



Innofactor Interim Report Q2/2023

July 20, 2023, Markku Puolanne, CFO

#ModernDigitalOrganization | #HybridWork | #PeopleFirst | #CreatingSmiles

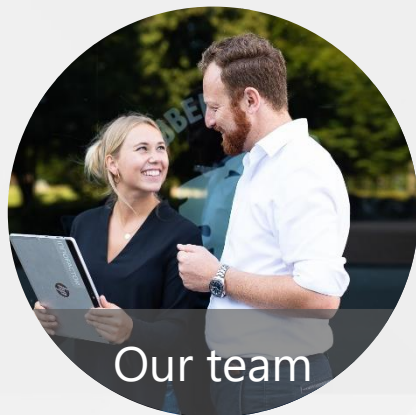


Innofactor's Business

Driving the Modern Digital Organization
in the Nordic Countries

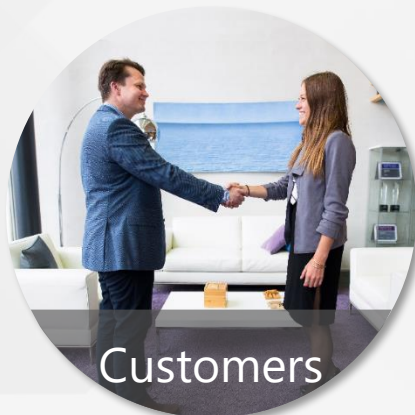
INNOFACTOR®

Innofactor – Leading Nordic Driver of Modern Digital Organization



Our team

- About 600 Nordic professionals
- All Microsoft Solution Partner designations
- 10+ Microsoft Partner Awards



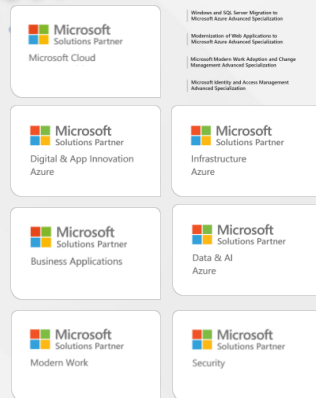
Customers

- Over 1,000 Nordic customers
- Strong industry knowledge in private and public sector



Company

- Revenue 71+ MEUR and EBITDA 11% (2022)
- 16 offices in Nordic countries
- Listed in Helsinki Stock Exchange (NASDAQ Helsinki), about 12,000 shareholders



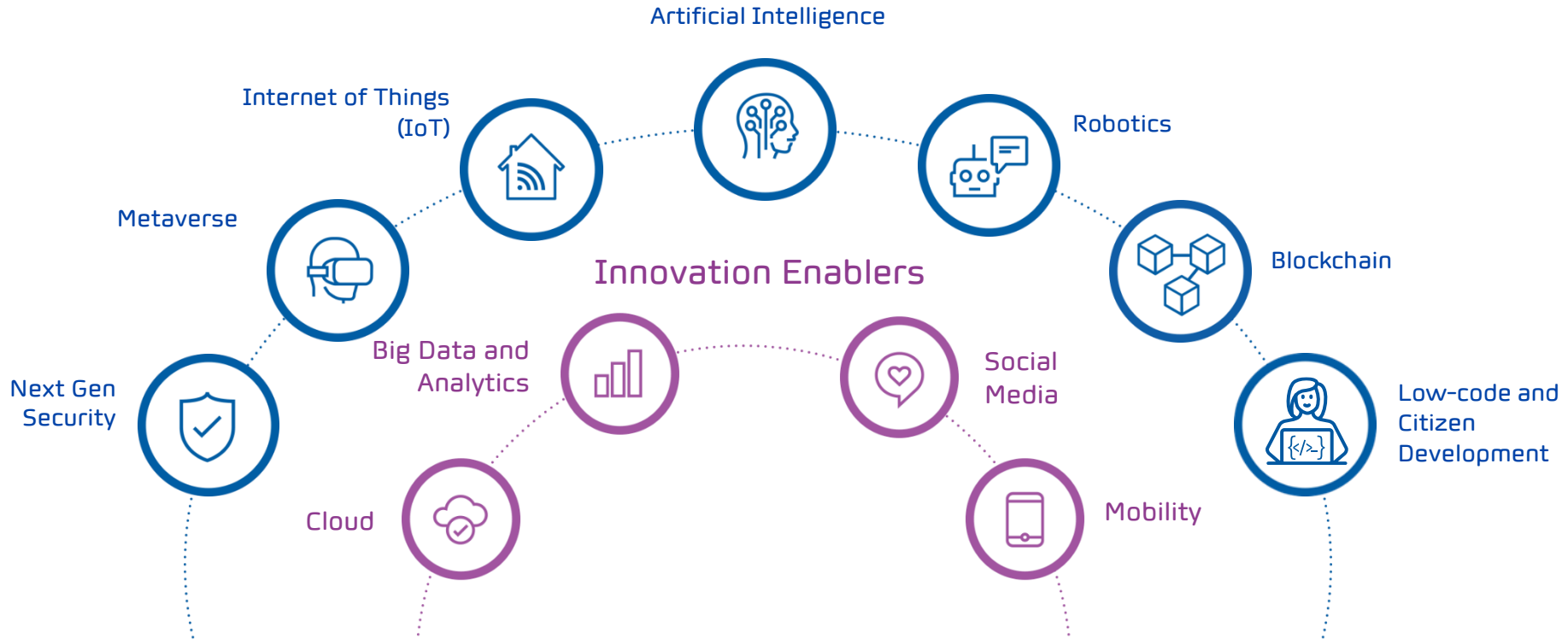
INNOFACTOR[®]

"Innovating to make
the world work
better."

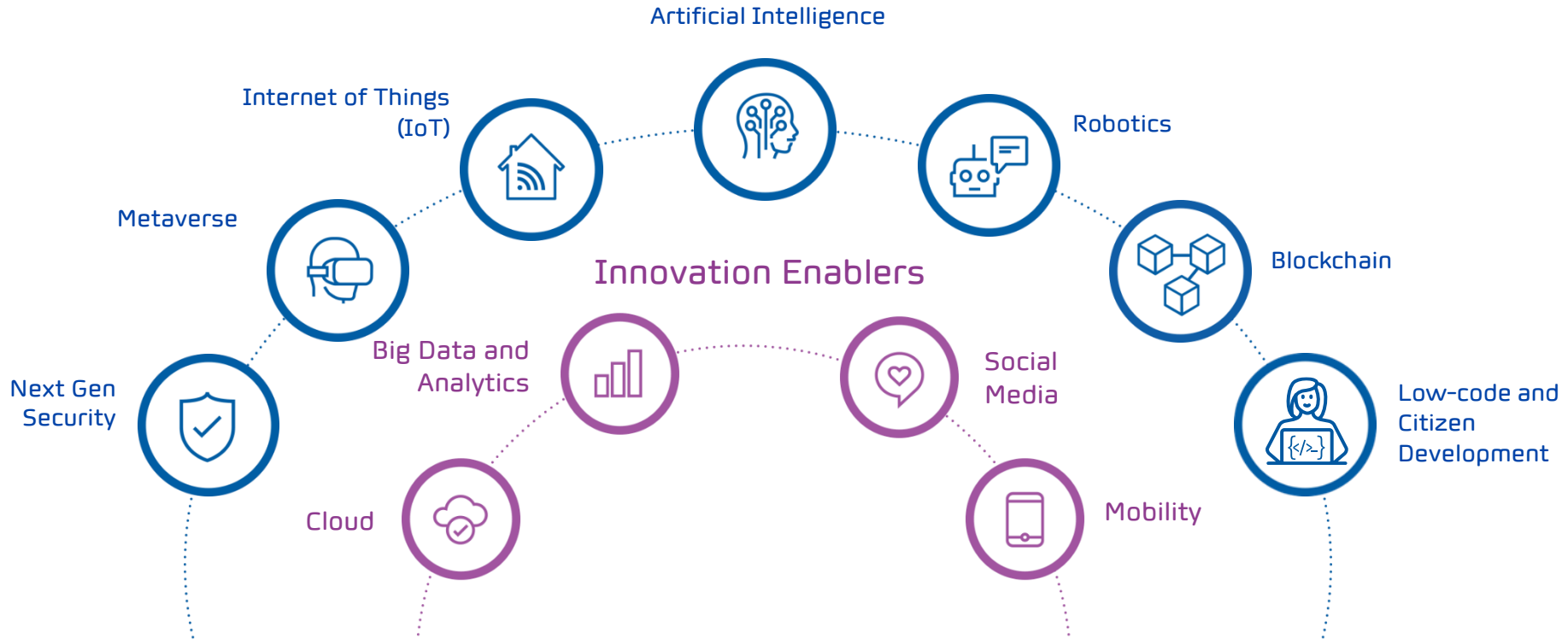
Sami Ensio,
founder and CEO



Key Trends Driving Innovation



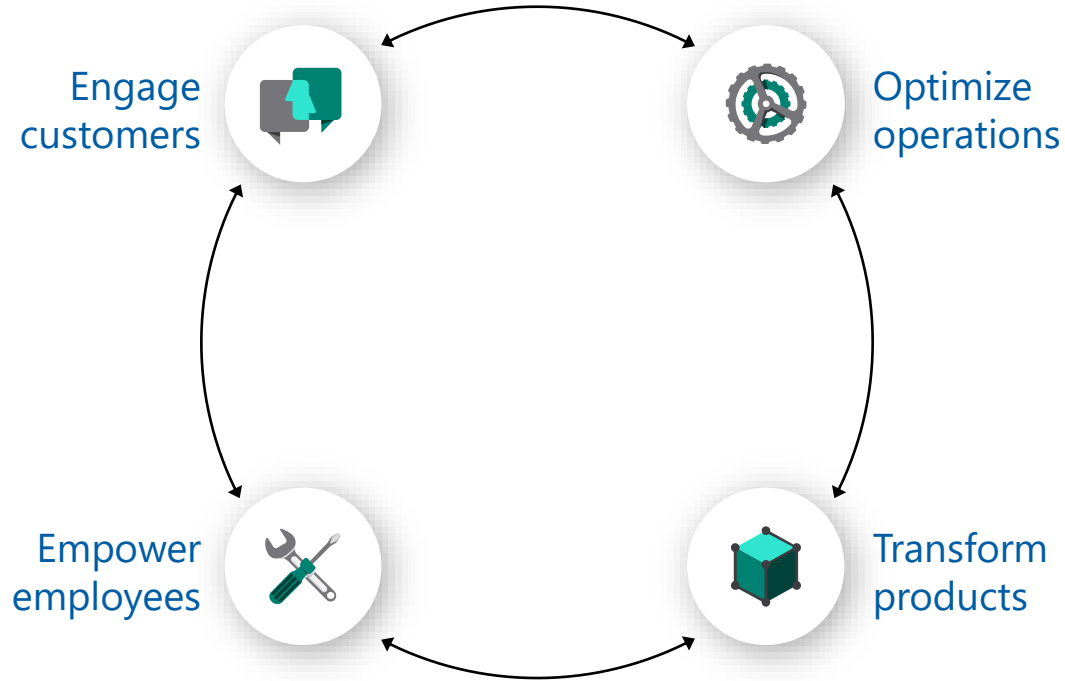
Key Trends Driving Innovation



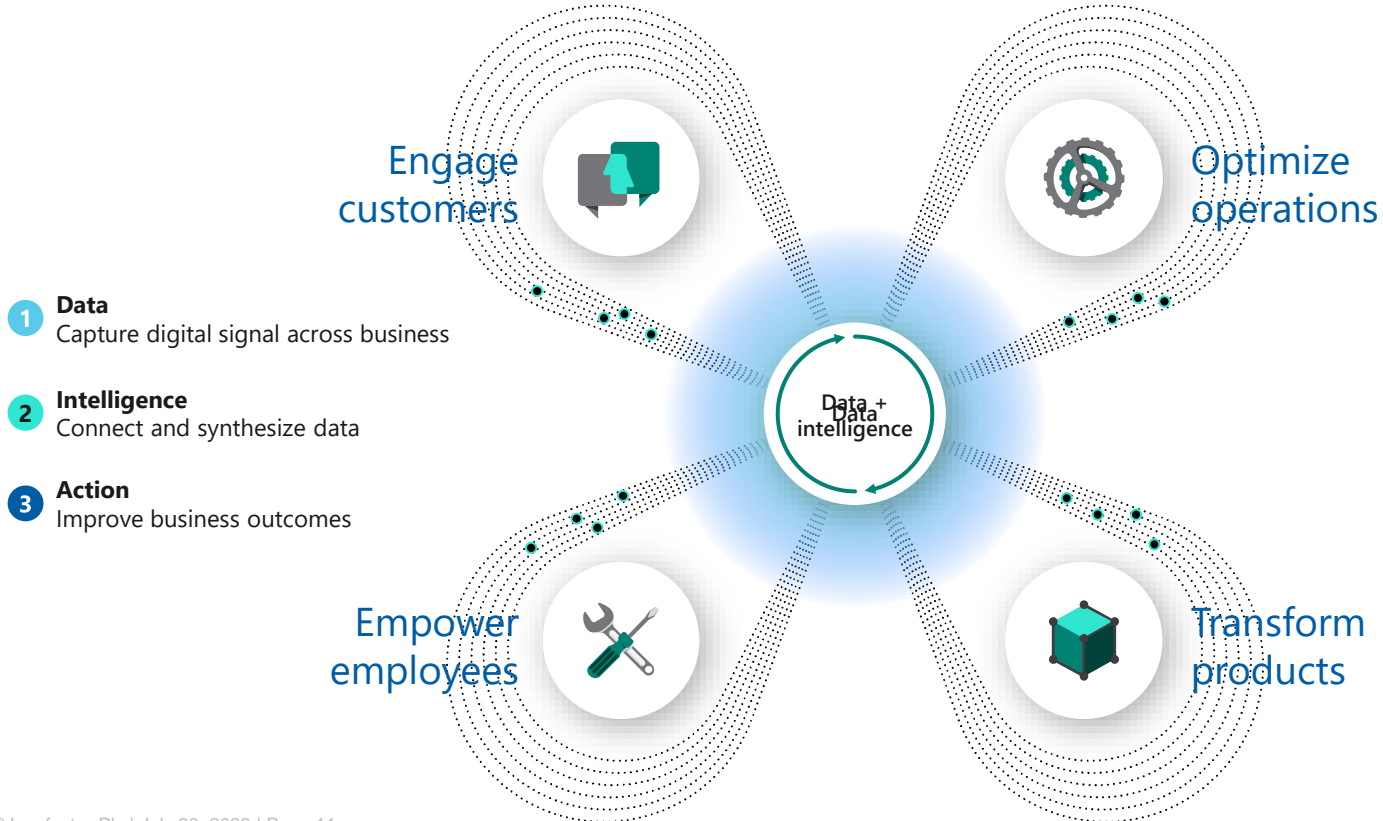
Our mission is to drive the modern digital organization.



Key Stakeholders of B-to-B Digital Transformation



Digital Feedback Loop



Innofactor Solution Offering

Modern Digital Organization Framework and Innofactor's 6 solution areas



Digital Services

We enable you to turn business models and processes into easy-to-use digital services and provide you with continuous agile development capabilities through a long-term partnership

Cloud Infrastructure

We help you to design, implement and operate secure and scalable cloud platforms to grow your digital business.

Business Solutions

We help you build business agility by optimizing your digital business capabilities with intelligent business applications.

Data and Analytics

We help you to build a scalable data platform that enables data-driven decision-making leveraging AI, Advanced Analytics, BI, Master Data Management, Real-time Analytics and IoT.

Information and Case Management

We help you with information work and document management in the hybrid world, ranging from formal and standardized case and records management to informal teamwork and collaboration

Cybersecurity

We help you adapt to the fast-changing cybersecurity landscape and proactively build trust to make the benefits of a digital world available for everyone.

#ModernDigitalOrganization

Innofactor Solution Offering

Modern Digital Organization Framework and Innofactor's 6 solution areas

We've built a framework for a modern digital organization. We use it to help our customers build clarity and determine their current state and then form a vision and roadmap for their next steps in digitalization and new technology adoption based on their objectives.

Our framework covers all aspects of digitalization and is split in six solution areas.

We help our customers to successfully plan, deploy and implement new business models, processes and solutions in each area to move forward on their journey to becoming a modern digital organization.

We focus on the Microsoft ecosystem's Business-to-Business solutions whose markets are growing faster than the IT market on average.

Digital Services

Software Development and DevOps
App and Data Modernization
Process Digitalization
Low-code Development

Cloud Infrastructure

Managed Operations and DevOps
Cloud Transformation
Governance and Automation
Migrations

Business Solutions

Sales and Marketing | CRM
Customer Service Enablement
Finance and Operations | ERP
Membership and Project Management

Data and Analytics

Data Platform
Analytics and BI
Enterprise Performance Management
AI, Real-time Analytics and IoT

Information and Case Management

Collaboration and Intranets
Document and Records Management
Case and Decision Management
Contract and Quality Management

Cybersecurity

Security Assessments
Cloud Security Consultancy
Identity and Access Management | IAM
Detect and Respond

#ModernDigitalOrganization



Skanska Sweden

Skanska is one of the world's leading providers of construction and project development services. It is active in both construction and the development of residential and commercial premises. Founded in 1887, Skanska has locations in 10 countries across Europe and the USA. In Sweden, the company employs over 8,000 people.

Skanska needed to revise its processes for business planning and corporate management, as well as the IT tool used for those activities, which had been used by the management since 2015. One reason behind this was that Skanska was no longer able to use the SharePoint on-premises solution that had previously been the basis of the Styrportalen ("management portal") tool. The main target groups for the Styrportalen portal are Skanska Sweden's management teams. There was also a need to bring in management teams from a new organizational level. This meant an increase from the previous 30 internal organizations to 120.

Skanska contacted Innofactor at the recommendation of Microsoft. A collaboration was sketched out with the aim of developing a new goal management solution based on Microsoft Power Platform tools. The result of the collaboration was a new Styrportalen 2.0 solution, which has made Skanska's business planning and management activities more consistent, structured, and seamless. The goal management tool provides a better overview of the content of business plans and increases transparency between Skanska's internal organizations.

Styrportalen 2.0 takes advantage of many different Microsoft Power Platform solutions. Power Apps was used for building a shared structure for all business levels, with components such as targets, actions to be taken, and key performance indicators (KPIs), as well as interfaces for reporting the KPI results, statuses, and comments. The processing and storage of data in the applications is now achieved reliably and efficiently via the Dataverse data platform. The Power BI visualization tool provides Skanska with a consistent, transparent, and dynamic tracking and management tool. Power Automate is used to automate processes and manage authorizations in the Styrportalen portal, which contributes to more efficient IT administration.

"With the new Styrportalen portal, we have expanded its usability to all our organizations with business plans, while at the same time making the administration less resource-intensive. Since we went live with Styrportalen in May 2022, we've also gotten positive responses to the new operating methods and tools from the management groups in this organization."

Jonna Brattlöv
Development Manager
Skanska Sverige



“The benefits are clear to see, and the users have quickly embraced the new system. The usability of the system is nicely aligned with the content of our work. Thanks to customization, there are no unnecessary buttons.”

Suvi Jokela
Project Manager
City of Tampere

City of Tampere

Tampere, the third-largest city in Finland, wanted to create better conditions for the growth and renewal of local businesses and employers. To achieve this goal, the city's various units and organizations needed to increase their co-operation and build more consistent customer processes. Customer relationship management was identified as a bottleneck to co-operation, as each of the city's units and organizations had different systems for it.

The city wanted a new solution that could be used to import a wide range of data from different sources and that would comprehensively take into account the priorities of all of the city's organizations. The new system also needed to be compatible with the Microsoft environment. It soon became clear that Microsoft Dynamics 365 would be a natural choice due to its adaptability, ease of integration and other key functionalities that help the city's units perform smoothly on a day-to-day basis. From the City of Tampere's perspective, the new solution is particularly useful because dynamically updated company information from various organizational sources can be merged directly in Dynamics. Being able to switch on integrations at the push of a button saved a significant amount of time and money.

The project was completed seamlessly in spite of the fact that engaging the entire organization in a development effort was a new challenge for the City of Tampere, and many of the members of the project team did not even know each other beforehand. The end users are satisfied, as they find Dynamics to be a clear and simple system. Inspired by the positive experiences, the City of Tampere will roll out the new CRM solution in 2023 in new units and in enterprises that are fully or partially owned by the city. Many units have also decided to expand the solution by adding the marketing module. Microsoft technology is also used in the management of immigrant integration and land use lifecycle management.

Greater Stockholm Fire Brigade

The Greater Stockholm Fire Brigade (Storstockholms brandförsvär) is a Swedish municipal association for the member municipalities Danderyd, Lidingö, Solna, Stockholm, Sundbyberg, Täby, Vallentuna, Vaxholm, Värmdö, and Österåker. In accordance with the mission it has been given by the municipalities, the fire brigade is responsible for rescue operations and the prevention of fires, other hazards, and accidents. The fire brigade's 10 member municipalities have a combined population of approximately 1.3 million. The population is growing, which is expected to lead to an increased need for rescue services. The Greater Stockholm Fire Brigade also works together with other rescue services to optimize the allocation of resources in responding to emergencies.

To respond to its changed risk landscape and increasingly complex case management, the Greater Stockholm Fire Brigade launched a public procurement competition for a new case and document management system in 2022. After a careful selection process, the fire brigade chose Innofactor's Dynasty solution. The procurement includes the provision of maintenance and support services, initially for a period of four years, with an option of extending the term to eight years.

The aim of the collaboration is to deploy a new, modern, and user-focused case and document management system that also includes archival functionality that corresponds to the fire brigade's current and future needs. The fire brigade gains access to a coherent solution that supports its core processes, and a system that takes compatibility and future requirements into account.

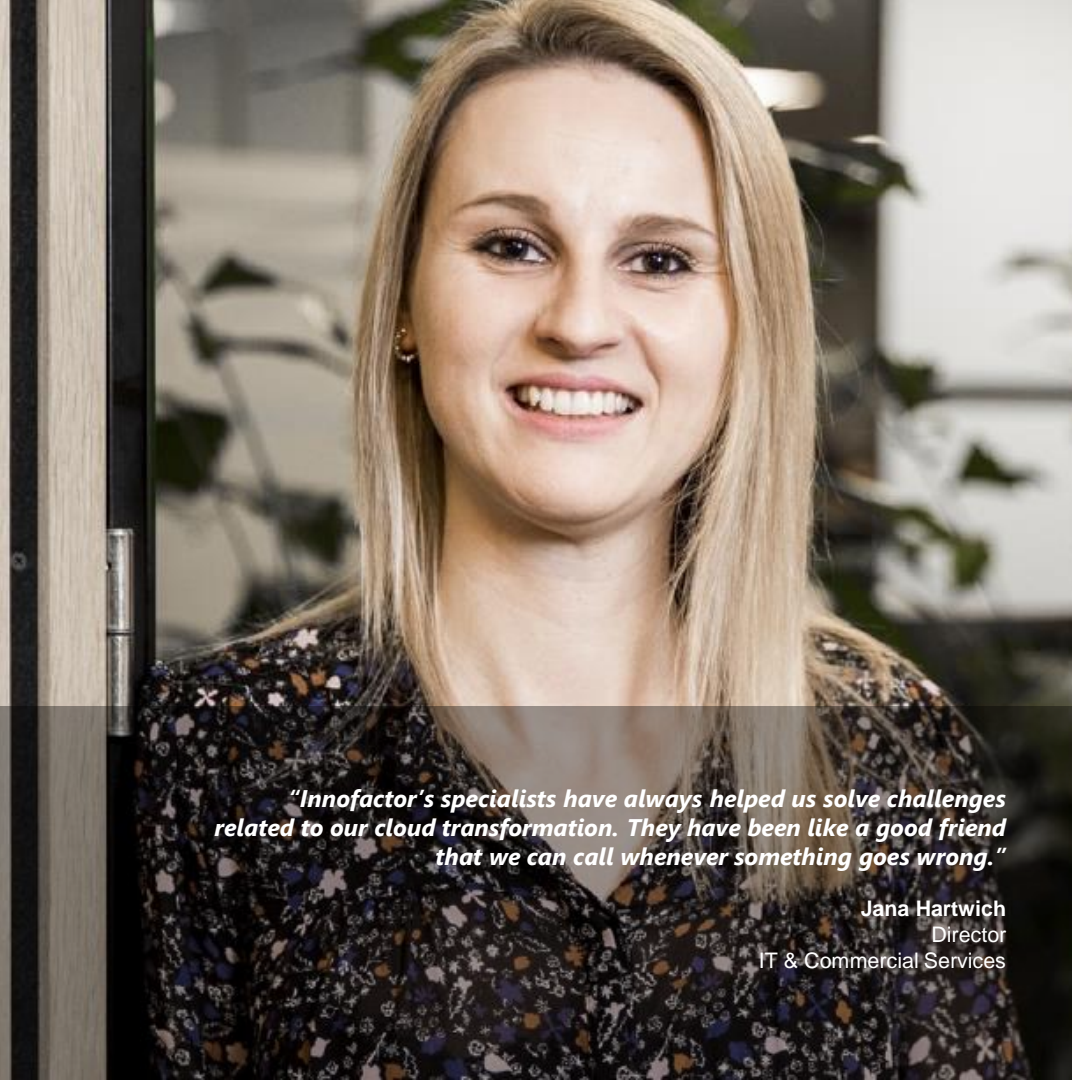
The collaboration with Innofactor began in August 2022. The solution is based on the Innofactor Dynasty software suite, which includes a number of carefully specified out-of-box functions and coherent user interfaces. Other modern systems can also be easily integrated into the suite. In accordance with the fire brigade's wishes, the system will be delivered as an on-premises service that is supported, maintained, and developed by Innofactor. Innofactor also provides consulting support in the form of regular system configuration, customization, and training.

It is especially important for the fire brigade to ensure usability in times when society's other functions and infrastructure operate only on a limited basis. Another key goal is to increase the efficiency of case management through automated workflows to the extent that it is sensible and appropriate.

"The previous case management systems did not correspond to our organization's needs. We wanted to find a system that provides modern, carefully specified, and ready-to-use functions that are well suited to our process-style workflows. We are pleased to start using a coherent solution that also meets the fire brigade's future needs."

Robin Haglund
Unit Director
Greater Stockholm Fire Brigade





“Innofactor’s specialists have always helped us solve challenges related to our cloud transformation. They have been like a good friend that we can call whenever something goes wrong.”

Jana Hartwich
Director
IT & Commercial Services

GLS Denmark

GLS Denmark, a package distributor that is part of the international GLS Group, has operating locations in seven cities in Denmark. The company’s headquarters are located in Kolding in southern Denmark. GLS has annual net sales of approximately DKK 2.4 billion, or about EUR 320 million.

A few years ago, GLS made the decision to implement a cloud strategy that would see all of its legacy systems moved to the cloud by 2025. The motivation to migrate to the cloud was driven by the continuous growth of business-specific data related to package data and scanning, and the resulting performance challenges. The change has already been significant with regard to GLS’ operations: initially, the company had no cloud computing expertise of its own, but now it has a full-fledged cloud-based production environment that has already generated business benefits.

The first project under the new cloud strategy was to develop a package tracking application for consumers. The project turned out to be a tremendous success in spite of being a move into an entirely new area for GLS. The application became one of the most popular applications in the AppStore and now has 750,000 users in Denmark. The large user volume has been enabled by the cloud environment, as an application implemented with on-premises servers would have had a maximum user volume of approximately 200,000.

In addition to direct business success, the cloud-focused strategy has also delivered other benefits to GLS. The transition to the cloud required the organization to collaborate closely in teams, which helped erase the traditional boundaries between development and use. Indeed, the new approach has helped bring in a new culture of co-operation in the organization.



Pohjantähti

Pohjantähti is an insurance company providing individual and corporate customers with comprehensive insurance services through over 20 offices in locations ranging from Helsinki to Rovaniemi. Pohjantähti is owned by its customers and its head office is located in Hämeenlinna. The company has over 400 employees, of whom 100 work in claims services in Hämeenlinna and Tampere. The co-operation between Innofactor and Pohjantähti can be traced back to 2019, when Invenco Oy (then under private ownership) began to implement a new BI architecture solution for the insurance company. Innofactor acquired the share capital of Invenco in a transaction completed on June 30, 2022.

Pohjantähti wanted to complement its original BI architecture solution with a harmonized data warehouse platform that includes role-based Power BI reporting applications and scorecards for the users. Innofactor implemented a solution for Pohjantähti that integrates all of the key areas of insurance operations in a single data model. In addition, the layers of the SQL Server 2019 technology used in the solution have been optimized to ensure the best possible performance.

The end-users of the new solution are particularly satisfied with the speed of the in-memory SSAS tabular cube. They are also pleased with the way the various areas of insurance operations have been integrated in a single data model, even with billions of items of data. The partner's role has been crucial in enabling Pohjantähti's management and other parts of the organization to use the results of reporting in their day-to-day work.

"You've done a great job. I find that our reporting – and, simultaneously, our understanding – has increased tremendously over the year. Business development is directly linked to reporting now that you have created the opportunity to analyze our operations and understand the outcomes of our decisions."

Aki Kiiliäinen
CEO
Pohjantähti



“Using more modern and secure cloud technology with Microsoft 365, Azure and Power Platform enables more possibilities for innovation, both internally and for our customers.”

Pär Persson
Chief Digital Officer and Head of IT
JOAB

JOAB

JOAB, the Nordic region's largest supplier of supplementary parts in the trucking industry, develops innovative solutions and services within the trucking industry. Examples of its products include ship loaders, cranes, and hook lifts. The company's field of expertise ranges from the production and assembly of supplementary parts for trucks to service and aftermarket services. JOAB's main office is located in Gothenburg, and it has 270 employees.

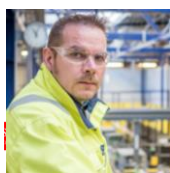
Having achieved strong growth, JOAB made the strategic decision to move its IT infrastructure to the cloud as part of scaling up its business in line with the company's growth strategy. JOAB's Board of Directors also emphasized that improving data security was an important factor in the decision. When JOAB began preparing for its migration to the cloud, it recognized the need for external expertise. The company started to look for a partner that could provide guidance in the transition to modern cloud solutions. Innofactor was chosen as JOAB's partner due to its strengths: extensive experience and technical expertise in the Microsoft ecosystem, including data security.

In the initial phase of the cloud transition, data security in a modern hybrid work model was one of the most significant projects. As JOAB wanted solutions that would enable targeted follow-up measures, one of the choices was Microsoft Secure Score in Azure. It enables the company to maintain a suitable data security level, and multi-factor authentication (MFA) has also significantly improved data security. Limited access via certified units makes logging in both simpler and more secure for the users. The concrete results include improved user traceability and a reduction in the number of incidents.

The cloud-based IT environment puts JOAB in an excellent position to create new innovations and improve its competitiveness in the future. One option was the deployment of a cloud-based intranet to further enhance data security and internal co-operation.

We Create Innovations with Our Leading Customers

Over 1,000 Commercial and Public Sector Customers





Our aim is to become the leading Nordic digital transformation partner in the Microsoft ecosystem.



 **Microsoft**
Solutions Partner

Microsoft Cloud

 **Microsoft**
Solutions Partner
Infrastructure
Azure

 **Microsoft**
Solutions Partner
Digital & App Innovation
Azure

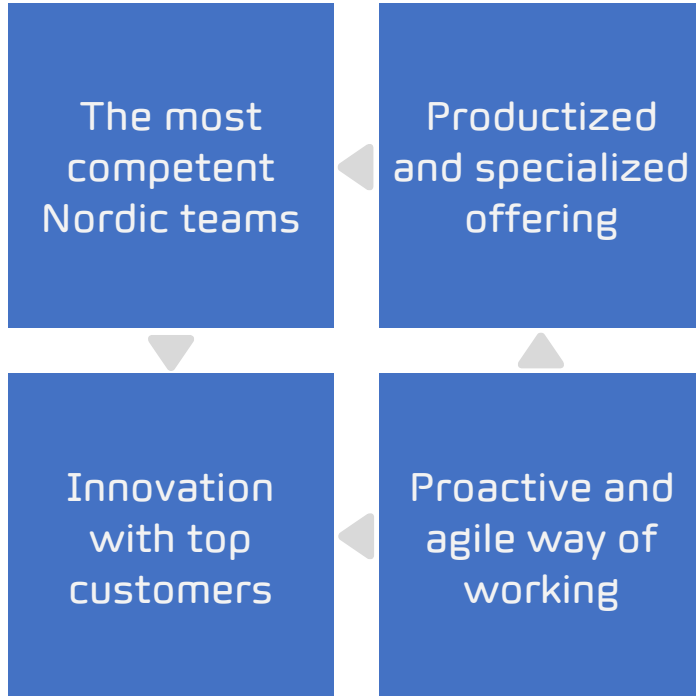
 **Microsoft**
Solutions Partner
Data & AI
Azure

 **Microsoft**
Solutions Partner
Business Applications

 **Microsoft**
Solutions Partner
Security

 **Microsoft**
Solutions Partner
Modern Work

Strategic choices, working principle and values



A group photograph of seven members of the Executive Board of the Innofactor Group. They are posed in two rows against a dark blue, vertically-pleated curtain background. The back row consists of four people standing: a man in a blue suit on the far left, a man in a blue suit and glasses, a woman in a blue and orange patterned dress, and a man in a blue suit on the far right. The front row consists of three people sitting on chairs: a man in a dark suit and glasses on the left, a man in a dark suit in the center, and a man in a blue suit and glasses on the right. The overall lighting is professional and focused on the individuals.

Executive Board of the Innofactor Group

Jørn Ellefsen,
**Country Manager for
Norway and Denmark**
MBA. Employed by
Innofactor since 2019.
Born in 1971.
Ownership 93,999
shares.

Vesa Syrjäkäri,
**EVP, Business
Development and
Operational Excellence**
M.Sc. (Econ.). Employed
by Innofactor since
2017. Born in 1960.
Ownership 0 shares.

Martin Söderlind,
**Country Manager for
Sweden**
B.Sc. (not finished)
Employed by Innofactor
since 2021. Born in
1971. Ownership 10,000
shares.

Anni Pokkinen,
Chief People Officer
M.Sc. (Econ.).
Employed by
Innofactor since 2015.
Born in 1988.
Ownership 32,296
shares.

Markku Puolanne,
CFO
B.Sc. (Econ.). Employed
by Innofactor since
2019. Born in 1973.
Ownership 34,686
shares.

Janne Heikkinen,
**Executive Vice
President, Products
and Services**
DI. M.Sc. (Tech.).
Employed by Innofactor
since 2015. Born in 1974.
Ownership 136,543
shares.

Sami Ensio,
**CEO and Country
Manager for Finland**
M.Sc. (Tech.). Innofactor's
founder, CEO, and member
of the Board of Directors
since 2000. Born in 1971.
Ownership 7,925,397
shares (under control).



The Board of Directors of Innofactor Plc

Heikki Nikku

BBA (not finished). Member of the Board of Directors since 2020. Born in 1956. Ownership 41,488 shares.

Risto Linturi

M.Sc. (Tech.). Member of the Board of Directors since 2018. Born in 1957. Ownership 1,256,411 shares (under control).

Anna Lindén, Chairman

M.Pol.Sc. Chairman of the Board since 2020 and member of the Board since 2018. Born in 1973. Ownership 121,851 shares.

Sami Ensio

M.Sc. (Tech.). Innofactor's founder, CEO, and member of the Board of Directors since 2000. Born in 1971. Ownership 7,925,397 shares (under control).

Organization

Board of Directors
 Anna Lindén (Ch.) Sami Ensio
 Risto Linturi Heikki Nikku

Sami Ensio
 President and CEO

Markku Puolanne
 CFO - until October 7, 2023

Vesa Syrjäkari
 EVP, Biz Dev and Oper Excellence

Anni Pokkinen
 Chief People Officer

PRODUCTS AND SERVICES
Janne Heikkinen
 EVP, Products & Services

FINLAND
Sami Ensio
 President and CEO,
 Country Manager, Finland

SWEDEN
Martin Söderlind
 Managing Director,
 Country Manager, Sweden

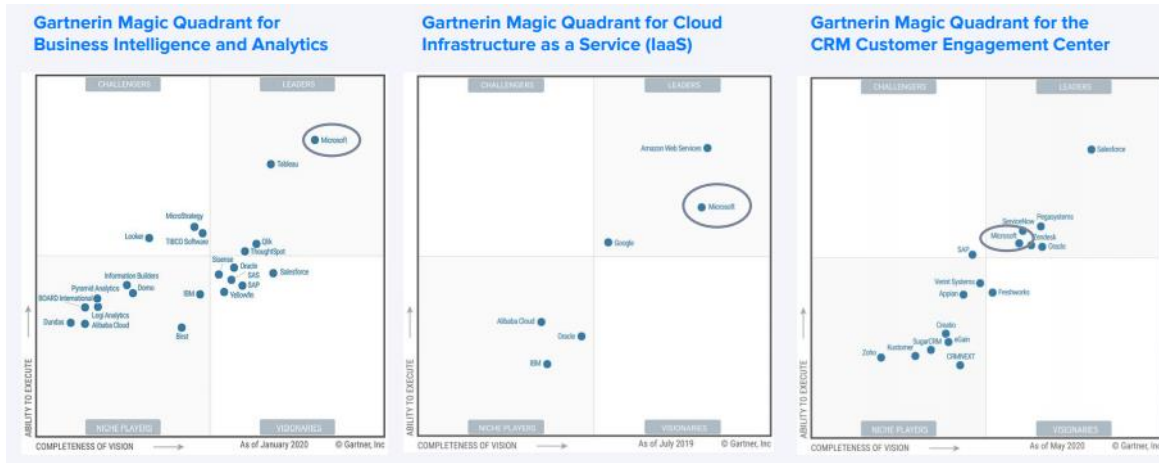
DENMARK
Jørn Ellefsen
 Managing Director,
 Country Manager, Denmark

NORWAY
Jørn Ellefsen
 Managing Director,
 Country Manager, Norway

	Digital Services	Business Solutions	Information and Case Management	Cybersecurity Solutions	Data and Analytics	Cloud Infrastructure
	Marko Lybeck	Jyrki Vepsäläinen	Vesa Niinistö	Jarno Lähteenmäki	Vesa Syrjäkari (acting)	Jarno Lähteenmäki
Sales	Klausveikko Oinonen					
People	Anni Pokkinen					

Microsoft Has the Leading Ecosystem in Innofactor's Strategic Focus Areas

- Microsoft is the leading global provider in Innofactor's strategic focus areas
- By focusing on the Microsoft ecosystem Innofactor can attract the best talent and know-how and have close relations to Microsoft
- If Microsoft were to lose its leading position in some areas Innofactor could transition to other partners in these areas



Innofactor Competitive Positioning in the Nordic EUR 10+ Billion Microsoft IT Services Market

Nordic IT services market
25+ billion euro*

Large companies, in every Nordic Country, all solution areas, and several technologies
- E.g. TietoEvry, CGI and Fujitsu

Nordic Microsoft IT-services market
10+ billion euro**

Mid-sized, not in all Nordic Countries, several technologies
- E.g. Siili, Solita, Digia, Netcompany and Precio

Our Competitive Advantage:
- leading know-how in Microsoft-based solutions
- productized offering

Our Competitive Advantage:
- more skilled local professionals
- better productized offering
- more flexible mode of operation

INNOFACTOR®

Our Competitive Advantage:
- Trustworthiness of a listed company
- Established processes
- Strong customer references.

Our Competitive Advantage:
- leading know-how in Microsoft-based solutions
- stronger industry focus & knowledge
- Broader offering

Mid-sized, in every Nordic Country, focusing on specific solutions
- E.g. Atea, HiQ, and Knowit

Small companies, usually only in home market, one solution or one technology
- E.g. Sulava, Clouddriven ja Proactive

* Source: IDC, internet

** Estimate Microsoft market share to approx. 40%

>0%

>0%



Financial Information

Q2/2023 Results

In spite of the challenging market situation, Innofactor achieved 18.6% net sales growth and a 28.1% improvement in the operating margin in the second quarter of 2023

Net sales in the second quarter of 2023 amounted to EUR 20.1 million, representing year-on-year growth of 18.6 percent. The rate of organic growth, excluding the Invenco business acquired in June 2022, was 11.1 percent. The operating margin (EBITDA) increased by 28.1 percent year-on-year and was EUR 1.8 million (8.8 percent of net sales). The order backlog at the end of the quarter was EUR 77.3 million (2022: 77.2), representing year-on-year growth of 0,1 percent.

The second quarter of 2023 was a challenging period for the consulting business, as it included Easter and a number of other weekday holidays, and a significant number of new employees joined Innofactor during the quarter. Most of them were recently graduated junior professionals, or “DigiStars”. In June, however, we achieved the highest single-month invoicing rate we have had since going public, corresponding roughly to our target of a five percentage point improvement to the invoicing rate.

Revenue

20.1 M€

Growth +18.6%

vs.

Q2/2022

EBITDA

8.8%

1.8 M€

Growth +28.1%

vs.

Q2/2022

Order Backlog

77.3 M€

Growth +0.1%

vs.

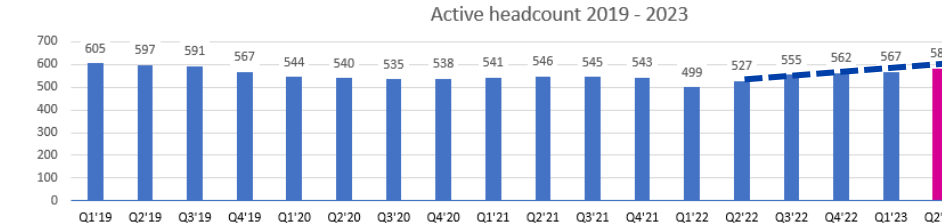
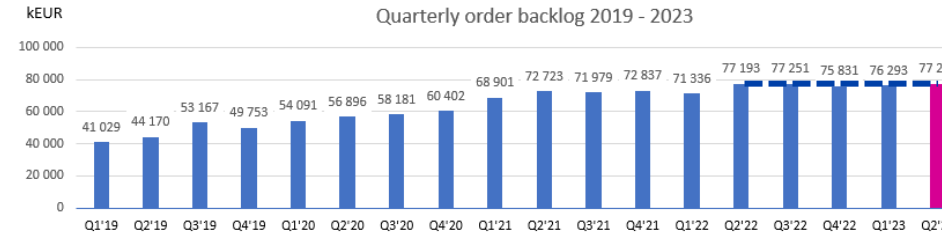
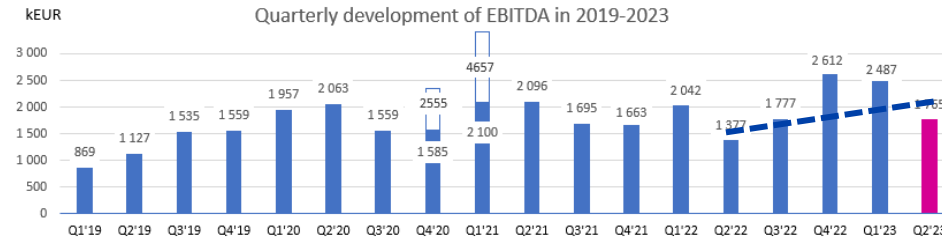
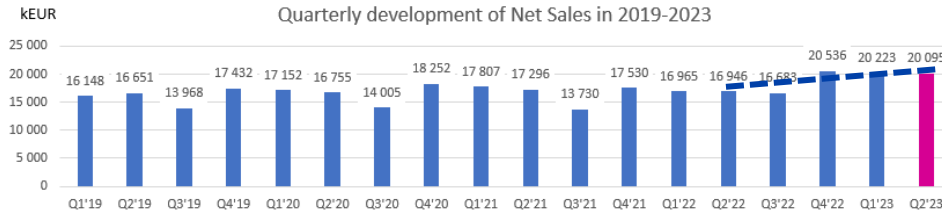
Q2/2022

H1/2023 actuals

Selected KPIs

	H1 2023	H1 2022	Change (%)	CEO's comment
Net Sales (kEUR)	40,317	33,911	+18.9 %	<i>" Net sales in the first half of 2023 amounted to EUR 40.3 million, representing year-on-year growth of 18.9 percent. The rate of organic growth, excluding the Invenco business acquired in June 2022, was 11.1 percent. Net sales denominated in the local currency increased in Finland, Sweden and Norway, but declined in Denmark."</i>
EBITDA (kEUR)	4,252	3,419	+24.4%	<i>" The operating margin (EBITDA) increased by 24.4 percent year-on-year and was EUR 1.8 million (8.8 percent of net sales). EBITDA was positive in all of our operating countries."</i>
Order Backlog (kEUR)	77,250	77,193	+0.1 %	<i>" The order backlog at the end of the quarter was EUR 77.3 million (2022: 77.2), representing year-on-year growth of 0.1 percent."</i>
Equity Ratio (%)	46.6 % (50.4 %)*	41.1 % (44.4%)*	+13.3 %	<i>"Innofactor's operating cash flow for the review period January 1–June 30, 2023, amounted to EUR 3.9 million. Innofactor's strong operating cash flow supports the company's strategic goal of profitable growth and securing a solid financial standing in all situations."</i>

Increased revenue is typically reflected immediately in EBITDA

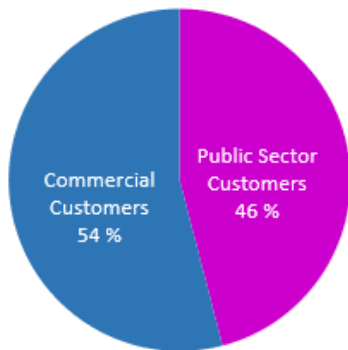


Increased order backlog effects the revenue typically with 1 to 2 quarter delay...

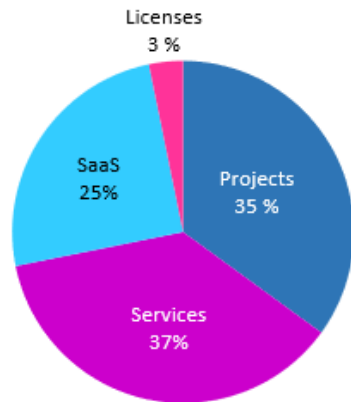
... and also requires the number of employees growing to deliver the new deals received

Broad Customer Base, Long-term Contracts and Business Footprint in The Nordic Countries Bring Scalability and Stability

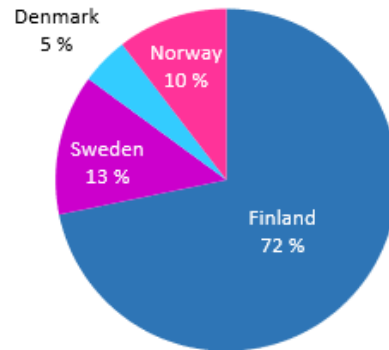
Distribution of net sales January 1 to June 30, 2023



- Strong customers in public and private sectors bring stability in economic fluctuations
- 10 largest customers account for approximately 28% of net sales



- SaaS and license revenue bring competitive advantage, scalability, stability and profitability
- Sales of consultant's work moving increasingly to frame agreements and continuous development



- Sweden, Denmark and Norway represented a significant portion of Innofactor's revenues
- Innofactor's objective is to create a strong position in all Nordic countries

Innofactor Key Financials, IFRS

Key figures of the group, IFRS

	Apr 1– Jun 30, 2023	Apr 1– Jun 30, 2022	Change	Jan 1–Jun 30, 2023	Jan 1– Jun 30, 2022	Change
Net sales, EUR thousand	20,095	16,946	18.6%	40,317	33,911	18.9%
Growth of net sales	18.6%	-2.0%		18.9%	-3.4%	
Operating result before depreciation and amortization (EBITDA), EUR thousand	1,765	1,377	28.1%	4,252	3,419	24.4%
percentage of net sales	8.8%	8.1%		10.5%	10.1%	
Operating profit/loss (EBIT), EUR thousand	984	668	47.4%	2,695	1,987	35.7%
percentage of net sales	4.9%	3.9%		6.7%	5.9%	
Earnings before taxes, EUR thousand	813	639	27.3%	2,124	1,741	22.0%
percentage of net sales	4.0%	3.8%		5.3%	5.1%	
Earnings, EUR thousand	459	547	-16.1%	1,496	1,393	7.3%
percentage of net sales	2.3%	3.2%		3.7%	4.1%	
Order backlog	77,250	77,193	0.1%	77,250	77,193	0.1%
Net gearing	46.6%	53.3%		46.6%	53.3%	
Net gearing without IFRS 16	30.5%	35.6%		30.5%	35.6%	
Equity ratio	46.6%	41.1%		46.6%	41.1%	13.3%
Equity ratio without IFRS 16	50.4%	44.4%		50.4%	44.4%	
Active personnel on average during the review period*	584	527	10.8%	576	513	12.3%
Active personnel at the end of the review period*	588	557	5.6%	588	557	5.6%
Earnings per share (EUR)	0.0126	0.0150	-16.1%	0.0409	0.0381	7.3%

*) 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 3 months.

Our long-term financial goals are annual growth of about 20 percent, approximately 20 percent EBITDA in relation to net sales, and maintaining positive cash flow and a solid financial standing in all situations.



Realization of the strategy in the review period 2023

- Target 1: Ca 20 percent yearly growth, mainly organic growth
 - Net sales increased by 18.9 percent compared to the previous year. Organic growth was 11.0%, excluding the Invenco business acquired in June 2022
 - The EUR 77.3 million order backlog, and achieving the highest single-month invoicing rate in June 2023, supports the revenue growth target.
 - Innofactor aims to continue to take measures that support the growth of net sales.
- Target 2: Ca 20 percent EBITDA
 - EBITDA was 10.5 percent of revenue, increasing by 24.4 percent. Still some work needed to reach the 20% profitability target.
 - Actions to improve our performance and revenue will also increase our EBITDA
- Target 3: Positive cash flow and financial solidity in all situations
 - Innofactor operative cash flow was EUR 3.9 million, increase of 8.1 % and equity ratio at the end of review period was 46.6 percent.
 - Strong operative cash flow and good financial position support the strategic growth target securing solid financial standing in all situations.


The key actions to be taken to achieve growth of approximately 20 percent and EBITDA of approximately 20 percent

- 1. We will improve the efficiency of our operations and increase our invoicing rate** by five percentage points. This will be achieved by, for example, improving the management of project and service contracts, enhancing the cross-resourcing of personnel between countries and units, reducing employee turnover and developing our self-directed team models.
- 2. We will increase the share of licenses and SaaS services** to over 33 percent of net sales from the current level of approximately 27 percent. This will be achieved by, for example, developing our offering, such as the new MDRaaS service (CSOC) and by focusing our sales efforts on customers and solution areas with the highest growth potential and that present the best opportunities for scaling our existing offering in each of the Nordic countries.
- 3. We will increase the number of employees engaged in invoiced services.** This will be achieved by, for example, doubling our recruitment of new university graduates to over 60 employees in 2023, concentrating the recruitment of senior professionals to our Nordic recruitment team, increasing the competence of our employees through certifications, reducing employee turnover, improving the efficiency of subcontracting and investing in the development of our employer brand.
- 4. We will become an even more proactive player in the Nordic M&A field.** This will be achieved by, for example, through the internal reorganization of operations, emphasizing the role of country directors in actively seeking new potential acquisition targets in their respective countries.



Dividend Distribution

- According to the policy, the aim of the Board of Directors is
 - to pay a dividend regularly each year
 - 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
- AGM decided that
 - distribute repayment of capital amounting to **EUR 0.06** per share
- In addition AGM decided that
 - To authorize the company's Board of Directors to decide on a potential extra dividend and repayment of capital of maximum EUR 2,459,293 (**EUR 0.06** per share taking into account the share issue authorization proposed to the Board of Directors)



Innofactor's net sales and operating margin (EBITDA) in 2023 are estimated to increase from 2022, during which net sales were EUR 71.1 million and operating margin was EUR 7.8 million.



Other Issues

Stock Exchange Releases in Q2/2023

- On May 10, 2023, Innofactor issued a stock exchange release to announce that the Board of Directors has decided to cancel a total of 1,044,534 Innofactor shares currently 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.
- On June 8, 2023, Innofactor issued a stock exchange release to announce a change in company's Executive Board. 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 last working day with Innofactor shall be October 7, 2023. Innofactor has initiated actions to hire a new CFO. CEO Sami Ensio shall temporarily take over the CFO's tasks as of October 7, 2023, unless the new CFO to be selected is able to assume the duties by that time.
- On June 10, 2023, Innofactor issued a stock exchange release to announce that according the stock exchange release on May 10, 2023, the cancellation of shares has been registered in the trade register maintained by the Finnish Patent and Registration Office on June 12, 2023. After registering Innofactor Plc has a total of 36,343,691 shares and the total number of votes attached to the shares is 36,343,691. After the cancellation, Innofactor Plc doesn't hold any shares in the Company. The cancellation of the shares has no effect on the share capital of Innofactor Plc.

Key points from CEO's review

- 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.
- During the second quarter, price competition in the market was exceptionally intense. The weighted average prices of new contracts declined, particularly in the case of public sector customers and large tenders, by as much as over 20 percent according to our analysis. Carrying out loss-making business activities is not part of Innofactor's strategy, and we have refrained from offering our services at prices below our costs. We have shifted our sales focus more to the private sector, where more commercially sustainable price levels can be found. During the second half of the year, we will focus on improving efficiency in all of our operating countries, and we have drawn up a separate action plan for this. We expect the average prices of new contracts in the public sector and large tenders to return to a commercially sensible level in the fourth quarter of 2023 at the latest.
- There was a significant improvement in the availability of personnel in the second quarter of 2023, particularly with regard to more experienced professionals, and employee turnover declined. Innofactor expects this situation to continue at least until the end of 2023. We aim to increase our market share and take advantage of the improved recruitment situation by engaging in moderate recruitment of chargeable personnel during the second half of the year.

Largest shareholders June 30, 2023

Name	Number of shares	% of share capital
1. Ensio Sami	7,925,397	21.80%
<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%
Ilmarinen Mutual Pension Insurance Company	1,800,000	4.95%
2. 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. Laiho Rami Tapani	674,783	1.86%
5. Mäki Antti-Jussi	613,725	1.69%
6. Hellen Stefan Andreas	486,000	1.34%
7. Tilman Tuomo Tapani	451,538	1.24%
8. Ingman Finance Oy Ab	450,000	1.24%
9. Muukkonen Teemu Heikki	410,357	1.13%
10. Mandatum Life Insurance Company Limited	249,129	0.69%
11. Ärje Matias Juhanoika	230,800	0.64%
12. Kannisto Jaakko Mikael	222,233	0.61%
13. Kukkonen Heikki-Harri	213,606	0.59%
14. Järvenpää Janne-Olli	213,079	0.59%
15. Laiho Jari Olavi	193,000	0.53%
16. Varsio Jussi Ilari	190,000	0.52%
17. Mäkinen Antti Vilho Juhani	168,000	0.46%
18. Saarnio Mikko Markus	138,000	0.38%
19. Heikkinen Janne Mikael	136,543	0.38%
20. Muurinen Hannu Olavi	125,750	0.35%
Total	16,148,351	44.45%



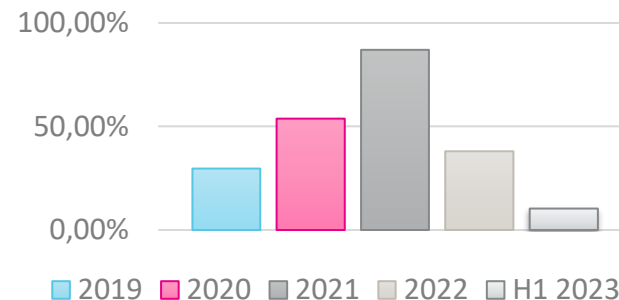
Innofactor Share Price Development and Turnover (Closing July 19th, 2023 at €1.145)



Share Price Development

Beginning of 2023	+8,84%	Year highest 2022	1.340 EUR
1 year change	-4,10%	Year lowest 2022	1.054 EUR
3 year change	+11,17%		
5 year change	+49,67%	Target price Inderes	1.35 EUR
10 year change	+27,22%	Target price Evli	1.60 EUR

Turnover in % compared total amount of shares



In public trading during the period January 1–June 30, 2023, a total of 3,832,986 shares were traded (2022: 6,074,368), which corresponds to 10.3 percent (2022: 16.6%) of the average number of shares in the said period. During the period January 1–June 30, 2023, the average number of shares was 37,083,555 (2022: 37,388,225). The share trading volume decreased by 55.0 percent when compared to the corresponding period in 2022.

Additional Information

<https://www.innofactor.com/invest-in-us/innofactor-as-an-investment/>

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Innofactor as an Investment

Innofactor Plc will publish its Interim Report for January–September 2020 on October 27, 2020. A video conference call for media, investors and analysts will be held in English on the same day beginning at 12:00 Finnish time.

PUBLISHING OF INNOFACTOR'S INTERIM REPORT JANUARY–SEPTEMBER 2020

The Leading Driver of the Modern Digital Organization in the Nordic Countries

€ 1.39

28.10.2020 09:58 AM CET

Change	%	High	Low
€ +0.03	+2.58%	€ 1.42	€ 1.36

Innofactor is the leading driver of the modern digital organization in the Nordic Countries for its over 1,500 customers in commercial, public and third sector. Innofactor has the widest solution offering and leading know-how in the Microsoft ecosystem in the Nordics. Innofactor has over 500 enthusiastic and motivated top specialists in Finland, Sweden, Denmark and Norway. In 2015–2019, the annual growth of Innofactor's net sales has been approximately 10%. The Innofactor Plc share is listed in the technology section of the main list of NASDAQ Helsinki Oy. #ModernDigitalOrganization #PeopleFirst #CreatingSmiles

Latest Stock Exchange Releases

A man with glasses and a dark suit over a light blue shirt is looking upwards with a slight smile. A Rubik's cube is suspended in the air above him. The background is a blurred green landscape. A white outline of a large bracket or shape is on the right side of the image. A pink rectangular box is on the left side, containing the text.

Thank You.
Questions?

INNOFACTOR®