed Antti Rokala as Innofactor Group's Chief Financial Officer (CFO) and that he will take up his post on January 2, 2024. At present, Rokala is working as Group CFO at the educational company YrkesAkademin in Stockholm. Rokala has previously worked in several financial management and leadership positions for the elevator company Schindler, such as Nordic CFO. As CFO, will become a member of Innofactor's Executive Board and report to CEO Sami Ensio.

On September 11, 2023, Innofactor issued a stock exchange release after Protector Forsikring ASA informed Innofactor Plc that its holdings of Innofactor's shares and voting rights exceeded the 5% disclosure limit on September 8, 2023.

On October 31, 2023, Innofactor issued a stock exchange release to announce that Innofactor will provide a comprehensive system delivery to Tampereen Infra Oy. The system will be based on Microsoft's D365 Business Central ERP solution, complemented by the Power PPM project vertical extension, and the Kiho equipment management and work scheduling solution. Innofactor acts as the responsible supplier of the solution under the dynamic procurement system framework tendered by Kuntien Tiera Oy. The agreement period is four years. Innofactor's estimate of the total value of the procurement is approximately EUR 1.6 million.

On December 13, 2023, Innofactor issued a stock exchange release to announce that the Swedish labor union Industriarbetarförbundet Metall (IF Metall) has selected Innofactor to continue the development, maintenance and support of a membership management system. The system has been provided earlier by Innofactor, and it is based on Microsoft's Dynamics CRM and Innofactor's own IPs. The contract period is 2.5 years. Innofactor's estimate of the total value of the procurement is approximately EUR 1.6 million.

On December 15, 2023, Innofactor issued a stock exchange release to announce that Innofactor Plc has completed its share buy-back program. The repurchases of the shares began on July 24, 2023, and ended on December 15, 2023. During that period, Innofactor repurchased 600,000 of its own shares for an average price per share EUR 1.12. The shares were acquired to the current market price in public trading arranged by NASDAQ Helsinki Ltd.

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 36,343,691. Innofactor Plc has one series of shares. Each share confers one vote.

During the period October 1–December 31, 2023, the highest price of the company's share was EUR 1.29 (2022: 1.13), the lowest price was EUR 1.03 (2022: 0.83) and the average price was EUR 1.12 (2022: 0.97).

During the period January 1–December 31, 2023, the highest price of the company's share was EUR 1.34 (2022: 1.54), the lowest price was EUR 1.03 (2022: 0.83), and the average price was EUR 1.18 (2022: 1.17). The closing price for the review period on December 31, 2023, was EUR 1.23 (2022: 1.05).

In public trading during the period October 1–December 31, 2023, a total of 1,601,762 shares were traded (2022: 2,651,360), which corresponds to 4.4 percent (2022: 7.1%) of the average number of shares in the said period. During the period October 1–December 31, 2023, the average number of shares was 36,343,691 (2022: 37,388,225). The share trading volume decreased by 39.6 percent compared to the corresponding period in 2022.

In public trading during the period January 1–December 31, 2023, a total of 6,841,002 shares were traded (2022: 14,193,868), which corresponds to 18.6 percent (2022: 38.0%) of the average number of shares in the said period. During the period January 1–December 31, 2023, the average number of shares was 36,810,154 (2022: 37,388,225). The share trading volume decreased by 51.8 percent compared to the corresponding period in 2022.

The market value of the share capital at the closing price of EUR 1.23 on December 31, 2023, was EUR 45,092,439 (2022: 39,332,413), which shows an increase of 14.6 percent.

On December 31, 2023, the company had a total of 11,663 shareholders (2022: 11,798), including nominee-registered shares.

On December 31, 2023, the company held 600,000 treasury shares.

Decisions of the Annual General Meeting

On March 31, 2023, the Annual General Meeting decided, in accordance with the proposal of the Board of Directors, that a repayment of capital of EUR 0.06 per share be paid for the financial year 2022. The repayment of capital was paid to shareholders who, on the record date of the capital repayment on April 5, 2023, were recorded in the company's shareholders' register held by Euroclear Finland Oy. The repayment of capital was paid on April 14, 2023.

The Annual General Meeting of March 31, 2023, 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 immediately 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, 2024, 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, 2023); the authorization has not been used.
- Until June 30, 2024, to decide on the acquisition of a maximum of 3,600,000 treasury shares (decided by the General Meeting of March 31, 2023); the Board of Directors decided on July 19, 2023, to commence the repurchase of the company's shares. The company will repurchase a maximum of 600,000 shares. A total of 600,000 shares were acquired under the authorization during the review period. At the end of the review period, the company held a total of 600,000 treasury shares.
- Until the next Annual General Meeting, to distribute assets to shareholders as repayment of capital totaling a maximum of EUR 2,459,293, which allows the distribution of assets up to a maximum of EUR 0.06 per share; the authorization has not been used.

Management of the company

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

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

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

Related party transactions

The company's managers considered to be related parties have EUR 21 thousand in liabilities from the company's personnel issues to the company. As a rule, the loan period is five years, and the loan is repaid in fixed monthly installments. There are also two-year loans that are repaid in four equal instalments every six months. The interest rate on the loans is the 12-month Euribor 160.

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: We expect that the growth of the Nordic IT services market will continue in 2024 in spite of the general uncertainties in the business environment

We expect that the growth rate of the Nordic IT services market will be positive in 2024 but, due to the geopolitical situation and the general economic downturn, we are not able to provide a more accurate estimate. Our growth target for the next few years is to surpass the market growth rate, and our long-term goal is annual growth of approximately 20 percent.

The price competition that began in the market in the second quarter of 2023 remained intense and, in our assessment, the weighted average prices of new contracts stayed at a low level until the end of the year, particularly in the case of public sector customers, in spite of a slight increase towards the end of the year. We estimate that the IT service market in the Nordic countries grew slightly in 2023. We expect the average prices of new contracts in the public sector and large tenders to continue to increase in 2024. We estimate that growth in the Nordic IT services market will continue in 2024, but because of the uncertain economic and security policy situation, we cannot give a more detailed estimate. Our estimate is based on research institutes' forecasts and our own outlook on markets.

Generative artificial intelligence (ChatGPT, Microsoft Azure Open AI and Microsoft Copilot) has received significant attention in the market, and this has happened exceptionally quickly. Generative AI presents our customers – and Innofactor – with significant opportunities for improving operational efficiency. Above all, it opens up significant new business opportunities, and we have quickly developed new offerings in response to these opportunities. We have also shifted our sales focus more to the private sector, where more commercially sustainable price levels can be found. Other innovation trends and drivers of change that we monitor in the market include the metaverse and robotics, as well as low-code and citizen development.

Climate change mitigation and the geopolitical situation place new demands on both societies and organizations, creating new business opportunities and accelerating innovation. The abilities of a modern digital organization will be even more important for our customers in the future. It is also likely that some of our customers will transfer some of their operations back to the Nordic countries in order to be closer to their customers. This could have a favorable effect as regards the business model of Innofactor's chosen strategy based on Nordic specialists. Microsoft's position has also strengthened in recent years as a market leader in generative AI, among other things. We believe in our chances of increasing our market share in the Nordic countries.

The competition in Microsoft-based solutions in the Nordic countries is fragmented. The first group of competitors consists of large enterprises that operate in all of the Nordic countries. These competitors provide a wide range of IT solutions that are needed by various organizations and use

several competing technologies, one of which is the Microsoft ecosystem. The second group consists of medium-sized companies that focus on a niche solution area at the Nordic level, also using several different technologies. The third group consists of medium-sized companies operating mainly in a single country, typically providing a broad range of solutions based on several competing technologies. The fourth group consists of small companies that only operate in their domestic market focusing on certain clearly defined solution areas, technologies, and industries.

Microsoft's fragmented Nordic partner network, which consists of small and medium-sized IT companies, continues to offer interesting acquisition opportunities for us. In the future, our acquisition strategy will likely be focused on medium-sized companies that operate in a single country. This will help us expand our offering at the country-specific level as well as potentially acquire additional cloud-based product and service business. Good reputation, fast and profitable growth, successful acquisitions, and entrepreneurial spirit will make us an attractive partner for reorganizations in the field.

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.

Risks related to operations

The risks related to the operation of the Innofactor Group are primarily business risks related to the group companies that carry on its business operations.

Skilled personnel and its availability: The development of Innofactor's operations and deliveries depends greatly on the Group having skilled personnel and being able to replace persons, who are leaving, with properly skilled persons. In Innofactor's field of business, there is a lack of and competition for certain personnel resources, which may lead to short employment relationships and high personnel turnover. If Innofactor fails at motivating its personnel, keeping the personnel's skills on a high level and keeping the personnel in its service, that could cause problems for the Group's business operations. The success of the Group depends heavily on the employed personnel and their success in their work. Innofactor invests in the continuous development of its personnel and in high personnel satisfaction, a good employer image, efficient recruitment and, if necessary, the use of subcontracting.

Increase in personnel costs: A majority of Innofactor's costs consists of salaries and other personnel costs (in 2023, about 68% of all costs, including depreciation). Currently, all of

Innofactor's own employees work in the Nordic countries, whereas some competitors rely heavily on workforce in countries with cheap labor. If the personnel costs continue rising in the Nordic countries at the same rate as before, it will create a risk for Innofactor, if the prices paid for IT services will not rise correspondingly. Innofactor is monitoring the situation constantly and strives to affect the moderate development of personnel costs via interest groups. It also aims at increasing the share of work done by subcontractors and abroad, when it makes sense from the point of view of business operations, for example, in large product development projects.

Profitability of projects: A significant part of Innofactor's net sales is still derived from the project business. The profitable implementation of Innofactor's delivery projects requires that project calculation and planning before submitting a tender are done successfully as regards the amount of work and the delivery schedule, and also that the deliveries can be made in a cost-effective manner. It is possible that Innofactor fails at correctly estimating the profitability of a project and, thus, the delivery could cause losses to the company. Correspondingly, it is possible that projects may have to be sold cheaper because of competition, which leads to lower profit margins. Innofactor pays special attention to the profitability of project business and has included it as a central part of the monitored key performance indicators. The relative share of the project business has decreased and the company aims to decrease it further, which reduces the risks associated to project business.

Competition: Innofactor's main competitors are companies offering traditional information technology services and software in the Nordic countries. Some competitors have larger financial resources, wider product selection, cheaper workforce and larger existing customer base than Innofactor does and also notable legal resources, and they can use these when competing with Innofactor for the same deliveries. Additionally, new startup companies increase competition in certain deliveries. The price competition in the field is expected to remain intense. If the competition becomes tougher, it may have an adverse effect on Innofactor's business, operating result and financial position. Innofactor continuously strives to improve its competitiveness.

Research and product development: In Innofactor's operation, research and product development play a central role. In 2023, approximately 6.4 percent of net sales was used on research and product development. Each research and product development project carries the risk that the end results are not as successful financially as planned and that the investment in the project does not pay itself back. By constantly updating its offering and organizing its operations, Innofactor aims at minimizing the risks inherent in research and product development.

Changes in the technology and field of business: Fast development is characteristic for Innofactor's field of business. There can be quick changes in the customers' requirements and choices concerning software technology. The most significant ongoing change is the transition to making extensive use of artificial intelligence. If Innofactor cannot react to these changes, it may have an adverse effect on Innofactor's business, operating result and financial position. Innofactor strives to actively invest in new technologies and central areas of know-how and agree on customer

deliveries in new areas. We have paid special attention to developing our offering related to artificial intelligence.

Information security and data protection: From the point of view of Innofactor's business, it is important to ensure adequate data security and data protection for customers. The realization of the risks relating to data security and data protection may lead to losses in net sales or penalties imposed by a supervisory authority. Innofactor has acknowledged the risks related to data security and data protection, on the basis of which the company has implemented standard-based data security and data protection management processes. Innofactor has a data security policy approved by the management, defining Innofactor's key data security objectives and means of implementation, as well as the organization of data security and related responsibilities. The data security policy is written in accordance with the ISO 27001 data security standard and legislation.

Compliance: It is important for Innofactor to comply with the laws and regulations applicable to Innofactor's business activities, and to conduct business ethically. Violations of laws and regulations may lead to administrative fines, penalties, criminal proceedings and liability, and claims for damages. The materialization of this risk may also have an adverse impact on Innofactor's reputation and lead to the loss of business opportunities. Innofactor has internal procedures and processes to ensure compliance in day-to-day business operations. Innofactor's Code of Conduct lays out ethical guidelines and standards for Innofactor and its subcontractors. Innofactor has an internal whistleblowing channel.

Risk of a pandemic: An epidemic spreading into a global pandemic may hinder Innofactor's business operations. If there is no significant pandemic in Innofactor's operating area in the Nordic countries, the detriment will be limited mostly to a decrease in the availability of tools, especially computers, which are needed in Innofactor's business operations. If there is a significant pandemic also in Innofactor's operating area in the Nordic countries, it could mean introducing remote work, either for a part of or the entire personnel, a temporary decrease in customers' purchases, and delays in some customer deliveries, increasing absence rates connected directly to the disease caused by the pandemic, quarantine or mental symptoms caused indirectly by isolation and increased personnel turnover due to remote work.

Reaching the growth targets: Realizing the desired growth requires a growth rate that is clearly faster than the growth in the IT market in general. This has the risk that it cannot be realized in the future, although it has been done often in the past. Also, it is possible that the IT market in Innofactor's market area will not grow or may even shrink. Ensuring growth has a central part in planning Innofactor's operations and setting its goals. Innofactor strives to lessen this operational risk by focusing on the growing Microsoft solution areas, which grow faster than the IT market in general, and by focusing on sales to keep the order backlog on a sufficient level as regards the business operations.

Globalization: In accordance with its strategy, Innofactor seeks growth also in the global markets, outside of Finland, especially in the Nordic countries. Global operations typically always involve higher risks than operation at home. Innofactor strives to make sure that the investments in becoming a global player will not be so great that it would jeopardize the Group's ability to make profit and to grow. Additionally, the company strives to create a management model, common processes and systems that will decrease the risks in global operations.

Uncertainties and risks related to acquisitions: Innofactor's growth has been partially driven by acquisitions, and this may also be the case in the future. With acquisitions, there are uncertainties about finding suitable companies to acquire and in making the acquisitions at the desired price level and schedule. If acquisitions cannot be made as planned, the growth goal may be jeopardized. In acquisitions, Innofactor focuses on high-level know-how and good processes. Each acquisition, after it has been made, also carries some risks, which include the success of the integration, the stability of the key personnel, formation of the business value, and possible related needs for depreciations. Innofactor's strategy is primarily based on integrating the acquired companies in a fast schedule as part of the whole in the country in question. Innofactor invests in the integration process.

Success of the organizational changes: Rapid growth may occasionally require making significant changes in the organization. Starting a new organization typically includes challenges before the desired improvement in operation can be achieved. Typically, the operation can be at least restored to the previous level of efficiency within a few months from starting the new organization. If the improvement in operation for some parts does not take place within the planned schedule, there is a risk that it will not happen at all or that the delay may lead to extra costs or loss of net sales. The reasons for this include, for example, incorrect planning in placing units and personnel. Innofactor strives to pay attention to controlling organization changes and to prepare for them also financially.

Financial risks

General financial uncertainty and changes in the customers' financial situations affect customers' investment decisions and purchasing policies. It is possible that changes in the general financial situation will be reflected in Innofactor's customers' software purchases by delaying the decision-making or timing of purchases.

Financing risks: In its normal business operations, the Innofactor Group is susceptible to normal financing risks. At the end of the review period, Innofactor had a total of approximately EUR 4.5 million in loans from financial institutions and a credit limit of approximately EUR 5.0 million, of which approximately EUR 1.8 million was in use. Innofactor has committed to the following covenants: Equity ratio calculated every 6 months is at least of 40%, and interest bearing liabilities calculated every 6 months divided by the 12-month operating margin (EBITDA) is a maximum of 2.5, and certain other normal conditions for loans. The goal of managing the financing risks is to

minimize the negative effects of the changes in the financial markets on the result of the Group. Financing risk management has been centralized to the CFO, who is responsible for the Group's financing and regularly reports to the company's Executive Board, CEO, and Board of Directors. It is possible that, in the future, the Group will not get the financing it needs and this would have a negative effect on the Group's business and its development, especially on making acquisitions.

Interest risk: An interest risk in mainly due to the Group's short-term and long-term loans and the derivatives used for protecting them. Loans with fluctuating rates pose an interest risk to the Group's cash flow. This risk is decreased, for example, by using interest rate swap agreements. Interest rate hedging has been applied to more than half of the Group's loans.

Exchange rate risk: The Innofactor Group operates globally and is susceptible to risks related to the currencies of the countries in which it operates. Changes in exchange rates, especially the rates of Swedish krona and Norwegian krone, affect the Group's net sales and profitability as Innofactor has significant operations based on Swedish krona and Norwegian krone. The exchange rate risk is mainly due to the assets and liabilities registered in the balance sheet and the net investments made in the subsidiaries abroad. Also, the business contracts made by subsidiaries pose an exchange rate risk, although these contracts are mainly made in the currency the business unit uses in its operation. The management of exchange rate risks in the Group aims at minimizing the uncertainty that changes in exchange rates cause in the result through cash flows and assessment of receivables and liabilities.

Risks related to the cash position: The Innofactor Group handles management of liquid assets with the help of centralized payments and cash management. The Group strives for continuous monitoring and assessment of the needed business financing in order to ensure that the Group has enough liquid assets in its use. Additionally, the Group has overdraft facilities to cover any seasonal variations in liquid assets. Excess cash balance is placed on savings accounts or funds with capital guarantee.

Risks related to receivables from projects: A large part of Innofactor's net sales comes from project business. A significant part of projects consists of long-term projects in which scheduled payments and their terms may be agreed on with the customer beforehand. When Innofactor performs work in customer projects, which is scheduled to be invoiced afterwards, project receivables are accrued. Especially in public administration projects, scheduled payments often take place nearer to the end of the project, which means increased project receivables and related risks. In customer negotiations, Innofactor pays special attention to scheduling the payments and the size of payments, and in customer projects, to project management and steering in accordance with the scheduled payments. Project receivables are monitored regularly, on a monthly basis.

Credit risk: Credit decisions related to sales receivables are monitored centrally by the Group's management. Large part of Innofactor's cash flow comes through established customer relationships as payments from the public sector and financially sound companies, which have not presented essential credit risks in the past, and the Group has not suffered any significant credit

losses. Should credit risks realize, it would weaken the Group's financial standing and liquidity. Sales receivables are monitored regularly.

Risks related to deferred tax assets: Innofactor's balance sheet includes deferred tax assets that are based on previous financial periods. Should the company's profitability decrease significantly in the long run, it is possible that the Group would not be able to utilize in full the receivables currently activated in the balance sheet.

Acquisitions and changes in the Group structure

During the review period, Innofactor simplified its group structure by dissolving Innofactor HRM Oy (the entire business operations of Innofactor HRM Oy have previously been transferred to Innofactor Software Oy by means of a business transfer, and there was no longer any need for the company) and merging Innofactor Invenco Software Ltd with Innofactor Invenco Ltd.

During the review period, Innofactor increased its holding in LATO Leadership Automation Tools Ltd. At the end of the review period, Innofactor held 38.4% of the company's shares. The company's net sales amount to approximately EUR 0.6 million, and it provides strategic planning, implementation and monitoring software for organizations on a SaaS basis.

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

Events after the review period

Innofactor had no significant events after the review period.

Board of Directors' proposal on the distribution of profits

Innofactor is a growing company and intends to use its operating profit on actions promoting growth, for example, on realizing mergers. According to the dividend policy, Innofactor aims to pay a dividend regularly each year. The target is to pay about half of the result for the financial period in dividends, taking into account the company's financial position, possible corporate reorganizations, and other development needs. For 2023, the Group's result for the financial period was EUR 3,437,985.22. In making the proposal on the dividend, the Board of Directors takes into account the company's financial situation, profitability and near-term outlook.

At the end of the financial year 2023, the distributable assets of the Group's parent company amounted to EUR 21,277,171.60.

The Board of Directors proposes that Innofactor Plc distribute EUR 0.07 per share as a repayment of capital.

The Board of Directors further proposes that the Annual General Meeting authorize the Board to decide on a repayment of capital amounting to a maximum of EUR 2,544,058 (EUR 0.07 per share, taking into account the share issue authorization proposed to the Board of Directors).

Espoo, February 7, 2024

INNOFACTOR PLC

Board of Directors

Additional information:

CEO Sami Ensio, Innofactor Plc

tel. +358 50 584 2029

sami.ensio@innofactor.com

Briefings concerning the financial statement of January 1–December 31, 2023

Innofactor will publish the financial statement 2023 and interim report for October–December 2023 (Q4) on Thursday, February 8, 2023, at approximately 9:00 a.m. Finnish time.

A briefing for media, investors and analysts will be held in Finnish on the same day beginning at 10:00 via Teams. The report will be presented by CEO Sami Ensio. The corresponding video conference in English will be held at noon Finnish time. The report will be presented by CFO Antti Rokala.

Please register for the conferences beforehand by sending an e-mail to ir@innofactor.com.

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

Financial releases in 2024

The annual report for 2023 will be published on the company's website on Wednesday, March 6, 2024.

The Annual General Meeting will be held on Wednesday, March 27, 2024, at 9:00 Finnish time.

The schedule for financial releases in 2024 is as follows:

- Interim report January–March 2024 (Q1) on Tuesday, April 23, 2024
- Half-yearly report January–June 2024 (Q2) on Thursday, July 18, 2024

- Interim report January–September 2024 (Q3) on Tuesday, October 22, 2024

Distribution:
NASDAQ Helsinki
Main media
www.innofactor.com

Financial statement summary and notes January 1–December 31, 2023 (IFRS)**Accounting policies**

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

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

The financial statement adheres to the same accounting policies and calculation methods as the last annual financial statement 2022. However, as of January 1, 2023, the Group has introduced the new or renewed IFRS standards and IFRIC interpretations published by IASB as mentioned in the accounting policies section of the financial report 2022. The principles for calculating the key figures and the calculation formulas have not been changed, and they have been presented in an appendix to this report.

In addition to the IFRS key figures, Innofactor publishes certain alternative key figures in order to present the financial development of the actual business operations and to improve comparisons between different periods. Acquisitions are a central part of Innofactor's strategy. Depreciations of intangible rights resulting from acquisitions vary greatly depending on how valuable the customer contracts and technology of the acquired company are estimated to be and also in what kind of schedule the resulting intangible rights will be depreciated. For this reason, the company's view is that, instead of operating profit, the primary measure for profitability should be the operating margin (EBITDA), because it is not affected by the said depreciation.

Other alternative key figures used by Innofactor are order backlog, framework agreement backlog, 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 the financial statement have not been audited.

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

EUR thousand	Oct 1–Dec 31, 2023	Oct 1–Dec 31, 2022	Jan 1–Dec 31, 2023	Jan 1–Dec 31, 2022
Net sales	21,930	20,536	80,263	71,130
Other operating income	52	247	141	290
Materials and services (–)	-3,411	-3,126	-13,508	-10,762
Employee benefit expenses (–)	-13,767	-13,028	-50,784	-45,644
Depreciation (–)	-948	-808	-3,266	-3,057
Other operating expenses (–)	-1,925	-2,016	-7,011	-7,205
Operating profit/loss	1,931	1,805	5,835	4,751
Financial income	0	14	116	46
Financial expenses (–)	-308	-141	-777	-619
Profit/loss before taxes	1,623	1,678	5,174	4,178
Income taxes	-745	-350	-1,736	-858
Profit/loss for the financial period	878	1,328	3,438	3,320
Distribution of the result				
To shareholders of the parent company	878	1,328	3,438	3,320
To non-controlling interests	0	0	0	0
Other comprehensive income				
Items that may be later recognized in profit or loss:				
Translation differences	195	-133	-49	-551
Total comprehensive income	1,073	1,195	3,389	2,769
Distribution of the comprehensive income				
To shareholders of the parent company	1,073	1,195	3,389	2,769
To non-controlling interests	0	0	0	0
Earnings per share calculated from the profit attributable to equity holders of the parent:				
basic earnings per share (EUR)	0.0240	0.0363	0.0940	0.0907
diluted earnings per share (EUR)	0.0240	0.0363	0.0940	0.0907

Consolidated balance sheet, IFRS
ASSETS

EUR thousand	Dec 31, 2023	Dec 31, 2022
Non-current assets		
Tangible assets	1,080	1,076
Right-of-use assets	3,177	4,843
Goodwill	26,835	26,831
Other intangible assets	1,929	2,398
Shares and holdings	98	5
Receivables	44	77
Deferred tax assets	2,415	4,090
Non-current assets	35,578	39,319
Current assets		
Trade and other receivables	18,449	14,540
Cash and cash equivalents	425	1,956
Current assets	18,873	16,495
TOTAL ASSETS	54,451	55,815

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR thousand	Dec 31, 2023	Dec 31, 2022	Dec 31, 2022
Share capital	2,100	2,100	2,100
Share premium reserve	72	72	72
Other reserves (+/-)	59	59	59
Fund for invested unrestricted equity	15,069	17,247	17,247
Retained earnings	10,660	7,669	7,669
Own shares	-527	-447	-447
Translation differences	-1,950	-1,902	-1,902
Equity attributable to the shareholders of the parent company	25,483	24,799	24,799
Non-controlling interest	0	0	0
Total shareholders' equity	25,483	24,799	24,799
 Non-current liabilities			
Loans from financial institutions	1,770	4,517	4,517
Lease liabilities	1,295	2,832	2,832
Deferred tax liabilities	1,779	1,851	1,851
Other non-current liabilities	0	0	0
Total non-current liabilities	4,845	9,200	9,200
 Current liabilities			
Loans from financial institutions	4,555	4,886	4,886
Lease liabilities	1,996	2,115	2,115
Trade and other payables	17,573	14,815	14,815
Current liabilities total	24,123	21,816	21,816
 Total liabilities	28,968	31,016	31,016
 TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	54,451	55,815	55,815

Statement of change in shareholders' equity, IFRS

EUR thousand	Share capital	Share premium reserve	Reserve fund	Fund for invested unrestricted equity	Own shares	Retained earnings	Exchange differences	Total shareholders' equity
Shareholders' equity Jan 1, 2023	2,100	72	59	17,247	-1,592	8,815	-1,902	24,799
Comprehensive income								
Result for the financial period						3,438		3,438
Other comprehensive income:								
Translation differences							-49	-49
Total comprehensive income						3,437	-49	3,388
Repayment of capital				-2,177				-2,177
Purchase of own shares					-527			-527
Shareholders' equity Dec 31, 2023	2,100	72	59	15,069	-2,119	12,252	-1,950	25,483

EUR thousand	Share capital	Share premium reserve	Reserve fund	Fund for invested unrestricted equity	Own shares	Retained earnings	Exchange differences	Total shareholders' equity
Shareholders' equity Jan 1, 2022	2,100	72	59	20,174	-1,146	5,496	-1,351	25,404
Comprehensive income								
Result for the financial period						3,320		3,320
Translation differences							-551	-551
Total comprehensive income						3,320	-551	2,769
Dividend distribution						0		0
Repayment of capital				-2,927				-2,927
Purchase of own shares					-447			-447
Shareholders' equity Sep 30, 2022	2,100	72	59	17,247	-1,592	8,815	-1,902	24,799

Consolidated cash flow statement, IFRS

EUR thousand	Jan 1–Dec 31, 2023	Jan 1–Dec 31, 2022
Cash flow from operating activities		
Profit before taxes	5,174	4,178
Adjustments:		
Depreciation	3,266	3,057
Other transactions with no related cash flow:	143	42
Operating profit before change in working capital	8,583	7,277
Change in trade and other receivables (+/–)	-3,951	-102
Change in trade and other payables (+/–)	2,758	-630
Change in working capital	-1,193	-732
Cash flow from operating activities before financing and income taxes paid	7,390	6,546
Interest received	46	-40
Interest paid (–)	-206	198
Taxes paid	0	0
Net cash flow from operating activities	7,229	6,704
Investment cash flow		
Acquisition of subsidiaries	200	-2,825
Purchase of shares in associated companies	-93	0
Investments in intangible and tangible assets (–)	-714	-872
Loan receivables repaid	74	103
Net cash flow from investments	-533	-3,593
Cash flow from financing		
Loans withdrawn	0	4,679
Loans paid	-3,077	-2,236
Lease liability payments	-2,282	-2,187
Dividend distribution/repayment of capital	-2,177	-2,927
Purchase of own shares	-1,027	-447
Transfer of own shares	336	
Net cash flow from financing	-8,227	-3,118
Change in cash and cash equivalents (+/–)	-1,531	-7
Cash and cash equivalents, opening balance	1,956	1,963
Cash and cash equivalents, closing balance	425	1,956

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

EUR thousand	Jan 1– Mar 31, 2023	Apr 1– Jun 30, 2023	Jul 1– Sep 30, 2023	Oct 1– Dec 31, 2023	Jan 1– Mar 31, 2022	Apr 1– Jun 30, 2022	Jul 1– Sep 30, 2022	Oct 1– Dec 31, 2022
Net sales	20,223	20,095	18,015	21,930	16,965	16,946	16,683	20,536
Other operating income	19	28	41	52	22	12	9	247
Materials (–)	-3,275	-3,256	-3,566	-3,411	-2,172	-2,564	-2,900	-3,126
Employee benefit expenses (–)	-12,776	-13,140	-11,101	-13,767	-11,225	-11,125	-10,265	-13,028
Depreciation (–)	-775	-781	-761	-948	-723	-710	-817	-808
Other operating expenses (–)	-1,704	-1,962	-1,419	-1,925	-1,547	-1,891	-1,751	-2,016
Operating profit/loss	1,712	984	1,209	1,209	1,319	668	959	1,805
Financial income	10	16	91	0	30	-12	14	14
Financial expenses (–)	-411	-187	128	-308	-247	-17	-214	-141
Profit/loss before taxes	1,311	813	1,428	1,428	1,102	639	759	1,678
Income taxes	-274	-354	-363	-745	-256	-92	-160	-350
Profit/loss for the financial period	1,036	459	1,064	1,064	846	547	599	1,328
EBITDA	2,487	1,765	1,970	2,879	2,042	1,377	1,777	2,612

Key figures for the solution areas

	Digital Services	Business Solutions	Information and Case Management	Cloud, Data, Modern Work and Data Security	Total
Oct 1–Dec 31, 2023					
EUR thousand					
SaaS net sales	496	1,297	2,443	1,218	5,454
License net sales	47	44	1,392	293	1,776
Project net sales	2,210	1,829	1,201	1,997	7,237
Service net sales	2,669	1,433	881	2,480	7,463
Total net sales	5,421	4,604	5,917	5,988	21,930
Growth, %	26.7%	-8.0%	29.8%	-10.5%	6.8%
EBITDA	874	-196	1,719	481	2,879
% of net sales	16.1%	-4.3%	29.0%	8.0%	13.1%
Order backlog	15,938	14,373	23,147	18,097	71,555
% of net sales	294%	312%	391%	302%	326%
Research and product development expenses	0	135	1,198	193	1,526
% of net sales	0	2.9%	20.2%	3.2%	7.0%
Oct 1–Dec 31, 2022					
EUR thousand					
SaaS net sales	528	838	2,348	973	4,687
License net sales	47	162	491	314	1,015
Project net sales	1,475	1,773	823	2,970	7,041
Service net sales	2,216	2,253	895	2,429	7,793
Total net sales	4,266	5,026	4,557	6,686	20,535
Growth, %	14.0%	6.7%	19.3%	27.0%	17.2%
EBITDA	538	18	1,257	798	2,612
% of net sales	12.6%	0.4%	27.6%	11.9%	12.7%
Order backlog	26,035	11,957	16,727	21,111	75,831
% of net sales	610%	238%	367%	316%	369%
Research and product development expenses	0	126	908	144	1,178

% of net sales	0	2.5%	19.9%	2.1%	5.7%
				Cloud, Data, Modern Work and Data Security	
Jan 1–Dec 31, 2023	Digital	Business	Information		
EUR thousand	Services	Solutions	and Case		Total
			Management		
SaaS net sales	1,846	5,253	9,519	4,654	21,272
License net sales	168	423	2,305	1,204	4,100
Project net sales	7,433	6,166	4,281	8,923	26,803
Service net sales	9,584	6,024	3,425	9,055	28,088
Total net sales	19,031	17,866	19,530	23,836	80,263
Growth, %	17.9%	0.5%	27.9%	8.6%	12.8%
EBITDA	3,159	-364	4,733	1,572	9,101
% of net sales	16.6%	-2.0%	24.2%	6.6%	11.3%
Order backlog	15,938	14,373	23,147	18,097	71,555
% of net sales	84%	80%	119%	76%	89%
Research and product development expenses	0	502	4,043	564	5,108
% of net sales	0	2.8%	20.7%	2.4%	6.4%
				Cloud, Data, Modern Work and Data Security	
Jan 1–Dec 31, 2022	Digital	Business	Information		
EUR thousand	Services	Solutions	and Case		Total
			Management		
SaaS net sales	2,260	3,392	7,877	3,277	16,806
License net sales	179	610	913	897	2,599
Project net sales	6,425	5,496	3,992	9,741	25,654
Service net sales	7,269	8,321	2,492	7,987	26,069
Total net sales	16,132	17,819	15,275	21,902	71,130
Growth, %	4.5%	-3.4%	3.5%	23.5%	7.2%
EBITDA	2,448	-107	3,337	2,129	7,808
% of net sales	15.2%	-0.6%	21.8%	9.7%	11.0%
Order backlog	26,035	11,957	16,727	21,111	75,831
% of net sales	161%	67%	110%	96%	107%
Research and product development expenses	0	500	3,252	401	4,153

% of net sales	0	2.8%	21.3%	1.8%	5.8%
----------------	---	------	-------	------	------

The Group’s commitments and contingent liabilities

EUR thousand	Dec 31, 2023	Dec 31, 2022
Collateral given for own commitments		
Lease collateral	167	156
Mortgages on company assets	16,650	16,950
Bank guarantees	312	309
Other own liabilities		
Lease and rent liabilities		
Liabilities maturing in less than one year	48	128
Liabilities maturing in 1–5 years	66	112
Total	114	240
Other own liabilities total	114	240

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

Fair Values of Financial Assets and Liabilities

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

EUR thousand	Dec 31, 2023	Dec 31, 2022	Dec 31, 2022
	-	-	-
Trade and other receivables	18,449	14,540	14,540
Cash and cash equivalents	425	1,956	1,956
Total	18,873	16,495	16,495
Loans from financial institutions	6,325	9,402	9,402
Lease liabilities	3,291	4,947	4,947
Trade and other payables:			
Received advances	1,703	504	504
Trade payables	2,074	1,715	1,715
Other liabilities	5,139	4,951	4,951
Accrued expenses	8,657	7,646	7,646
Interest rate swap agreements, not in hedge accounting *			
Total	27,188	29,164	29,164

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 December 31, 2023, was as follows:

Name	Number of shares	% of share capital
1. Ensio Sami	7,925,397	21.81%
<i>Sami Ensio</i>	5,751,637	15.83%
<i>Minor under guardianship</i>	724,588	1.99%
<i>Iiris Ensio</i>	724,586	1.99%
<i>Minor under guardianship</i>	724,586	1.99%
2. Ilmarinen Mutual Pension Insurance Company	1,800,000	4.95%
3. Linturi Kaija and Risto	1,256,411	3.46%
<i>R. Linturi Oyj</i>	489,107	1.35%
<i>Linturi Kaija Anneli</i>	430,000	1.18%
<i>Linturi Risto Erkki Olavi</i>	337,304	0.93%
4. Mäki Antti-Jussi	490,000	1.35%
5. Hellen Stefan Andreas	486,000	1.34%
6. Ingman Finance Oy Ab	450,000	1.24%
7. Laiho Rami Tapani	425,113	1.17%
8. Muukkonen Teemu Heikki	410,357	1.13%
9. Tilman Tuomo Tapani	345,538	0.95%
10. Mandatum Life Insurance Company Limited	253,366	0.70%
11. Kannisto Jaakko Mikael	226,533	0.62%
12. Kukkonen Heikki-Harri	213,606	0.59%
13. Järvenpää Janne-Olli	213,079	0.59%
14. Varsio Jussi Ilari	190,000	0.52%
15. Mäkinen Antti Vilho Juhani	168,000	0.46%
16. Ärje Matias Juhanoika	155,800	0.43%
17. Saarnio Mikko Markus	138,000	0.38%
18. Heikkinen Janne Mikael	136,543	0.38%
19. Pesonen Tuomo Sakari	130,737	0.36%
20. Muurinen Hannu Olavi	125,750	0.35%
Total	15,540,230	42.76%

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)

Framework agreement backlog:

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

Net sales/employee:

Net sales

Active personnel on average during the review period

Percentage of return on equity:

Profit/loss for the financial period

Shareholders' equity

Percentage of return on investment:

Profit or loss before taxes + Interest and other financial expenses

Shareholders' equity + Interest bearing financial liabilities

Net gearing:

Interest bearing liabilities - Cash funds

Shareholders' equity

Equity ratio, (%):

Shareholders' equity

Balance sheet total - Received advances

Result/share:

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

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

Shareholders' Equity/Share:

Equity attributable to the shareholders of the parent company

Undiluted number of shares on the date of the financial statement