



**INNOFACTOR**  
Annual Report 2020

# 20

**INNOFACTOR**

Innofactor celebrated its 20th anniversary in 2020. To mark this milestone, we carried out a “20 Good Deeds” campaign with our employees, among other things. In August, we threw a party for our customers, partners, and employees. The party was a COVID-19-safe hybrid event that could also be attended via a live stream. In this Annual Report, you can find more information on the events of our anniversary year.

Microsoft  
Partner



Gold Application Development  
Gold Application Integration  
Gold Cloud Business Applications  
Gold Cloud Platform  
Gold Cloud Productivity  
Gold Collaboration and Content  
Gold Data Analytics  
Gold Data Platform

Gold Datacenter  
Gold DevOps  
Gold Enterprise Mobility Management  
Gold Enterprise Resource Planning  
Gold Project and Portfolio Management  
Gold Security  
Gold Small and Midmarket Cloud Solutions  
Gold Windows and Devices

# Innofactor Group Annual Report January 1 to December 31, 2020

## Innofactor in Brief

Innofactor's purpose is to innovate to make the world work better. We are driven by a mission to help our customers succeed by modernizing and digitalizing their organization. Our working principle is to put people first in everything we do. We want to create solutions that make people's everyday work and life run smoothly and bring a smile to their faces.

We focus on the Microsoft ecosystem's Business-to-Business solutions whose markets are growing faster than the IT market on average. We offer our customers planning services for business-critical IT solutions, project deliveries, implementation support and maintenance services, and develop our own software and services.

Our solutions are used by more than 1,000 organizations in the private, public, and third sectors in the Nordic countries. We are a strong and valued partner. Our long-term customer relationships are evidence of the customers' trust in Innofactor. We utilize a proactive and flexible delivery model that creates added value and helps us establish a superior position in the market.

Innofactor employs over 500 enthusiastic and motivated top professionals in Finland, Sweden, Denmark, and Norway. We are united by our desire to work on the front line of innovation and new technology. We take pride in our highly competent professionals and significantly invest in competence development. Our employees maintain and improve their skills by acquiring technological qualifications, such as Microsoft Certified Professional, and by participating in training provided by our own Innofactor Academy. Their high level of expertise is evidenced by the more than 16 Microsoft Gold competencies we have achieved, for example.

Our net sales in 2020 amounted to EUR 66.2 million, which shows an increase of 3.1 percent from the previous year. Our operating margin (EBITDA) was EUR 7.2 million, which was 10.8 percent of net sales. The five-year growth rate of our net sales in 2016–2020 was 8.3 percent annually on average (CAGR), and EBITDA averaged 4.8% of net sales in 2016–2020. The long-term goals specified in our strategy are to achieve annual growth of about 20 percent, primarily through organic growth, an operating margin (EBITDA) of about 20 percent in relation to net sales, as well as to maintain positive cash flow and ensure a solid financial standing in all situations.

Innofactor Plc share is listed on the main list of Nasdaq Helsinki Ltd. Innofactor is one of the fastest-growing companies in the 2010s as measured by net sales on Nasdaq Helsinki. Innofactor has approximately 11,000 shareholders.

**#ModernDigitalOrganization** | **#PeopleFirst** | **#CreatingSmiles**

Note: The English version of Innofactor's Annual Report is a translation of the Finnish version and provided for reference only. In the event of any conflict or discrepancy between the Finnish and English versions, the Finnish version shall prevail and be treated as the correct version.

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# Innofactor Achieved the Highest Net Sales, EBITDA, and Order Backlog of its History in its Anniversary Year of 2020, in Spite of COVID-19

Innofactor celebrated its 20th anniversary in 2020 and focused particularly on safeguarding the improvement of profitability during the pandemic. The growth of net sales fell short of the target due to COVID-19, but net sales were nevertheless at an all-time high. Innofactor’s net sales in 2020 totaled EUR 66.2 million (+3%). Cost reductions attributable to the COVID-19 pandemic helped EBITDA reach a record high. EBITDA grew by 41 percent year-on-year and amounted to EUR 7.2 million (11% of net sales). In 2020, Innofactor also increased its order backlog to a record-high level of EUR 60.4 million.

Innofactor Group’s net sales in 2020 were EUR 66,164 thousand (EUR 64,198 thousand in 2019), showing an increase of 3.1 percent. EBITDA amounted to EUR 7,164 thousand (EUR 5,089 thousand in 2019), showing an increase of 40.8 percent. The share of EBITDA of net sales was 10.8 percent (7.9 percent in 2019). The order backlog at the end of the period under review stood at EUR 60,420 thousand (EUR 49,753 thousand in 2019), representing growth of 21.4 percent.

Innofactor celebrated its 20th anniversary in 2020. While COVID-19 made it more difficult to mark the occasion, we were able to throw a 20th anniversary party in August for our customers, partners, and employees. The party was a hybrid event that could also be attended via a live stream. Innofactor has sought to be a responsible trendsetter for safe meeting

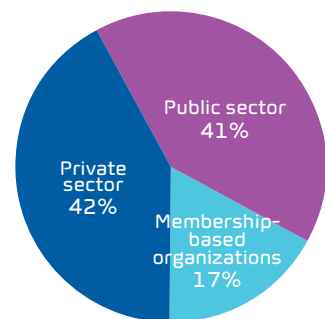
practices during the pandemic.

COVID-19 presented challenges to Innofactor in Sweden, Norway and Denmark particularly in the second and third quarters, which led to a decrease in customer purchases in these countries. Consequently, net sales were lower than expected. Profitability nevertheless improved even faster than planned, which was mainly due to lower travel and other operating expenses. As a whole, we reached record-high net sales, EBITDA and order backlog in our milestone year, 2020.

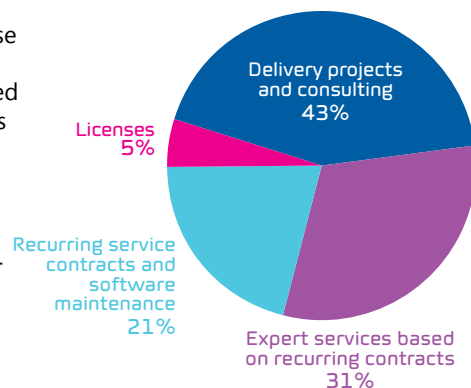
In the long term, we believe that the digital leap of society in response to the COVID-19 pandemic will increase Innofactor's possibilities to grow its business operations. The capabilities of a modern digital organization will be even more important for our

customers in the future. It is also possible 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 would have a favorable effect as regards the business model of Innofactor's chosen strategy based on Nordic specialists. We also believe that Microsoft's position has strengthened during the COVID-19 pandemic. We are confident in our chances of increasing our market share.

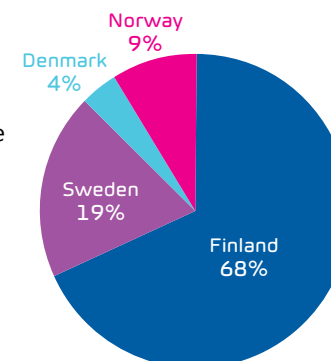
In 2020, we also announced a change to our dividend policy. According to the revised policy, Innofactor aims to pay a dividend regularly each year. The target is to pay about half of the result for the financial period in dividends, taking into account the company's financial position, possible acquisitions, and other development needs.



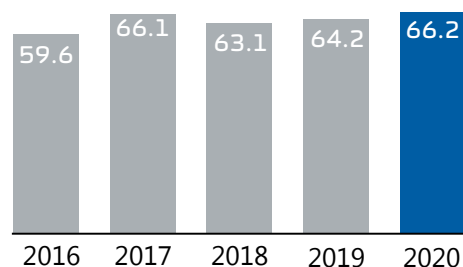
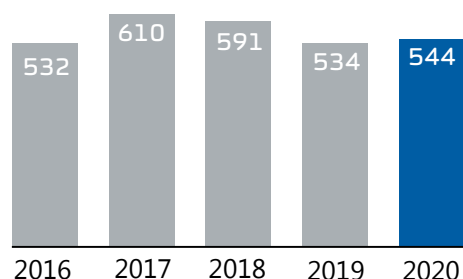
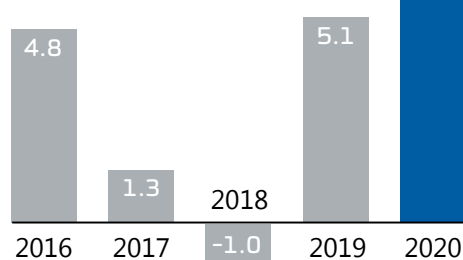
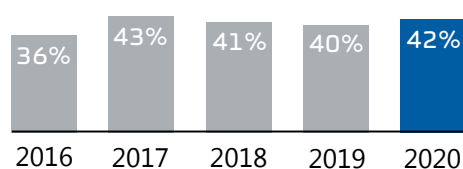
- ▶ A strong customer base in the private, public, and membership-based organizations provides stability against economic cycles
- ▶ The 10 largest customers account for approximately 30% of net sales



- ▶ Recurring service contracts and license sales create a competitive edge and stability for the business
- ▶ Professional services are increasingly moving towards frame agreements and continuous maintenance



- ▶ Sweden, Denmark, and Norway represented a significant part of Innofactor’s net sales
- ▶ We aim to achieve a strong position in all of the Nordic countries

**NET SALES**  
EUR million**NUMBER OF PERSONNEL**  
average**EBITDA**  
EUR million**EQUITY RATIO**

	2020	2019	2018	2017	2016
Net sales, EUR thousand	66,164	64,198	63,144	66,088	59,616
Operating profit before depreciation and amortization (EBITDA), EUR thousand	7,164	5,089	-1,029	1,308	4,831
percentage of net sales	10.8%	7.9%	-1.6%	2.0%	8.1%
Operating profit (EBIT), EUR thousand	2,501	795	-3,872	-1,461	2,332
percentage of net sales	3.8%	1.2%	-6.1%	-2.2%	3.9%
Earnings before taxes, EUR thousand	2,050	12	-3,811	-1,579	1,920
percentage of net sales	3.1%	0.0%	-6.0%	-2.4%	3.2%
Earnings, EUR thousand	1,761	418	-3,462	-2,007	1,536
percentage of net sales	2.7%	0.7%	-5.5%	-3.1%	2.6%
Shareholders' equity, EUR thousand	23,444	22,145	21,303	24,764	22,501
Interest-bearing liabilities, EUR thousand	15,386	16,853	15,418	14,228	16,701
Cash and cash equivalents, EUR thousand	3,066	963	258	910	902
Deferred tax assets, EUR thousand	6,413	5,602	5,602	5,668	5,760
Return on equity	7.7%	1.9%	-13.8%	-5.3%	6.5%
Return on investment	11.1%	2.3%	-7.7%	-2.4%	6.4%
Net gearing	52.5%	71.8%	71.2%	53.8%	70.2%
Equity ratio	42.2%	40.2%	41.2%	43.4%	35.8%
Balance sheet total, EUR thousand	56,607	55,720	51,875	58,272	63,587
Research and development, EUR thousand	3,618	2,795	2,860	3,298	3,394
percentage of net sales	5.5%	4.4%	4.5%	5.0%	5.7%
Personnel on average during the year	544	534	591	610	532
Personnel at the end of the year	541	538	550	601	591
Number of shares at the end of the year	37,388,225	37,388,225	36,188,225	36,188,225	32,901,377
Earnings per share (EUR)	0.0471	0.0113	-0,0880	-0,0262	0,0467
Shareholders' equity per share (EUR)	0.627	0.592	0.589	0.684	0.684

## After the Year of COVID-19, We Expect Stronger Organic Growth in 2021

Our 20th anniversary, 2020, continued the positive development that began in 2019 with regard to the improvement of profitability. During the year, our sales activities were successful and our order backlog grew to a new record, we received public attention for our achievements and were even able to celebrate, with COVID-19 safety in mind. It was a great year for Innofactor despite COVID-19.

We believe that we will be able to further accelerate our organic growth rate in 2021. Personally, I am particularly happy that we can pay out dividends to our shareholders for 2020 in accordance with our revised dividend policy.

We would like to thank our customers, partners, employees, and investors for the year 2020!



I founded Innofactor 20 years ago. The journey from a one-person business to a leading Microsoft solutions provider with over 500 employees in the Nordic countries has been full of twists and turns, but we have made systematic progress. I am very lucky to have had the opportunity to work with awesome people: customers, partners, colleagues, and investors. During our anniversary year in 2020, we were able to achieve record-high net sales, EBITDA and order backlog in spite of COVID-19. We were also able to celebrate our shared achievements safely, with due consideration for the pandemic situation.

I want to express my warmest thanks to Sauli Niinistö, President of the Republic of Finland, for the Knight, First Class, of the Order of the Lion of Finland decoration granted to me on Independence Day. It represents recognition for all of our customers, partners, employees, and investors who have made Innofactor's success possible for the past 20 years.

In 2020, we deepened our co-operation with customers further. We received a record-high number of new orders during the year, including a financial management system for a Finnish trading company, Health Village-related ICT specialist services for the Helsinki and Uusimaa Hospital District (HUS), follow-up development phase of the enterprise resource planning and documentation management system (HAIPA) of administrative and special courts for the Legal Register Centre, ICT consulting services for the Norwegian municipality of Ullensaker, administrative case management solution for the Social Insurance Institution of Finland, bankruptcy and reorganization proceedings system (KOSTI) for the Legal Register Centre, application management system services for Microsoft Office 365 and Microsoft SharePoint environments for VTT Technical Research Centre of Finland, digitization of the quotation process for a large Finnish globally operating manufacturing company, follow-up development of membership management solution for a Swedish trade union, primary IT specialist service framework agreement on the maintenance and development of information systems for the Finnish Transport and Communications Agency Traficom, consulting and maintenance services for Senate Properties, case management system for Tampereen korkeakoulusäätiö, and several other significant projects in Finland, Sweden, Denmark, and Norway. I would like to thank our customers and partners for the trust you have shown in Innofactor.

Our strategy focuses on the platforms provided by Microsoft. As the markets are changing, Microsoft and its ecosystem are growing faster than the IT markets on average. Our partnership with Microsoft is very strong. This is evidenced by the Gold-level competencies we have achieved in as many as 16 areas. I would like to thank Microsoft and our other partners in the Microsoft ecosystem for their trust in Innofactor.

Innofactor's strength lies in our highly competent and motivated personnel. In 2020, we strengthened our team, trained our personnel, and developed our

organization and management style. We will add the new role of Chief Innovation and Talent Officer to our organization in April 2021. We want to use all means available to ensure success in the Nordic markets. I am very proud of our employees' enthusiasm toward driving the organization in the same direction and finding new ways to innovate solutions, improve customer satisfaction continuously, work more efficiently, and increase productivity. For that, I am grateful to all of you.

A successful and growing company needs committed owners. In 2020, the price of Innofactor's share increased by 78 percent thanks to the Group's improved business situation. The trading volume of the share also increased by 84 percent in terms of the number of shares. I am pleased that, especially now on our 20th anniversary, we are able to change our dividend distribution policy to enable the distribution of dividends now and in the future, as this is what several of our shareholders have wished for in the past. I would like to thank all of our owners and investors for their long-term trust in Innofactor's strategy and success.

Innofactor's aim is to be the leading digital transformation partner in each of the Nordic countries. We are confident in our chosen Nordic strategy and our ability to achieve our long-term vision. This will require perseverance and determination from the company's management, employees, and investors. In 2021, we will continue to focus on increasing our net sales and improving our profitability. We will need to roll up our sleeves and show great perseverance, but with a twist of fun and a smile on our faces.

At Innofactor, we consider sustainability as one of the cornerstones of our long-term success. Our digital solutions play an important role in curbing climate change and promoting sustainable development. We see sustainability not only as a prerequisite for business continuity but also as an opportunity for innovation and building a modern digital organization.

We work together with our customers, partners, employees, and investors to innovate solutions that help our customers and society as a whole to function even more effectively. We are moving forward with enthusiasm and confidence.

*"In 2021, after the COVID-19 pandemic, we will focus particularly on increasing our net sales. We are confident that there is an increasingly strong market for our leading Nordic Microsoft ecosystem offering. Our goal is to bring our operations in Sweden, Norway, and Denmark back to the path of profitable growth in 2021."*

**Sami Ensio**, Innofactor's founder, major owner, and CEO

# Long-Term Goals of 20 Percent Annual Growth and 20 Percent Profitability

We estimate that the growth rate of the Nordic IT services market will be positive in 2021, but because of the COVID-19 situation, we cannot give a more detailed 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.

## We Expect to See Market Growth and Strengthen our Market Position in 2021

The key innovation trends and drivers of change in the market include augmented reality, virtual reality, Internet of Things (IoT), artificial intelligence, robotics, blockchains, and quantum computing, with facilitating roles being played by software moving to the cloud, data analytics, social media, and the use of mobile devices. Combating climate change is placing new demands on both societies and organizations, creating new business opportunities and accelerating innovation. The purchasing behavior of our customers has evolved as part of this business transformation. Our customers' expectations for their IT partner are characterized by a greater focus on business benefits rather than technological benefits. Our customers are looking for more out-of-the-box solutions that do not require extensive customer-specific customization. Additionally, customers increasingly expect to purchase continuous services instead of large one-off projects.

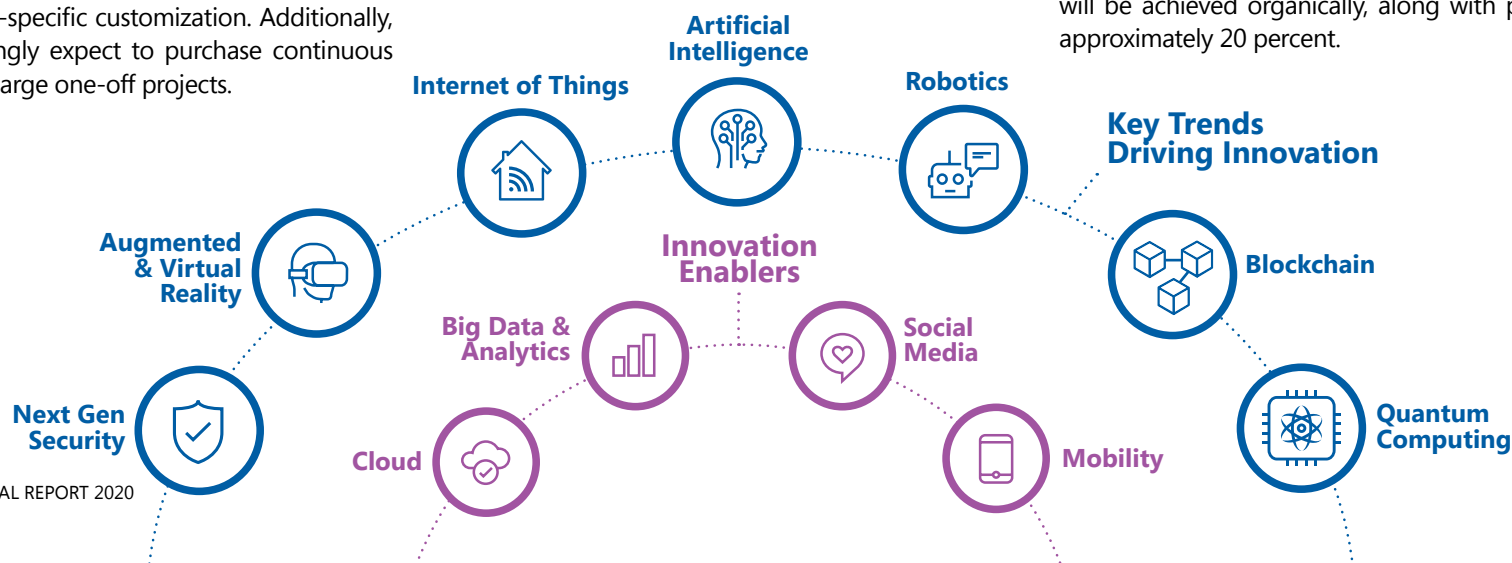
We estimate that the IT service market in the Nordic countries grew slightly in 2020. We estimate that growth in the Nordic IT services market will continue in 2021, but because of the COVID-19 situation, we cannot give a more detailed estimate. Our estimate is based on research institutes' forecasts and our own outlook on markets.

In the long term, we believe that the digital leap of society in response to the COVID-19 pandemic will increase Innofactor's possibilities to grow its business operations. The capabilities of a modern digital organization will be even more important for our customers in the future. It is also possible 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 would have a favorable effect as regards the business model of Innofactor's chosen strategy based on Nordic specialists. We also believe that Microsoft's position has strengthened during the COVID-19 pandemic. We believe in our chances of increasing our market share in the Nordic countries.

## Becoming the Leading Provider of Digital Transformation in Each of the Nordic Countries

We have made a strategic choice to focus on solutions implemented with or supported by Microsoft platforms, and we have achieved a leading position in the Nordic countries in this market. Going forward, our aim is to become the leading digital transformation partner in each of the Nordic countries. Our long-term goal is annual growth of 20 percent, the majority of which will be achieved organically, along with profitability of approximately 20 percent.





## Our purpose

Innovating to make the world work better

## Our mission

Driving the modern digital organization

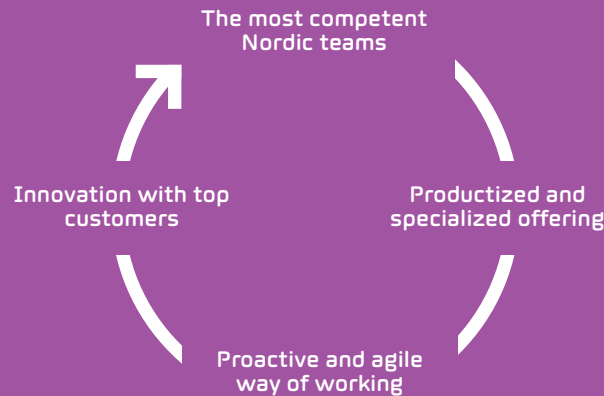
## Our vision

Leading Nordic digital transformation partner in the Microsoft ecosystem

## Our long-term financial goals

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.

## Our strategic choices



## Our values and working principle



## The Main Actions for Reaching the Approximately 20 Percent Growth and 20 Percent Operating Margin:

- ▶ Focus on selected industries and solution areas that provide the highest growth opportunities and allow us to best scale our existing offering in each of the Nordic countries
- ▶ Focus on current customers and cross sales to get a bigger share of wallet of customers' digital transformation budgets
- ▶ Improving modern digital marketing and sales skills to achieve better and more cost-effective sales results
- ▶ Focus on competence planning, recruiting, and resource optimization across the Nordics
- ▶ Shifting revenues from projects and professional services toward products, IP-based and continuously managed services that support selected solution areas and industries
- ▶ Strengthening continuously our specialists' professional skills and improving our leading offering in order for our customers to pay hour price above market average
- ▶ Aiming to move to self-organized teams and to reduce organizational layers achieving better communication and faster decision making
- ▶ Continuously improving our flexible value-adding delivery model minimizing number of non-invoiced hours and maximizing customer satisfaction

The competitive landscape for 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 make us an attractive partner with whom to develop business.

# We Help our Customers to Design and Build a Modern Digital Organization

We help our customers to succeed by modernizing and digitalizing their organizations. We put people first in everything we do. We want to create solutions that make people's everyday work and life run smoothly and bring a smile to their faces.

Everyone at Innofactor shares a desire to innovate for a more functional world in together with colleagues, customers, and partners. Our mission to drive the modern digital organization is based on the expertise of Innofactor's leading business and cloud technology professionals, as well as our more than 20 years of experience working at the forefront of digitalization with our partners and over 1,000 private, public, and third-

sector customers. We put people first in everything we do. We want to provide solutions that make our customers' lives easier and bring a smile to their faces. We help our customers take advantage of cloud technology and new innovations. The approach is simple and effective, delivering quick, tangible results and paving the way for long-term customer relationships. We start with defining the big picture – helping our customers

determine their current state, define their objectives and build a digitalization roadmap for their organization. We then continue our joint journey to build a modern digital organization leveraging the five areas of our framework. Innofactor offers leading solutions, services and products in each area, as well as an agile delivery model that helps our customers to successfully design, deploy, and continuously develop new solutions.



## The Objective: Modern Digital Organization

Build a vision and roadmap to become a modern digital organization taking into account your current state and objectives.



## 1. Customer Journey

Engage your customers digitally in a way that's most convenient for them.



## 2. Operations Journey

Create business value, accelerate innovation, and increase productivity by digitalizing your operations.



### 3. Employee Journey

Empower your employees through personal engagement and modern collaboration solutions to make their daily work more meaningful and productive.



### 4. Cloud Journey

Build a secure, scalable cloud platform that makes your operations more agile and puts you in control of your IT.



### 5. Data Journey

Enable data-driven business and decision making in your organization by leveraging advanced analytics, AI, and machine learning.

# Our Solutions and Services for Building a Modern Digital Organization



# Our Modern Delivery Model Ensures Effective Deployment and Adoption to Maximize the Lifetime Value of New Solutions

Our delivery model is based on years of experience in the successful design, deployment and development of modern cloud services. It consists of five stages, each of which delivers our customers quick, tangible value in each of the five areas of digitalization we offer. The value of our deliveries is based on not only helping our customers to design and implement a specific solution, but also supporting them in adopting it within their organization and evaluating its impact to their business processes and IT architecture. In our delivery model, we focus on providing managed services and continuous development of our solutions throughout their lifecycle. By putting people first at every step, we

ensure that our solutions make people's everyday work and life run smoothly and bring a smile to their faces.

In the **Storyboard** phase, we assess our customer's current state, define the objectives for the new solution and, if necessary, build a roadmap for digitalizing processes and leveraging cloud services within the customer's organization. This phase may also include the implementation of a Proof of Concept (PoC) that helps the customer to quickly evaluate the potential benefits of the new solution. In the **Foundation** phase, we build the structure, processes and governance model required to successfully deploy the new solution.

In the **Implementation and Delivery** phase, the solution is deployed or, if necessary, developed and tailored to meet even the most detailed customer needs, leveraging our expertise and proven concepts and platforms and taking future needs into account. In the **Adoption** phase, we focus on our customer's organization and end users to help ensure that the new solution is successfully taken into use so that its benefits are realized from an end user, developer and IT perspective. Finally, in the **Managed Services and Continuous Development** phase we offer customers long-term support including managed services, continuous development and solution lifecycle management.



# Customer Journey

**We help you engage your customers digitally in a way that's most convenient for them.**

The modern digital organization serves its customers personally, effectively, and on their terms regardless of time, place, or device. Innofactor helps organizations put their customer in the center and design engaging, personalized digital customer services in all channels where their customers are present. By taking advantage of agile Microsoft Azure cloud services, we enable the best user experience as well as a cost-efficient, scalable, and secure service architecture.



## Our Digital Customer Experience Solutions

- ▶ **Service Design**
- ▶ **Mobile Apps & Webservices**
- ▶ **Digital Customer Services & DevOps**

Our promise is to help our customers provide their end users more modern and personal digital customer experiences that bring a smile to the user's face.

## Key Benefits for Our Customers

- ▶ Provide your customers better, more personal, and impactful service to increase their satisfaction and loyalty
- ▶ Get a deeper understanding of your end user and their digital customer journey based on measurable and actionable data
- ▶ Lower your customer acquisition cost, increase your marketing return-on-investment and improve your lead-to-revenue funnel volume and velocity through higher conversion rate from lead to sales
- ▶ Make sure your services, processes and architecture for managing customer personal information are compliant with data protection regulations throughout the customer lifecycle

## Our Microsoft Competencies and Partners related to the Customer Journey

- ▶ Microsoft Gold Application Development
- ▶ Microsoft Gold Application Integration
- ▶ Microsoft Gold Cloud Business Applications
- ▶ Microsoft Gold DevOps

We are also an Episerver Silver Solution Partner.

# HUS

## COVID-19 Apps Help Identify Infections and Trace Exposure

The Hospital District of Helsinki and Uusimaa (HUS) is the largest health care operator and the second largest employer in Finland. HUS has 24 member municipalities and consists of five hospital areas: Helsinki University Central Hospital, Hyvinkää, Lohja, Porvoo and West Uusimaa. HUS is responsible for the most challenging specialized medical care in Finland and in charge of the nationwide treatment and research of a number of rare and severe illnesses. HUS employs about 27,000 professionals.

Since 2015, Innofactor has been involved in the Health Village project coordinated by HUS. The Health Village is a public online service for specialized medical care, produced in cooperation with specialists, in other words HUS personnel and solution suppliers, as well as patients. The service makes health care services available to anyone, regardless of their place of residence. The project has been developed in cooperation with all the university hospital districts of Finland, and since early 2021 the insight accrued in the project has also been used in an international EU project.

In 2020, the significance of digital services in health care increased even more due to the COVID-19 pandemic, and the demand for e-consultations, chatbots and chat services grew considerably. Innofactor has been involved in projects such as the development of a Coronabot for the Health Village online service, helping users identify symptoms, assess the likelihood of a COVID-19 infection and find a testing location, if necessary. The bot offers easy assistance to citizens who are worried about their symptoms. Consultations at HUS can be carried out remotely, offering the patients treatment despite COVID-19. In addition to developing the Coronabot and solutions for tracing those exposed to COVID-19, Innofactor maintains a COVID-19 vaccination appointment app and a digital FINENTRY service that makes it easier for those arriving in Finland to get tested for COVID-19.

*“The COVID-19 pandemic has provided unprecedented proof of the importance of functional, digital solutions in health care. The COVID-19 apps have made it easier for patients to seek treatment and for our professionals to more efficiently help our patients. HUS wants to be at the forefront of development, and this development is enabled by our IT partners, such as Innofactor.”*

### Sirpa Arvonen

Lead of eHealth Services

HUS IT Management, eHealth Services



# Operations Journey

We help you with change and profitable growth by digitalizing and automating your business processes.

To stay ahead of the game in the modern digital environment, an organization must be able to transform its operations at a faster pace than ever before. Digitalizing processes and leveraging new agile cloud-based business applications enables companies to do so by giving them better control over their operations. This is achieved by optimizing the usage of resources and leveraging the wealth of information spread across the organization to make better decisions and accelerating innovation by making business processes more agile.



## Our Solutions for the Digitalization and Automation of Functions and Processes

- ▶ **Customer Relationship Management (CRM)**
- ▶ **Enterprise Resource Planning (ERP)**
- ▶ **Project & Portfolio management (PPM)**
- ▶ **Information & Case Management**
- ▶ **HR & Talent Management**
- ▶ **Customized Solutions**

Our promise is to provide a modern business experience by digitalizing our customers' operations.

## Key Benefits for Our Customers

- ▶ Save time and money for your organization with integrated and automated processes
- ▶ React faster to changes in the operating environment and new opportunities and launch new operations in a more agile manner
- ▶ Get real-time visibility of your operations, such as resource availability and utilization, invoicing ratio and warehouse inventory
- ▶ Leverage data in different systems across your organization to create intelligent services and make faster and better decisions
- ▶ Adapt and respond faster to disruptive business models and competition and leverage organizational learning and innovation effectively through agile processes

## Microsoft Competencies related to the Digitalization of Functions and Processes

- ▶ Microsoft Gold Application Development
- ▶ Microsoft Gold Application Integration
- ▶ Microsoft Gold Cloud Business Applications
- ▶ Microsoft Gold Cloud Platform
- ▶ Microsoft Gold Data Analytics
- ▶ Microsoft Gold Data Platform
- ▶ Microsoft Gold Datacenter
- ▶ Microsoft Gold Enterprise Resource Planning
- ▶ Microsoft Gold Project and Portfolio Management




## Ruter Dam

### Decreased Administrative Work and Increased Focus on Network Activities with Microsoft Dynamics 365

Ruter Dam, founded in 1987, is a Swedish membership organization that offers an Executive Development and Mentoring Program for female senior leaders. Its goal is to help female managers reach high-level positions in business. When the Ruter Dam program was launched, few women held high-level leadership positions. Today, the situation is quite different. Approximately 1,300 women have completed the Ruter Dam program to date, and many of them now hold key leadership positions in the Swedish business sector. After completing the one-year program, the participants are invited to join Ruter Dam's Business Network, a vibrant platform where members actively interact and exchange ideas.

For a long time, Ruter Dam had considered that increasing digitalization could benefit its membership management. Manual processes became very time-consuming as the organization grew. The deployment of the new solution was accelerated by the COVID-19 pandemic and the resulting need to organize digital meetings. Ruter Dam wanted to use Microsoft applications and it saw long-term potential in Teams channels that allow members to maintain contact with each other. Ruter Dam decided to take the crucial step of building a sustainable membership solution that enables better communication, information security and administration.

Ruter Dam chose Innofactor as its implementation partner. Innofactor proposed a solution based on Microsoft Dynamics 365 that can also be integrated with third-party applications. The solution delivered by Innofactor has three primary advantages. Firstly, it improves the management of data and requires less administrative work, which ensures that the process does not depend on any single individual. Secondly, it improves interaction between members by enabling communication via Teams. Thirdly, it improves management between third-party applications such as Eventbrite and Mailchimp. The project began in summer 2020 and the new membership solution has been gradually deployed since December 2020.



***“The continuous growth of our organization, which has been further accelerated by the launch of the Spader Ess program for women who are in the early stages of their managerial career, has significantly increased the number of contact points. We felt it was important to free up time spent on administrative tasks so we can focus more on our program and network. Innofactor has played a vital role in the achievement of this goal.”***

**Helena Velin**  
Membership Manager  
Ruter Dam

# Employee Journey

**We help you empower your employees through personal engagement and modern collaboration tools to make their daily work more meaningful and productive.**

Digitalization has essentially changed the way we collaborate and work. A modern organization empowers its employees to effectively interact and collaborate with co-workers, customers and other stakeholders and provides them the skills and tools needed to access and share relevant data effectively and securely – regardless of time and place. In a modern organization, employees can also make their own work easier by automating routine tasks with user-friendly low-code/no-code platforms such as the Microsoft Power Platform. As a result, its employees are both more productive, as well as more motivated and able to react to changes in customer needs and the organization's business environment.



## Our Solutions for a Modern Employee Experience

- ▶ **Digital Office Tools**
- ▶ **Modern Work & Teams**
- ▶ **Mixed Reality & Telepresence**

Our promise is to provide a modern and engaging employee experience to our customers' employees, making their lives easier and bringing a smile to their faces.

## Key Benefits for Our Customers

- ▶ Make communications, accessing and sharing data seamless and secure for all your employees
- ▶ Increase employee satisfaction, motivation, and productivity by providing everyone modern tools for mobile work
- ▶ Ensure your environment fulfills the requirements of information security and data privacy legislation, such as GDPR
- ▶ Adopt modern collaboration and productivity solutions in your organization successfully to ensure you'll get tangible value for your investment
- ▶ Automate daily tasks or build agile and cost-effective customized applications with Microsoft Power Platform

## Our Microsoft Competencies and Partners related to Employee Journey

- ▶ Microsoft Gold Application Development
- ▶ Microsoft Gold Application Integration
- ▶ Microsoft Gold Cloud Platform
- ▶ Microsoft Gold Cloud Productivity
- ▶ Microsoft Gold Collaboration and Content
- ▶ Microsoft Gold Data Platform
- ▶ Microsoft Gold Datacenter
- ▶ Microsoft Gold Enterprise Mobility Management
- ▶ Microsoft Gold Small and Midmarket Cloud Solutions
- ▶ Microsoft Gold Windows and Devices



**Innofactor® TeamsMate™**  
 "More efficient and productive use of Microsoft Teams" – read more on page 25

# City of Oulu

## New Intranet Brings the City's Employees Together

The City of Oulu is the fifth largest city in Finland and the largest employer in Northern Finland. It employs a total of about 11,000 people.

The City of Oulu wanted to redesign its intranet and group work. For the redesign project, the City wanted to find a partner that could introduce new, fresh ideas and offer know-how outside of the City's scope of expertise. The new intranet was built in cooperation with Innofactor. Both current and future needs were optimally considered in the design and the execution.

The intranet was designed to utilize Microsoft Office 365 services. The result is a modern intranet that also enables effective collaboration. The new intranet is now used by the City's 11,000 employees. As one of the key results of the project, about 3,000 education workers now use the same solution. The modern intranet and its deployment have been successful and the users have given very positive feedback. The cooperation between the City of Oulu and Innofactor continues, and Innofactor will offer development and administration services to the City of Oulu in the future as well.

***“Once we explained our hopes and needs as a city, Innofactor was able to tell us about various options in a diverse, professional manner, taking into account our long-term goals. As a partner, Innofactor is very interested in development and focused on finding solutions.”***

**Satu Tähtinen**  
Project Manager  
ICT and Digitalization  
Services, City of Oulu

**Tiia-Maria Juuso**  
Digital Communications  
Specialist  
City of Oulu



# Cloud Journey

**We help you build a secure, scalable cloud platform that makes your operations more agile and puts you in control of your IT.**

Cloud computing has become the backbone of digitalization and a core requirement for sustainable innovation in a modern organization. It enables faster business transformation by allowing organizations to access and analyze data, as well as take new functionality and improved solutions into use quickly and effectively. Still, for millions of professionals worldwide, the overall understanding and knowledge around cloud technology is weak. To fully leverage the potential of the cloud, an organization needs to challenge its assumptions and ways of working with information technology.”



## Cloud Journey Solutions

- ▶ **Cloud Infrastructure, Governance, Security & ePrivacy**
- ▶ **Identity & Access Management**
- ▶ **Integrations, Power Platform & PowerApps**
- ▶ **Managed Cloud Services**

Our promise is to help our customers to successfully design, deploy and use cloud solutions with a high level of emphasis on information security.

## Key Benefits for Our Customers

- ▶ Assess your organization's cloud readiness and build a cloud solution roadmap that best supports your objectives
- ▶ Understand the resource and cost implications of using cloud solutions
- ▶ Learn the best ways to adopt new technology so your organization can make best use of it
- ▶ Get the best tools in place for your IT professionals and developers
- ▶ Focus on creating value for your organization and customers and ensure a high level of information security by managing your platform and developer tools together with a partner

## Our Secure Cloud Platform Microsoft Competencies

- ▶ Microsoft Gold Cloud Platform
- ▶ Microsoft Gold Cloud Productivity
- ▶ Microsoft Gold Collaboration and Content
- ▶ Microsoft Gold Datacenter
- ▶ Microsoft Gold DevOps
- ▶ Microsoft Gold Enterprise Mobility Management
- ▶ Microsoft Gold Security
- ▶ Microsoft Gold Windows and Devices



## Ullensaker Municipality

### A Cloud Platform for a Modern Municipality

The Norwegian Municipality of Ullensaker has more than 40,000 inhabitants with approximately 21% of the population born outside of Norway. Norway's most important and largest international airport is also located in the municipality. Ullensaker is the fastest-growing municipality in Norway, which has brought certain challenges. The rapidly growing young population expected to see more modern digital services and the municipality had to respond to this by quickly improving and developing its social infrastructure.

Wanting to take a novel approach, Ullensaker municipality decided to establish an innovation and digitalization unit. After a comprehensive assessment of the needs and opportunities as well as decisions made by other municipalities, Ullensaker made a bold choice on its new IT strategy in June 2019. It decided to build all of its future IT services in the cloud to avoid the burden associated with the use of old technologies. This enables a futureproof IT environment that is seamlessly integrated into the development and delivery of the municipality's services. During the process, it became clear that the execution of the chosen strategy would require updating the organization's internal knowhow as well as external cloud expertise. In February 2020, Ullensaker chose Innofactor as its project implementation partner based on the company's extensive experience with Microsoft technologies and cloud services.

The Innofactor Virtual Data Center (VDC) concept, which takes advantage of Microsoft Azure cloud services and the latest IaC (Infrastructure as Code) practices, provided Ullensaker with a solid foundation for the development of its new cloud platform. The Innofactor Virtual Data Center (VDC) concept provided Ullensaker with a solid foundation for the development of its cloud platform. Ullensaker and Innofactor started a partnership to develop reference architecture that features data protection, identity management and unit processing practices tailored specifically to the needs of the local government sector. By early 2021, Innofactor was already in the process of moving the existing platform and applications to the cloud platform.

***"Transitioning to the cloud helps our innovation efforts and makes us sleep better at night. I was also impressed by the comprehensive documentation of all decisions, Innofactor's unique cloud expertise and, last but not least, the speed of implementation. We could never have achieved this so quickly without Innofactor's help."***

**Camilla Ukkestad**  
Project Manager  
Ullensaker Municipality

# Data Journey

We help you enable data-driven decision making in your organization by leveraging advanced analytics, AI, and machine learning.

An organization continuously generates a growing amount of data that is fragmented across various systems and sources. Data relevant to operations may also be available from various external and open sources. New capabilities, such as Big Data analysis, machine learning, data pools, data repositories, and automated data pipelines enable the efficient real-time collection, processing, and analysis of data. A modern organization leverages real-time data and artificial intelligence to streamline its operations, make better decisions and deliver a better customer experience.



## Our Solutions for Data-Driven Business

- ▶ **Business Intelligence**
- ▶ **Advanced Analytics, Artificial Intelligence & Machine Learning**
- ▶ **Internet of Things (IoT) & Digital Twins**

Our promise is to empower our customers to make better decisions and enable data-driven business.

## Key Benefits for Our Customers

- ▶ Enable decision makers in your organization to leverage real-time data from any source with advanced analytics solutions
- ▶ Utilize predictive analysis in your decision making by transforming your processes and operations into a real-time, location-based data source with IoT applications
- ▶ Gain competitive advantage by leveraging ready-made advanced analytics models and visualizations
- ▶ Increase customer satisfaction and loyalty by improving your understanding of your customers' needs
- ▶ Develop new business models by leveraging the data you collect

## Our Microsoft Competencies and Partners in Data-Driven Business

- ▶ Microsoft Gold Application Development
- ▶ Microsoft Gold Application Integration
- ▶ Microsoft Gold Cloud Platform
- ▶ Microsoft Gold Data Analytics
- ▶ Microsoft Gold Data Platform

We are also a Prophix partner.



**Innofactor® DataSight™**  
 Make decisions cost-effectively based on data instead of intuition – read more on page 25

# danbolig

More agility and better analytics through a Modern Data Warehouse in Microsoft Azure

danbolig is a leading chain of real estate agencies in Denmark. It has more than 150 independent branches throughout the country. With over 30 years of experience in the real estate market and the strong local expertise of its real estate agents, danbolig provides its customers with a customized service experience regardless of where they live or where they are moving to.

The extensive use of data plays a central role in danbolig's operations. The company takes a data-driven approach to its decision-making processes at the tactical and strategic levels. Consequently, it is essential for danbolig to have an agile, quick and stable Business Intelligence value chain.

Based on its cloud strategy, danbolig has put its Business Intelligence architecture in the cloud with a focus on agility, scalability and information security. Innofactor provided the company with a cloud-based business intelligence infrastructure that enables danbolig to establish a better overall understanding of the customer data, financial data and employee data of individual branches, for example. The transition to Microsoft Azure has provided danbolig with a flexible infrastructure that enables strong analytical insight, a better customer experience, and more effective comparisons and sharing of information.

*"Innofactor has supported us throughout the process – from counseling related to architecture all the way to the choice of methods and implementation. This was important for us, since we needed consistent and comprehensive assistance ranging from preliminary descriptions to real-life implementation in a complex user environment."*

**Anne Mette Koch**  
CCO/CIO  
danbolig



# Software Products and Services

**A strong focus on innovation and our in-house software and service development supports our growth targets and ensures modern and competitive solutions for our customers.**

In 2020, we invested 5.5% of the Group's consolidated net sales in research and product development. Our product development is centralized in our autonomous Nordic Products and Services profit center. It employs nearly 50 leading cloud technology and architecture experts who specialize in software and service development. Innofactor's software products and services are sold throughout the Nordic countries and have tens of thousands of daily users across hundreds of private, public, and membership-based organizations. Delivering continuous cloud services to our customers is a rapidly growing business area of the Products & Services unit. We provide our customers with services for application deployment, monitoring and management, as well as joint continuous development under the turnkey principle.

## Our Own IP Focus Areas

- Digital customer service and business process digitalization solutions, particularly for the health care and social welfare industry
- Information & Case Management solutions for the public sector
- End-to-end solutions for membership-based organizations
- Industry vertical resource and e-transaction management solutions
- Cloud solution delivery and managed services



**Innofactor Dynasty** is a modern and versatile information and case management solution for municipalities, cities, universities, health care and social service organizations, and national governments. The new Dynasty 10 combines modern user-oriented design with Innofactor's experience and know-how from over 250 municipal and state-owned customers over the years. Its excellent usability, flexible architecture and compatibility with third-party services make the new Dynasty 10 the preferred solution for information management and case management professionals.



**Innofactor Membership Management System (MMS)** is the leading Microsoft Dynamics 365 vertical solution in the Nordic region for trade unions and membership-based organizations to efficiently perform customer relationship management functions and day-to-day operations. Organizations that use it have more than 2.2 million members in the Nordic region.

**Innofactor Virtual Data Center** is a solution developed by leading Azure and data security experts at Innofactor to implement the logic and principles of traditional physical data centers in a completely cloud-based environment. It enables a high level of data security, regulatory compliance and manageability without compromising agility. The solution leverages advanced IaC (Infrastructure as Code) methods and a modern Azure management model. Innofactor Virtual Data Center has customers in Norway and Denmark. It will be launched in Finland and Sweden in 2021.

**Innofactor Managed Azure** services provide our customers with a care-free and secure solution for moving their services to the cloud under the turnkey principle.



## Innofactor® TeamsMate™

More efficient and productive use of Microsoft Teams

Many organizations have been forced to quickly move to a state of wide-spread remote work. At the same time, the use of collaboration solutions has increased. Unfortunately, the rapid rate of change has also led to a lack of control and collectively agreed-upon usage practices.

**Innofactor TeamsMate** makes using Microsoft Teams easier and allows IT departments to manage it effectively. The SaaS solution includes features that make it possible to automatically create teams based on the organization's naming practices as well as functionality related to team lifecycle management, for example. Launched at the beginning of 2021, the solution is continuously developing and new useful features are added all the time.



## Innofactor® DataSight™

Make decisions cost-effectively based on data instead of intuition

Most organizations feel that they are not adequately using all of the data that is of central significance to their operations. At the same time, the amount of data available in internal, external, and open sources continues to grow.

**Innofactor DataSight** is a cost-effective packaged analytics solution that enables data-driven decision-making for the entire organization through clear reports and real-time data compiled from key sources.

It is based on more than three years of development as well as our understanding of the analytics needs of multinational service business. Significant focus has been placed on the usability of reports to ensure that key conclusions based on data are quickly accessible to the management. Our strong expertise in Microsoft platforms enables the quick deployment of the solution in organizations that use Microsoft Dynamics 365 based CRM and ERP solutions, for example. The solution will be available throughout the Nordic region in 2021.

# People First and a Smile on the Face Every Working Day – in spite of COVID-19

In line with our mission, we continue to build Innofactor as a modern digital organization. We develop our operating models to support the daily work of our employees within our Nordic organization. Highly competent and motivated employees, good leadership practices, effective teamwork, self-organization and company-wide practices support Innofactor's long-term goals. Our principle is to put people first in everything we do. We want to create an inspiring work environment for our employees and also have fun while working.

## Successful Remote Work at Innofactor During the Exceptional Year of COVID-19

Innofactor had prepared for the risk of a pandemic in early 2020 by giving the employees instructions concerning traveling and symptoms of COVID-19, by purchasing a larger than normal stock of computers, and by making a separate plan for getting employees to work remotely if necessary. In accordance with the plan, it was recommended that the entire personnel work remotely during the period March 12–June 25, 2020, and again starting from August 7, 2020. It is estimated that it has been possible to perform over 98% of tasks remotely at Innofactor. In Sweden, Norway and Denmark, net sales decreased in 2020 and minor adjustment measures were taken. For example, some employees started working shorter hours. We believe that the adverse business impacts of COVID-19 are now mostly behind us.

During the pandemic, Innofactor focused particularly on supporting remote work and related operating models. In managerial work, special focus has been placed on virtual meetings and active correspondence. Self-management and occupational well-being have been supported with due consideration for the exceptional circumstances. Exercise breaks, mindfulness practice, mentoring, coaching and various online

training activities provided by the company have been popular among the employees. The regular sharing of information has also played a central role, including a COVID-19-related Teams page that is actively updated and employee COVID-19 information sessions organized via Teams.

From the perspective of psychological well-being, it is important to be able to meet other people – both colleagues and customers – even during COVID-19. However, such meetings must be arranged with the highest possible standards of safety. To this end, we introduced the opportunity to reserve outdoor meeting spaces at our Innofactor Campus in Espoo in the summer, and we have also installed special air purifiers in a few of our meeting rooms to prevent the spread of COVID-19, which makes it possible to hold small group meetings as safely as possible.

## Talented Employees at the Core of Our Business

Going forward, Innofactor aims to further enhance its competence development on the Nordic level. Our Executive Board will be joined on April 1, 2021 by a new Chief Innovation and Talent Officer, whose role will be to determine what competencies we need now and in

the future, and to ensure that we have access to these competencies. The Chief Innovation and Talent Officer will be supported by the Senior Talent Manager role created in 2020. We expect these moves to have a significant impact on the execution of our strategy.

Innofactor Academy continued to actively train the personnel in 2020. Innofactor Academy brings together Innofactor's training activities at the local level as well as the Nordic level. A new theme in training was supporting remote work through training activities and lectures focused on coping with the demands of work. We also organized training related to Microsoft technology, basic induction training, as well as ITIL and SCRUM training. The COVID-19 pandemic gave us the opportunity to challenge ourselves with regard to facilitating remote training. This enabled us to develop our range of training activities and engage in closer Nordic cooperation regarding training. Going forward, we will also focus increasingly on the certification of our employees.

## Self-Organization and Modern Operating Models Support Our Work

Innofactor's goal is to build a company with Nordic integration. We continued the development of our

Jani Luuppala aloitti Innofactorilla Inbound Sales Managerina reilu puoli vuotta sitten. Koronapandemiasta johtuen Jani on työskennellyt koko ajan pääasiassa etänä, mutta se ei ole häntä haitannut:

"Olen hyvin tyytyväinen siihen, kuinka etätöy on mahdollistettu Innofactorilla. Yrityksen prosessit ja työvälineet mahdollistivat kohdallani 100 % etätöyön ensimmäisestä päivästä alkaen. Tärkein periaatteeni on ollut pitää kamera päällä kaikissa palaverissa. Kun sitten tapasin yhden kollegan kesän loppupuolella ensimmäistä kertaa kasvotusten, hän ei aluksi edes muistanut, että emme olleet aiemmin tavanneet ikinä. Etätöyössä jaksamista tukee myös päivittäinen vapaaehtoinen aamukahvitaukio tiimin kesken. Kahvihetken aikana puhumme kaikesta muusta paitsi työstä. Kaiken kaikkiaan viimeiset kuusi kuukautta ovat sujuneet paremmin kuin oletin - työkaverit ovat tulleet tutuiksi ja olen saanut tarvittavan tuen työhöni. Kun tilanne jossain vaiheessa palaa entiselleen, aion tinkiä käydä useammin toimistolla vaihtelevuuden ja sosiaalisen aspektin vuoksi, mutta etätöyöllä tulee varmasti olemaan iso rooli arjessani myös pandemian jälkeen", iloitsee Jani.

#ModernDigitalOrganization #PeopleFirst #CreatingSmiles #RemoteWork #NewNormal



Innofactor 1 Oct 2020

Happy World Vegetarian Day! 🌱

Vegetarian diet has proven health benefits and helps in preserving the planet. We encouraged all innofactorians to go vegetarian for the day and share pictures of their dishes and recipes with us.

Here are some of the best shared images, have a look! 😊

#PeopleFirst #CreatingSmiles #WorldVegetarianDay



Today 18 innofactorians take part in the annual (this year virtual) Innofactor Hackathon to create new innovative Microsoft-based solutions together with their Nordic colleagues.

The nine teams work on their projects the whole day and present the results in the evening in a virtual live event in which all employees can participate. For example, the solution can consist of a concept, a mock-up, or an app.

The Hackathon Jury consists of five members, and their four evaluation criteria are:

- ✓ Innovation and originality
- ✓ Usability and Utility
- ✓ Complexity and Elegance
- ✓ All parts together

Hackathon is an opportunity to connect with colleagues you don't work with daily and get inspired by their skills and ideas.

Exciting day ahead! 🚀

(In the image below, the members of the Jury: Helen Ala, Stella Diesen, Eirik Engvik, Erik Ekblom, Benny Lohse, and the main event organizer Linnéa Brodén.)

#ModernDigitalOrganization #PeopleFirst #CreatingSmiles #hackathon

Innofactor Sverige, Innofactor Norge, Innofactor Danmark



Innofactor 16 Jun 2020

Innofactorin Espoon Campuksen ulkoneukkareissa työnteko sujuu turvallisesti ja mahdollistaa samalla kesäaistia nauttimisen!

#ModernDigitalOrganization #PeopleFirst #CreatingSmiles



Innofactor Danmark 22 Apr 2020

Hvordan er det at arbejde hos Innofactor? 🤔

Vi har det godt sammen og har normalt mange forskellige sociale arrangementer efter arbejdstid. I øjeblikket må vi dog nøjes med at være sammen hver for sig.

Det gør vi bl.a. med virtuelle fredagsbarer - f.eks. med virtuel Tegn & Gæt eller Lykkehjulet 🎲

#ModernDigitalOrganization

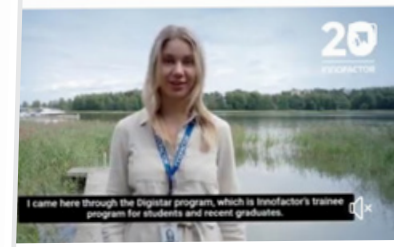


Innofactor 28 Aug 2020

In the last episode of My Innofactor story series, Susanna Kuosmanen, Junior Consultant, tells her Innofactor story. 🗣️

If you missed an episode, no worries, you can find all the 23 episodes on Youtube. 📺 <https://bit.ly/36hU3pZ> Big thanks to everyone for watching and special thanks to the 23 innofactorians (current and former employees) who participated in the video series! 📺

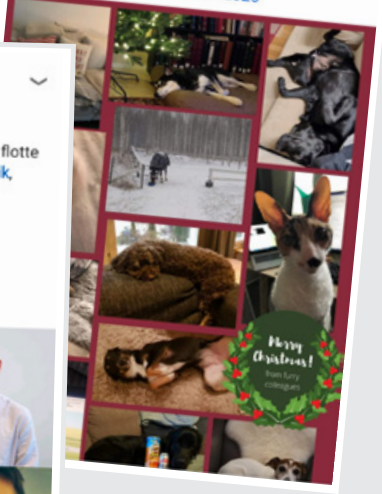
#Innofactor20 #ModernDigitalOrganization #PeopleFirst #CreatingSmiles #DigiStar2020



Innofactor 18 Dec 2020

Our employees shared photos of their furry colleagues at home office. They don't seem to have any Christmas stress 🐾

#CreatingSmiles #InnofactorAdventCalendar2020



Innofactor Norge 2,152 followers 3mo

I løpet av 2020 har vi vært så heldig å få disse 8 flotte folk på laget 😊 Hils på Henrik, Jonida, Pål, Eirik, Audun, Anders, Hannelen og Anthe! #peoplefirst #creatingsmiles #moderndigitalorganizaion #innofactor #positivityweek

See translation



Innofactor Sverige 1,004 followers 3mo

Innofactors adventskalender! 🗓️

Även om kalendern huvudsakligen riktar sig till våra glada medarbetare på Innofactor vill vi dela lite av innehållet med er alla under månaden! Övrraskningarna i kalendern inkluderar till exempel läckra recept på julgodis, kultur och konst samt roliga saker att göra fram till jul.

#PeopleFirst #CreatingSmiles #InnofactorAdventCalendar2020

See translation



Innofactor 27 Mar 2020

Olemme Innofactorilla onnekaassa asemassa, sillä lähes kaikki työ pystytään hoitamaan etänä. Myös rekrytoinnit ovat jatkuneet poikkeustilanteesta huolimatta. Mutta millaista on uuden työn aloittaminen koronapandemian keskellä?

Haastattelimme kahta Innofactorilla vastikään aloittanutta työntekijää. Laura Ratia-Väyrynen, HR Generalist, ja Tuomo Kotilainen, People Manager, kertovat etäpohdintojensa tuomista haasteista ja mahdollisuuksista. Lue juttu 📖

<https://bit.ly/33RtWFi>

#ModernDigitalOrganization #PeopleFirst #CreatingSmiles #koronafi #etätöy



**Innofactor**  
8 Aug 2019

Innofactorin perhepäivä lähestyy jälleen! Järjestämme sunnuntaina 18.8. työntekijöillemme ja heidän perheilleen jo perinteeksi muodostuneen perhepäivän, jolloin Espoon Campukseen täyttyy erilaisista ulkoilma-aktiviteeteista aina ponitalutuksesta pomppulinnaan ja aarteenmetsästyksen! 🐾👨👩👧👦 Stay tuned!

#innofactorcampus #weareinnofactor #ModernDigitalOrganization



**Innofactor**  
27 Aug 2020

Sami Ensio, Innofactorin perustaja ja toimitusjohtaja, kertoo avauspuheessaan organisaation ensiaskelista ja 20 vuoden matkasta pohjoismaiseksi yhtiöksi. Toivomme Innofactorille huikeaa seuraavaa 20 vuotta! 🎉

#ModernDigitalOrganization #PeopleFirst #CreatingSmiles #HybridEvent #StaySafe #NewNormal #CampusRock2020



**Innofactor**  
28 Aug 2020

Innofactor celebrates its 20th anniversary today at our annual InSpirit employee event. In order to enable everyone to participate we are arranging the event virtually, while still making it possible for local sites to offer a way to host part or parts of the event in physical format in a safe way.

We are looking forward to the inspiring sessions from all around our Nordic locations. 🎉

#ModernDigitalOrganization #PeopleFirst #CreatingSmiles #HybridEvent #StaySafe #NewNormal #Innofactor20



Innofactor 20 vuotta! Henkilöstön parissa juhlimme, mutta tällä kertaa valtaosa kamerayhteyden päässä ja onneksi sää suosi jälleen ulkoilmatilaisuuden mahdollistamisessa. #Innofactor20 #HybridEvent #StaySafe #NewNormal #CreatingSmiles



**Nasdaq Europe**  
27 Aug 2020

Nasdaq Helsinki congratulates Innofactor for the 20th Anniversary! [Innofactor Nasdaq](#)



**Innofactor**  
4 Dec 2020

Virtual Xmas parties (pikkujoulut!) are a great way to enjoy stand-up comedy with Mikko Vaismaa, exercise yoga with Oona yogist, meet Santa or discover new upcoming talent, such as Sara Siipola, who was performing live with her band in the Innofactor Finland Xmas party! 🎉

#ModernDigitalOrganization #PeopleFirst #CreatingSmiles #virtualevent #pikkujoulut



**Innofactor**  
28 Aug 2020

Next up at InSpirit 2020, Microsoft's Gaviella Schuster & Pekka Horo congratulate Innofactor on the 20 years journey 🎉

#ModernDigitalOrganization #PeopleFirst #CreatingSmiles #HybridEvent #StaySafe #NewNormal #Innofactor20 #MicrosoftSuomi



Nordic operating models in 2020. For example, the new employee path was harmonized at the Nordic level. Several operating models were also automated and developed to support managerial work at the Nordic level. In late 2020, managers were engaged in the development of new Nordic job descriptions and testing the new development discussion platform adopted by Innofactor. Common systems, processes and culture support Innofactor’s strategic targets and co-operation between the countries.

The self-organized operating model and the full-time manager model were adopted in the remaining Finnish units at the beginning of 2021 and the plan is to implement a corresponding model in other countries during 2021–2022.

### We invest in good leadership

Every employee has the right to good leadership. The continuous development of leadership is a key focus area for Innofactor. One of the main themes in 2020 was the development of the organization’s feedback culture. In addition to the quarterly employee satisfaction survey, all managers participated in a comprehensive 360° evaluation. According to the results, the quality of leadership at Innofactor is already better than the European benchmark by a clear margin. Nevertheless, we want it to be even better. Managers worked with a facilitator to create individual development plans. Based on the data we have collected, we have built local and Nordic development plans that support the development of our leadership and operations and help us make Innofactor an even better place to work.

#ModernDigitalOrganization

#PeopleFirst

#CreatingSmiles

### Smiling at Work is Allowed

At Innofactor, people work together and support each other. We want work to be both meaningful and fun. This is underpinned by good leadership and common working practices, but especially by great colleagues and a fantastic team spirit.

We organize recreational events for our personnel, both in teams and at the corporate level. The COVID-19 pandemic made 2020 an unusual year in terms of group activities and meetings. Our annual Nordic summer event, InSpirit, was organized as a hybrid event for the first time. The content was produced virtually for each of our operating countries and the evening festivities were arranged locally where possible, taking safety considerations into account.

We also have a Fun Club organized by the personnel, which offers joint recreational activities. In 2020, we organized our first virtual May Day event and Pre-Christmas Party in Finland as well as a virtual Nordic Advent Calendar.

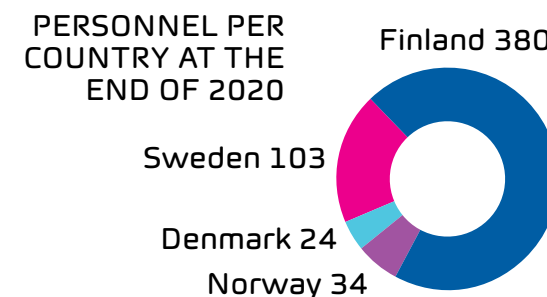
### Remuneration and Employee Awards

To celebrate Innofactor’s 20th anniversary, we gave out Medals of Merit from the Finland Chamber of Commerce to our employees for the first time. The Medals of Merit were given to employees who have worked at Innofactor or its associated companies for more than 20 years.

### Number of Personnel and Key Figures

Primarily, Innofactor monitors the number of active personnel. The number of active personnel does not include employees who are on a leave of over 3 months.

The average number of active personnel in 2020 was 544 (2019: 534), representing an increase of 1.9 percent. At the end of the year, the number of active personnel was 541 (2019: 538), representing an increase of 0.6 percent. At the end of 2020, the average age of the personnel was 41.4 years (2019: 41.6). Women accounted for 27 percent (2019: 26%) of the personnel. Men accounted for 73 percent (2019: 74%) of the personnel.



# Sustainability

Innofactor considers sustainability as one of the cornerstones of its long-term success. Sustainability is not only a condition for the continuation of operations. It also represents a way of responding to stakeholder expectations. Technology companies play a significant role in the mitigation of – and adaptation to – climate change. The IT sector also makes it possible for other organizations to reduce their carbon footprint. Our operations are guided by our Code of Conduct and environmental policy, in addition to which we comply with the leading international sustainability standards, such as the ILO Declaration on Fundamental Principles and Rights at Work, the UN Universal Declaration of Human Rights, the UN Sustainable Development Goals, and the principles of the ICC Business Charter for Sustainable Development.

Innofactor's internal operations are managed through predefined core processes and standards. The key processes related to sustainability include the company's processes relating to legal affairs, risk management, and human resources, which govern many of the main aspects of corporate responsibility. The framework for Innofactor's operations is provided by the ISO 9001, ISO 27001, ISO 13485 and AQAP-2110 standards, which the company's various processes adhere to.

Innofactor is committed to supporting the achievement of the UN Sustainable Development Goals (SDGs) by 2030. Accordingly, we have assessed the main objectives from the perspective of our business operations.



## Good Health and Well-Being

The IT sector can play a significant role in scaling social welfare and healthcare services by enabling access to services from any device, regardless of time and place. Innofactor is part of the national Virtual Hospital project, coordinated by the

Joint Authority for the Hospital District of Helsinki and Uusimaa (HUS), under which we have played a leading role in the implementation of the unique Health Village concept. Health Village enables remote service of patients via mobile devices and transforms secondary care into "local services" 24/7.

The COVID-19 pandemic has resulted in an increase in the use of remote consultations, chatbots and chat services. At the same time, the Health Village's customer path and digital treatment path solutions have been used for new purposes. The Health Village Coronabot is a survey targeted at citizens that provides guidance in questions related to symptoms of and exposure to COVID-19. In addition to developing the Coronabot and solutions for tracing those exposed to COVID-19, Innofactor maintains a COVID-19 vaccination appointment app and a digital FINENTRY service that makes it easier for those arriving in Finland to get tested for COVID-19.

Innofactor takes care of its personnel's well-being by providing diverse health services and offering regular occupational physiotherapy services to improve ergonomics, for example. During the COVID-19 pandemic, we launched weekly exercise

breaks organized by our occupational health care partner in Finland. We also deepened our cooperation with the occupational health care provider by offering lectures on self-management, delivered by an occupational psychologist, for our employees in Finland.

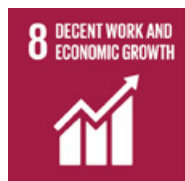
In spring 2020, we offered free webinars to our customers to discuss best practices for remote work and share tips on arranging organization-wide remote work under crisis conditions. The aim was to make it easier for companies to shift to remote work and support people's ability to cope with the demands of remote work.



## Gender Equality

Our personnel's diversity is in key position at Innofactor, and we see diversity as an important factor in creating innovation and supporting the organization's operating and renewal capacity. Diversity was one of Innofactor's PeopleFirst themes in 2020 and an important focus area for the company.

We provided our managers with Biased Thinking training, which underscored the importance of recognizing recruiters' personal preconceptions as part of the recruitment process. In addition, one theme we want to actively promote in terms of diversity is the employment of women in the ICT sector. In 2020, we participated in the Mimmit koodaa (Women code) program and organized a virtual workshop for women who are interested in coding.



### 8 DECENT WORK AND ECONOMIC GROWTH

## Decent Work and Economic Growth

We contribute to economic growth through innovation and new technologies. The measures we have taken to employ young people also help in supporting this goal. During the COVID-19 pandemic, we have focused even more on the remote work opportunities of our employees and sought to offer new jobs in spite of the difficult circumstances. In Finland, we recruited nine new graduates or students nearing their graduation for the DigiStar program that began in June 2020.

## Environmental Responsibility

As an organization operating in the IT sector, Innofactor has a unique opportunity to be part of the solution in reducing environmental impacts. The digital solutions we deliver to our customer organizations play an important role in mitigating and adapting to climate change. Digitalization of manual processes and digital healthcare are examples of solutions through which Innofactor promotes its customers' – and thereby the entire society's – sustainable development.

Our environmental policy guides the actions we take to reduce our adverse environmental impacts and respond to the challenges caused by climate change. Our environmental policy defines the principles we always follow in our own operations and in the deliveries to our customers. The principles of Innofactor's environmental policy include continuous development, improvement of preventative actions, and reacting to the changing operating environment. Innofactor complies to all applicable environmental laws and regulations and expects its partners and suppliers to comply with them as well. The environmental policy concerns the entire Innofactor Group and is available on Innofactor's website.

## 20 Good Deeds Campaign

Our anniversary year inspired us to make an impact beyond our digital solutions. As a result, we created a campaign, where together with Innofactor employees, we carried out 20 Good Deeds during the anniversary year.

1. A green coding workshop created ideas for more energy-efficient coding
2. Donating computer displays to the City of Espoo's employment services
3. Charging stations for electric and hybrid vehicles at our Espoo Campus
4. Mustikkaan.fi to help people in Finland pick blueberries at the right time
5. Innofactor employees received a chocolate bar with a customized label
6. Donating computers to schoolchildren as part of the campaign "a computer for all"
7. Rent reductions to the restaurant entrepreneur operating at Innofactor's Espoo Campus
8. Free remote work webinars provided tips for efficient and secure remote work
9. In-house coaching for Innofactor employees in Finland
10. Kayak plogging – picking up trash from the sea and shore in Espoo
11. Office workstations could be booked during COVID-19 using a Power Apps application in Denmark
12. Innofactor's website was handed over to the Finnish Red Cross for the Hunger Day fundraising campaign
13. Participation in World Vegetarian Day
14. Establishing Innofactor's own Finnish Red Cross Blood Group to recruit blood donors
15. Participating in the National Digital Security Week
16. Movie rentals for employees in Sweden
17. A virtual advent calendar for all Innofactor employees
18. Positivity Week in Norway
19. Weekly exercise breaks in Finland
20. The Christmas greeting funds were donated to the Red Cross in the Nordic countries

More information is provided in our blog: <https://blog.innofactor.com/en/eb/innofactors-anniversary-inspires-us-for-20-good-deeds>

We regularly monitor our energy consumption and actively seek to identify further energy saving opportunities within our organization. As the use of electric and hybrid cars becomes increasingly common, we recognized the need for charging stations at our Espoo Campus. In spring 2020, we partnered with our lessor to install charging stations at our Espoo Campus. The charging stations are available for use by our employees.

Innofactor has a policy aimed at extending the lifecycle of computers. Factors considered in the renewal of computer hardware include the user's needs and the possibility of updating existing devices. In spring 2020, Innofactor participated in the campaign "a computer for everyone" and donated computers that are not needed at Innofactor but are in good condition to schoolchildren. This enabled us to extend the lifecycle of the computers.

We recycle all recyclable materials such as cardboard, organic waste, metal, plastic and glass. Our electronic waste is recycled by Kuusakoski Recycling.

Remote work is an essential part of the operations of a modern digital organization. In 2020, the global pandemic forced many organizations to switch to remote work extensively and accelerated the digital transformation of organizations. We offer our employees good opportunities for location-independent work, which can be seen in the increased number of Microsoft Teams meetings. We became fully operational with the Teams tool in the summer of 2018, with 10,000 Teams meetings throughout the year. In 2019, the number of meetings increased to well over 30,000. In 2020, this figure rose to over 80,000 as the pandemic made remote meetings an increasingly common practice. The use of Teams as a meeting tool brings added value to the operations of both Innofactor and its customers.

In 2020, we also organized an internal Nordic-

level workshop on energy-efficient coding. The aim was to identify solutions for reducing energy consumption during coding. The outcome gave rise to a list of tips that we documented in a blog post in the Innofactor blog.

## Social Responsibility

In 2020, Innofactor focused particularly on the PeopleFirst theme. In Finland, for example, we had quarterly PeopleFirst themes that were used as the basis for training, webinars and other activities for all Innofactor employees in Sweden as well as separate training activities for managers. The quarterly themes included self-management, recovery and well-being in knowledge work, teamwork and diversity as an asset, and self-development. In summer 2020, we also started in-house coaching in Finland. It involves Innofactor employees who have completed BCI Business Coach certification or are aiming to complete it providing coaching to interested colleagues. We also launched an internal mentoring program at Innofactor.

In 2020, we focused on managerial work in even more diverse ways than before. Through Innofactor Academy, we offered managers interaction training as well as Biased Thinking training, which underscored the importance of recognizing recruiters' personal preconceptions as part of the recruitment process. We also organized Scrum training that focused on retrospective facilitation remotely. We conducted a 360° feedback survey in which managers conducted a self-evaluation and received feedback from their subordinates, colleagues and manager.

Each employee can participate in the discussion about sustainability through a Microsoft Teams-based

discussion forum, Innofactor Game Changers. In the forum, we initiate discussions and share ideas about sustainability.

In 2020, Innofactor continued the recruitment and training of students nearing their graduation. Nine new participants were recruited in Finland for the Innofactor DigiStar Trainee Program in spite of the COVID-19 pandemic. In 2020, Innofactor recruited and trained a total of 15 undergraduate students.

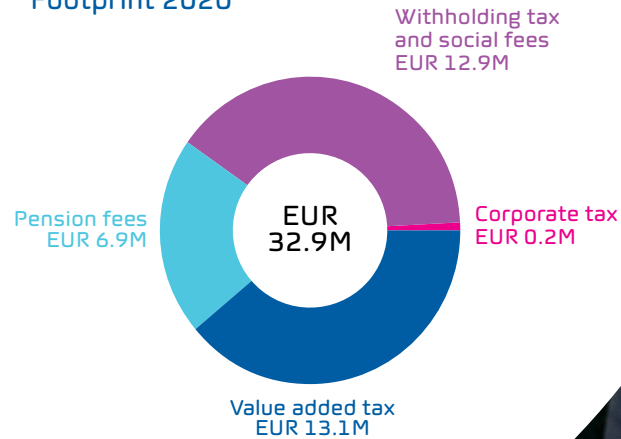
The IT industry is constantly evolving, and an innovative operating environment plays a key role in the success of organizations. At Innofactor, we are increasingly focused on harnessing the potential and strategic capabilities of our employees and giving them the freedom to apply their skills in the workplace. In 2020, we organized a one-day virtual hackathon. During the day, people working in our various business units were able to create new and innovative Microsoft-based solutions with their Nordic colleagues.

Innofactor's 20th anniversary also inspired us to make an impact beyond our digital solutions. As a result, we created a campaign, where together with Innofactor employees, we carried out 20 Good Deeds during the anniversary year. Examples of the Good Deeds include the donation of computer displays to the City of Espoo's employment services, participating in World Vegetarian Day and a kayak plogging initiative around the coastline of Espoo.

Innofactor's Danish developers came up with a solution to help employees return to the office during the COVID-19 pandemic. They used Microsoft Power Apps to design a new application that enables employees to reserve a workstation at the office. This helps ensure that the number of people at the office satisfies the safety standards and employees can maintain safe distances.



## Innofactor Group's Tax Footprint 2020



## Information Security and Data Protection

Innofactor's customers require that the services provided to them are secure and that the services enable operation in accordance with the EU General Data Protection Regulation (GDPR). Innofactor's management has identified several critical cyber risk scenarios against which a company needs to protect itself. The company is committed to protecting its customers' and partners' information and systems, as well as its' own information and systems. In order to ensure the level of information security corresponding to the risks, Innofactor maintains a certified information security management system in accordance with ISO 27001 standard.

In its operation, Innofactor is committed to maintaining high level of data protection and respects

the privacy and rights of its personnel, customers and users.

Through regular internal audits, we aim to continuously develop data protection and information security in our operations and processes. Information security and data protection are mandatory parts of induction training in addition to continuous training on information security and data protection. Innofactor's information security group meets regularly to guide the development and implementation of information security and data protection at Innofactor. The company has a designated information security manager and a data protection officer. Additionally, the company's main personal data registers have been assigned to the persons responsible for them.

In 2020, we participated in the Digital Security Week

campaign in Finland and encouraged our employees to spend one working hour on promoting digital security in everyday life.

## Anti-Corruption and Anti-Bribery

Innofactor's Code of Conduct sets out the general principles and guidelines that the company's employees and partners adhere to. We arrange trainings concerning the instructions at regular intervals.

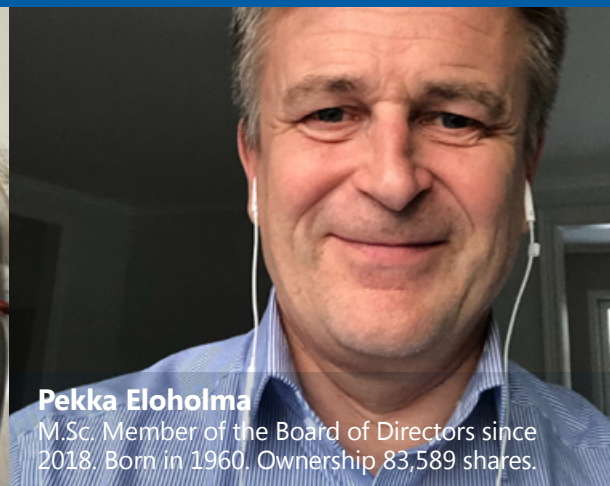
Transparent business in accordance with the highest ethical standards is the basis of our company's operations. We use our anonymous whistleblowing channel for reporting suspected violations of our Code of Conduct. All reports received via the channel are processed in strict confidence.

# The Board of Directors of Innofactor Plc



**Anna Lindén, Chairman**

M.Pol.Sc. Chairman of the Board since 2020 and member of the Board since 2018. Born in 1973. Ownership 66,906 shares.



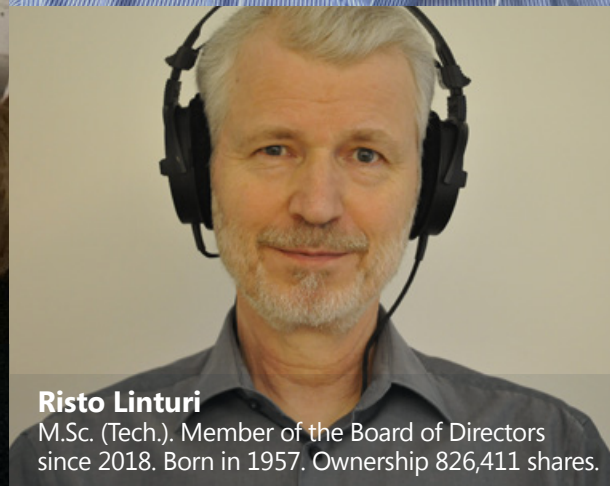
**Pekka Eloholma**

M.Sc. Member of the Board of Directors since 2018. Born in 1960. Ownership 83,589 shares.



**Sami Ensio**

M.Sc. (Tech.). Innofactor's founder, CEO and member of the Board of Directors since 2000. Born in 1971. Ownership 5,706,477 shares.



**Risto Linturi**

M.Sc. (Tech.). Member of the Board of Directors since 2018. Born in 1957. Ownership 826,411 shares.



**Heikki Nikku**

BBA (not finished). Member of the Board of Directors since 2020. Born in 1956. Ownership 14,000 shares.

*The share ownership information is as of December 31, 2020.*

# Executive Board of the Innofactor Group



**Sami Ensio, CEO and Country Manager for Finland**

M.Sc. Innofactor's founder, CEO and member of the Board of Directors since 2000. Born in 1971. Ownership 5,706,477 shares.



**Jørn Ellefsen, Country Manager for Norway and Denmark**

MBA. Employed by Innofactor since 2019. Born in 1971. Ownership 75,000 shares.



**Marcus Hasselblad, Country Manager for Sweden**

M.Sc. (Tech.). Employed by Innofactor since 2020. Born in 1968. Ownership 0 shares.



**Janne Heikkinen, Executive Vice President, Products and Services**

M.Sc. Employed by Innofactor since 2015. Born in 1974. Ownership 123,044 shares.



**Markku Puolanne, CFO**

B.Sc. (Econ.). Employed by Innofactor since 2019. Born in 1973. Ownership 10,000 shares.



**Vesa Syrjäkari, EVP, Business Development and Operational Excellence**

M.Sc. (Econ.). Employed by Innofactor since 2017. Born in 1960. Ownership 60,000 shares.

*The share ownership information is as of December 31, 2020.*



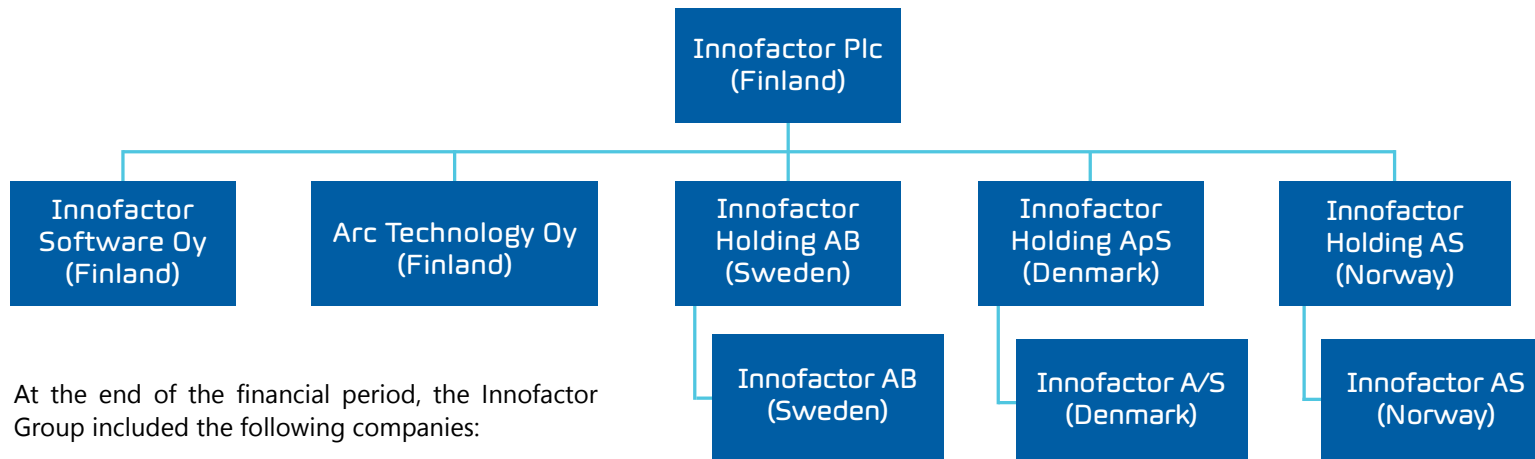
# Annual Report of the Innofactor Plc's Board of Directors for 2020

## Innofactor Group

Innofactor is one of the leading software providers focused on Microsoft solutions in the Nordic countries. Innofactor delivers to its customers IT projects as a system integrator and develops its own software products and services. The focus of Innofactor's product development is on cloud solutions for Microsoft and its ecosystem.

Approximately half of Innofactor's net sales come from recurring contracts related to Innofactor's own products and from other recurring service contracts. Innofactor's customers include over 1,000 companies and public administration and third sector organizations. In its operations, Innofactor strives for long-term customer relationships. Innofactor has over

500 motivated and skilled employees in approximately 15 locations in Finland, Sweden, Denmark and Norway. The structure of the Innofactor Group at the end of the financial period 2020 is presented below.



At the end of the financial period, the Innofactor Group included the following companies:

- ▶ Innofactor Plc, Finland (parent company)
- ▶ Innofactor Software Oy, Finland, Espoo, 100%
- ▶ Arc Technology Oy (renamed Innofactor HRM Oy effective from January 15, 2021), Finland, Espoo, 100%
- ▶ Innofactor Holding AB, Sweden, 100%
- ▶ Innofactor AB, Sweden, 100%
- ▶ Innofactor Holding ApS, Denmark, 100%
- ▶ Innofactor A/S, Denmark, 100%
- ▶ Innofactor Holding AS, Norway, 100%
- ▶ Innofactor AS, Norway, 100%

Reorganizations made in the Group during the financial period are described later in this document.

<b>Financial Performance and Position</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Net sales, EUR thousand	66,164	64,198	63,144	66,088	59,616
Operating profit before depreciation and amortization (EBITDA), EUR thousand	7,164	5,089	-1,029	1,308	4,831
percentage of net sales	10.8%	7.9%	-1.6%	2.0%	8.1%
Operating profit (EBIT), EUR thousand	2,501	795	-3,872	-1,461	2,332
percentage of net sales	3.8%	1.2%	-6.1%	-2.2%	3.9%
Earnings before taxes, EUR thousand	2,050	12	-3,811	-1,579	1,920
percentage of net sales	3.1%	0.0%	-6.0%	-2.4%	3.2%
Earnings, EUR thousand	1,761	418	-3,462	-2,007	1,536
percentage of net sales	2.7%	0.7%	-5.5%	-3.1%	2.6%
Shareholders' equity, EUR thousand	23,444	22,145	21,303	24,764	22,501
Interest-bearing liabilities, EUR thousand	15,386	16,853	15,418	14,228	16,701
Cash and cash equivalents, EUR thousand	3,066	963	258	910	902
Deferred tax assets, EUR thousand	6,413	5,602	5,602	5,668	5,760
Return on equity	7.7%	1.9%	-13.8%	-5.3%	6.5%
Return on investment	11.1%	2.3%	-7.7%	-2.4%	6.4%
Net gearing	52.5%	71.8%	71.2%	53.8%	70.2%
Equity ratio	42.2%	40.2%	41.2%	43.4%	35.8%
Balance sheet total, EUR thousand	56,607	55,720	51,875	58,272	63,587
Research and development, EUR thousand	3,618	2,795	2,860	3,298	3,394
percentage of net sales	5.5%	4.4%	4.5%	5.0%	5.7%
Personnel on average during the year	544	534	591	610	532
Personnel at the end of the year	541	538	550	601	591
Number of shares at the end of the year	37,388,225	37,388,225	36,188,225	36,188,225	32,901,377
Earnings per share (EUR)	0.0471	0.0113	-0.0880	-0.0262	0.0467
Shareholders' equity per share (EUR)	0.627	0.592	0.589	0.684	0.684

## Net Sales

Innofactor's net sales in 2020 were EUR 66,164 thousand (2019: 64,198), which represents an increase of 3.1 percent.

## Financial Performance

Innofactor's operating margin (EBITDA) in 2020 was EUR 7,164 thousand (2019: 5,089), representing an increase of 40.8 percent. EBITDA was 10.8 percent of net sales (2019: 7.9%).

Innofactor's operating profit in 2020 was EUR 2,501 thousand (2019: 795), representing an increase of 214.4 percent. Operating profit accounted for 3.8 percent of the net sales (2019: 1.2%).

## Financial Position, Liquidity and Investments

Innofactor's balance sheet total at the end of 2020 was EUR 56,607 thousand (2019: 55,720). The Group's liquid assets totaled EUR 3,059 thousand (2019: 963), consisting entirely of cash funds.

Operating cash flow in 2020 was EUR 5,010 thousand (2019: 6,209). Cash flow from investing activities was EUR -89 thousand (2019: -606).

The equity ratio at the end of 2020 was 42.2 percent (2019: 40.2%) and net gearing was 52.5 percent (2019: 71.8%).

At the end of the review period, the company had EUR 2,540 thousand in current interest-bearing liabilities to financial institutions (2019: 8,334) and EUR 8,890 thousand in non-current interest-bearing liabilities to financial institutions (2019: 3,684). The company had lease liabilities in accordance with the IFRS 16 standard (leases for the duration of fixed-term leases) for EUR 3,956 thousand (2019: 4,835) of which EUR 1,738 thousand in current leases (2019: 1,566)

and EUR 2,218 thousand in non-current leases (2019: 3,269). The total amount of interest bearing liabilities was EUR 15,386 thousand (2019: 16,853).

Return on investment for the period January 1–December 31, 2020, improved from the previous year and was 11.1 percent (2019: 2.3%). Return on equity for the period January 1–December 31, 2020, improved from the previous year and was 7.7 percent (2019: 1.9%).

The non-current assets in Innofactor's balance sheet at the end of 2020 were EUR 39,616 thousand in total and consisted of the following items:

- ▶ Tangible assets EUR 4,338 thousand
- ▶ Goodwill EUR 26,531 thousand\*
- ▶ Other intangible assets EUR 2,084 thousand\*
- ▶ Shares and holdings EUR 5 thousand
- ▶ Receivables EUR 245 thousand
- ▶ Deferred tax assets EUR 6,413 thousand

Innofactor's gross investments in tangible and intangible assets in 2020 were EUR 311 thousand (2019: 619), consisting mainly of normal additional and replacement investments required by growth.

Write-offs on intangible assets amounted to EUR 2,538 thousand (2019: 2,489).

\* Goodwill and intangible assets arising from acquiring foreign companies are considered as assets of the foreign unit, and they are converted at the closing date's rate. The resulting exchange differences are recognized in comprehensive income.

## Mergers, Acquisitions and Changes in Group Structure

Innofactor took the following measures in 2020 to simplify the group structure with regard to the 100%-owned Group companies:

- ▶ Innofactor Business Solutions Oy merged into Innofactor Software Oy on December 31, 2020
- ▶ Lumagate Holding AB merged into Innofactor Holding AB on December 3, 2020
- ▶ Innofactor CS Oy was dissolved on December 23, 2020 (all of the company's business had already previously been transferred to Innofactor Software Oy in a business transfer, and there is no longer any need for the company)

During the first quarter, Innofactor increased its holding in Arc Technology Oy by 26.94 percent to a total of 45.13 percent. Starting from the Q2/2020 interim report, Arc Technology Oy was reported as a subsidiary, because Innofactor has had control over the company since April 2020. Innofactor's holding in the company increased to 100% on December 30, 2020. For 2020, Arc Technology Oy increased Innofactor's net sales by approximately EUR 0.8 million. Arc Technology Oy was renamed as Innofactor HRM Oy in early 2021.

No other acquisitions or other changes in the Group structure were carried out in 2020.

## Personnel

Primarily, Innofactor monitors the number of active personnel. The number of active personnel does not include employees who are on a leave of over 3 months.

The average number of active personnel in 2020 was 544 (2019: 534), representing an increase of 1.9 percent. At the end of the year, the number of active personnel was 541 (2019: 538), representing an increase of 0.6 percent. At the end of 2020, the average age of the personnel was 41.4 years (2019: 41.6). Women accounted for 27 percent (2019: 26%) of the personnel. Men accounted for 73 percent (2019: 74%) of the personnel.

## Strategy and its Realization in 2020

Innofactor is the leading provider of modern digital organization for companies, public administration and third sector for its over 1,000 customers in the Nordic countries. Innofactor has the most extensive solution offering and leading know-how in the Microsoft ecosystem in the Nordic countries. Innofactor has over 500 enthusiastic and motivated top specialists in Finland, Sweden, Denmark, and Norway. The focus of our strategy on the Nordic level is even stronger in our five application areas (Journeys) for which Innofactor strives to create a uniform operating model and offering in the Nordic countries. Unifying the offering may take place through organic growth and selected acquisitions.

**Our purpose:** Innovating to make the world work better

**Mission:** Driving the modern digital organization

**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' lives easier and bring a smile to their faces.

### Our long-term financial goals:

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

### The Main Actions for Reaching the Approximately 20 Percent Growth and 20 Percent Operating Margin:

- ▶ Focus on selected industries and solution areas (Journeys) that provide the highest growth opportunities and allow us to best scale existing offering in the Nordics
- ▶ Focus on current customers and cross sales to get a bigger share of wallet of customers' digital transformation budgets
- ▶ Improving modern digital marketing and sales skills to achieve better and more cost-effective sales results
- ▶ Focus on competence planning, recruiting and resource optimization across Nordics
- ▶ Shifting revenues from projects and professional services toward products, IP-based and continuously managed services that support selected solution areas and industries
- ▶ Strengthening continuously our specialists' professional skills and improving our leading offering in order for our customers to pay hour price above market average
- ▶ Aiming to move to self-organized teams and to reduce organizational layers achieving better communication and faster decision making
- ▶ Continuously improving our flexible value-adding delivery model minimizing number of non-invoiced hours and maximizing customer satisfaction

Innofactor's net sales for the review period January 1–December 31, 2020, amounted to EUR 66.2 million (2019: 64.2), representing a year-on-year increase of 3.1 percent. Net sales grew by 3.9% in the final quarter of 2020, and growth was achieved in all countries. The strategic goal of getting the net sales to grow is also supported by the favorably developed order backlog of EUR 60.4 million (2019: 49.8). In 2021, Innofactor will pay special attention to management of growth, sales, expertise and resourcing, in connection with which we have, for example, revised our organization. A Chief Innovation and Talent Officer will start as a new role in April 2021.

The operating margin (EBITDA) grew in the review period of January 1–December 31, 2020, from EUR 5.1 million in the corresponding period of the previous year to EUR 7.2 million (10.8 percent of net sales). As regards profitability, Innofactor was able to further improve its performance substantially. However, a significant amount of management effort and work are still needed in order to reach the long-term goal of approximately 20 percent. The required actions are clear and known, so we believe that reaching this goal is entirely possible.

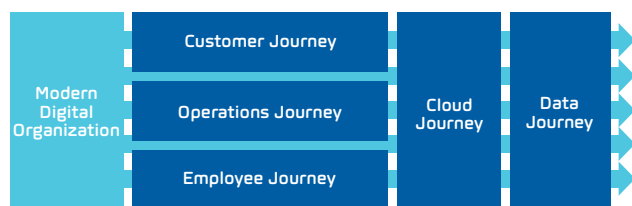
Innofactor's operating cash flow in the review period of January 1–December 31, 2020, was EUR 5.0 million (2019: 6.2) and the equity ratio at the end of the review period was 42.2 percent (2019: 40.2%). The new treatment of lease liabilities in accordance with IFRS 16 had a positive effect of approximately EUR 2.0 million on operating cash flow and a negative effect of approximately 3.5 percentage points on the equity ratio. The strong operating cash flow supports Innofactor's strategic goal of profitable growth and securing solid financial standing in all situations.



## Business Operations

Innofactor focuses on the Microsoft ecosystem in its business operations. Innofactor both operates as a system integrator and develops its own software products and services, which offers Innofactor significant competitive edge and synergy benefits. System integrator operation increases Innofactor's understanding of the customers' product and service needs and also acts as a delivery channel for its own products and services. Focusing on the Microsoft ecosystem creates insurmountable know-how for Innofactor and also makes it the most desirable partner in the Nordic Countries for Microsoft, which helps Innofactor to get the best deals.

Innofactor's offering is divided into the following areas:



Our comprehensive solutions, which are integrated into each other, are based on real customer needs and on utilizing the latest technology. We achieve high-quality deliveries and provide our customers with fast benefits due to our experience and understanding of our customers combined with our knowledge of the latest cloud services. Over 15 years of cooperation with Microsoft and leading operators in its ecosystem ensure the best possible support for our customers.

Innofactor provides its solutions through the Microsoft Cloud or installed in the Innofactor Service Center or on the customer's own servers. Typically based on annual or monthly charges, service agreements, such as SaaS and cloud, play an important role in Innofactor's business activities. Recurring services essentially decrease cyclicity in the business operations.

Innofactor's business operations were focused on Finland, Sweden, Denmark, and Norway. In 2020, approximately 68 percent of the Group's net sales came from Finland, approximately 19 percent from Sweden, approximately 9 percent from Norway, and approximately 4 percent from Denmark. The net sales grew in Finland, but decreased in other countries. Also during the fourth quarter of 2020, net sales grew in Finland and decreased in other countries.

Of the net sales in 2020, approximately 42 percent came from commercial clients, approximately 41 percent from public sector clients and approximately 17 percent from third sector clients.

Innofactor's net sales in 2020 came from the following sources:

- ▶ approximately 5 percent from licenses, of which the share of licensing income to third parties was approximately 3 percent of the net sales
- ▶ approximately 31 percent from services based on recurring service contracts, such as SaaS, cloud and hosting services, and from software maintenance
- ▶ approximately 21 percent from specialist work based on recurring service contracts, such as smaller customer-specific changes and further development of IT systems
- ▶ approximately 43 percent from IT system delivery projects and consulting

Innofactor's 10 largest clients accounted for about 30 percent of the net sales in 2020.

### Major Events in the Financial Period

- ▶ On January 30, 2020, Innofactor announced in a stock exchange release that it will deliver a financial management system for a Finnish trading company. The value of the procurement is approximately EUR 0.65 million, which is estimated to be registered for 2020.

- ▶ On February 12, 2020, Innofactor announced in a stock exchange release that the Hospital District of Helsinki and Uusimaa (HUS) has selected Innofactor as the provider of ICT services related to the Health Village for a maximum amount of EUR 2,000,000. The services are estimated to be provided during years 2020 and 2021.
- ▶ On February 13, 2020, Innofactor announced in a stock exchange release that the Legal Register Centre selected Innofactor as the provider of the further development stage of the HAIPA project, which is the ERP and document management system for administrative courts and special courts. The procurement consists of the specialist work related to the project as well as the implementation in the different agencies and possibly maintenance for the system. The contract period was estimated to start in March 2020 and it was to last until the end of 2020. Additionally, the customer reserved the right to two options for 2021 and 2022, which will be agreed on separately. The estimated total value (excluding VAT) stated by the customer in the procurement decision is EUR 2,157,000.
- ▶ On February 3, 2020, Innofactor announced in a stock exchange release that the municipality of Ullensaker in Norway had selected Innofactor as the provider of ICT consultancy services. The services consist of a comprehensive public cloud solution including the cloud infrastructure, identity and access, cloud security and modern employee experience. The consultancy services include architectural and system development, maintenance and other services for an estimated total amount of NOK 10,000,000 (approximately EUR 1,000,000), which are estimated to be provided during years 2020 and 2021. The customer also reserves an option of extending the service for two more years.
- ▶ On March 4, 2020, Innofactor announced in a stock exchange release that the Social Insurance

Institution of Finland had selected Innofactor as the provider of an administrative case management solution. The procurement includes the case management solution and its delivery, support services, and specialist work ordered separately. The system delivery and the related integrations are planned to be implemented during 2020–2021. The contract will be valid for four years to begin with, and after that, it will be valid until further notice. The estimated total value of the procurement during the contract period is approximately EUR 1,050,000.

- ▶ On March 24, 2020, Innofactor announced in a stock exchange release that the Legal Register Centre selected Innofactor as the provider of the bankruptcy and reorganization proceedings system (KOSTI). The procurement consists of the following for the KOSTI system: delivery and implementation projects, maintenance and support services, and specialist services for further development. The system delivery is planned to be implemented in stages during 2020–2021. The predicted total value (excluding VAT) stated by the Legal Register Center in the procurement decision is EUR 2,247,000. The agreement will be valid until further notice.
- ▶ On April 27, 2020, Innofactor announced in a stock exchange release that VTT Technical Research Centre of Finland Ltd has selected Innofactor in a public procurement competition as the provider of application management services for Microsoft Office 365 and Microsoft SharePoint environments. The procurement consists of application management tasks and services related to maintenance and development of an O365 cloud environment and on-premise SharePoint 2019 environment. The length of the agreement period is three years. Additionally, the customer reserves an option for continuing the agreement for two (2) years, one year at a time. The estimated total value of the procurement (excluding VAT) for the agreement period is EUR 2,500,000.

- ▶ On June 10, 2020, Innofactor announced in a stock exchange release that Innofactor and a large Finnish globally operating manufacturing industry company have signed a contract for the digitalization of a quotation process. According to the contract, Innofactor will 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 contract (excluding VAT) is approximately EUR 1,700,000. The project will be implemented during 2020 and 2021.
- ▶ On June 15, 2020, Innofactor announced in a stock exchange release that a Swedish trade union has decided to continue the collaboration with Innofactor for the further development of their membership management solution, focusing on leads, ticket management, and course management. The system is based on the Microsoft Dynamics 365 software and Innofactor's Membership Management System MMS. The project delivery is planned to start in July 2020 and end in June 2021. The value (excluding VAT) of the project is approximately EUR 1,000,000.
- ▶ On June 16, 2020, Innofactor announced in a stock exchange release that the Employment Fund has selected Innofactor in a public procurement competition as its primary framework agreement supplier of maintenance and development of information systems. The procurement comprises IT specialist services and software for maintenance and development of the information systems. The specialist services can be utilized for maintenance, development and support as needed. Work can be agreed on as individual tasks, projects or continuous services. The deliveries may include software and software components. The framework agreement will be valid until further notice with a maximum duration of four years. According to the priority principle, Innofactor is also granted a

contract regarding the delivery of an application maintenance and development team in addition to the framework agreement. Innofactor estimates the value of the framework agreement to be between EUR 3 and 5 million during the four-year contract period.

- ▶ On July 10, 2020, Innofactor announced in a stock exchange release that the Finnish Transport and Communications Agency Traficom has selected Innofactor in a public procurement competition as the provider of a document management system. The procurement consists of a document management solution and maintenance and consulting support for the solution. The goal of the solution is a common, centralized and secure document management with clear and effective information processing. The aim is to unify the document management in the agency and enhance the findability and availability of the information. The system to be provided by Innofactor will be based on Innofactor's Dynasty product family. The estimated total value (excluding VAT) stated by the customer in the procurement decision for the next four years is EUR 950,000.
- ▶ On September 1, 2020, Innofactor announced in a stock exchange release that Innofactor Plc's Board of Directors has confirmed the company's updated dividend distribution policy on August 31, 2020 as a part of the yearly strategy process. According to the renewed policy, the aim of the Board of Directors is to pay a dividend regularly each year. The goal 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.
- ▶ On September 8, 2020, Innofactor announced in a stock exchange release that Senate Properties has selected Innofactor as the provider of consulting and maintenance services in a dynamic purchasing system.

The procurement consists of consulting, development, support and maintenance services for a Microsoft Dynamics 365 CRM solution and a ClickDimensions marketing automation solution. The contract will first be valid until June 30, 2023, after which it will be valid until June 30, 2025, unless the customer issues a notice of the termination of the contract period before the end of the primary contract period. Innofactor estimates the total value of the procurement to be approximately EUR 1,000,000.

- ▶ On September 29, 2020, Innofactor announced in a stock exchange release that Tampereen korkeakoulusäätiö selected Innofactor in a public procurement competition to provide a case management system as SaaS. The procurement consists of user rights to the case management and information management system of the Innofactor Dynasty product family, the delivery of the systems, and support and maintenance. The solution comprises of case management, document management, information management, meeting management, contract management, decision management, and the functions/modules for signing. The total value of the procurement (excluding VAT), stated by Tampereen korkeakoulusäätiö in the procurement decision, is EUR 696,420.
- ▶ On October 15, 2020, Innofactor published a flagging announcement pursuant to Chapter 9, Section 5 of the Finnish Securities Markets Act, stating that Rimonne Baltic OÜ has crossed above the 5% disclosure limit on Innofactor shares and voting rights on October 15, 2020. According to Rimonne OÜ's statement, its share of the shares and voting rights after exceeding the disclosure limit is 5.01% (1,872,000 shares).

## Major Events After the Financial Period

- ▶ Innofactor announced in a stock exchange release on January 21, 2021, that the Finnish Tax Administration has selected Innofactor in a public procurement competition as the primary provider of IT specialist services in the area of Azure programming. On the basis of the volume stated by the customer in connection with the procurement, the total value in this area is approximately EUR 15–25 million. The duration of the framework agreement is 6 years, and assignments started during the framework agreement period may continue 4 years after the expiration of the framework agreement.
- ▶ On January 29, 2021, Innofactor announced in a stock exchange release that Innofactor and a Norwegian financial services company have signed an agreement concerning the migration and implementation of services to Microsoft Azure. The solution will be built on the Innofactor Virtual Data Center solution. The value of the agreement (excluding VAT) is approximately EUR 500,000 and the services will be delivered during the year 2021.

Innofactor had no other significant events after 2020.

## Future Outlook

Innofactor's net sales and operating margin (EBITDA) in 2021 are estimated to increase from 2020, during which the net sales were EUR 66.2 million and operating margin was EUR 7.2 million.

## Major Risks and Uncertainties

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. 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 continuous development of its personnel and in keeping the personnel satisfaction high.

**Increase in personnel costs:** The main part of Innofactor's costs consists of salaries and other personnel costs (in 2020, about 68% of the all costs, including depreciations). 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 large part of Innofactor's net sales comes from project business. 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 remuneration system. The relative share of project business has decreased and it will be further decreased, which reduces the risks associated with the 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, small startup companies increase competition in certain deliveries. The price competition in the field is expected to remain tough. 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. Regarding this, the company has published its long-term financial goals.

**Research and product development:** In Innofactor's operation, research and product development play a central role. In 2020, approximately 5.5% of the net sales was used for it. 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. Important changes under way include, for example, the transfer of software into cloud technologies, digitalization, artificial intelligence, blockchain and Internet of Things (IoT). 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.

**Data protection:** The enforcement of the new EU General Data Protection Regulation ("GDPR", regulation (EU) 2016/679) has affected business operations of Innofactor and its customers. Neglecting the required actions or procedures may lead to losses in net sales or, in the worst case, penalties imposed by a supervisory authority. Innofactor has invested in solutions related to GDPR and appointed a Data Protection Officer.

**Information security:** Innofactor operates as a system integrator and consequently Innofactor system administrators and developers have access to certain customer environments. Each access to a customer environment introduces information security risk of unlawful attempts at gaining information. Innofactor has implemented a formal information security management process based on standards, and its implementation is led by the person responsible for the company's information security.

**Pandemic risk:** An epidemic spreading into a global pandemic could hinder Innofactor's business operations. If there were no significant pandemic in Innofactor's operating area in the Nordic countries, the detriment would be limited mostly to a decrease in the availability of tools, especially computers, which are needed in Innofactor's business operations. Should there be 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 as well as a temporary decrease in customers' purchases and delays in some customer deliveries.

The risk of a pandemic has realized in the form of a coronavirus (COVID-19), and the pandemic is present in significant amounts in Innofactor's operating area in the Nordic countries. All Nordic countries introduced restrictions, and the operational preconditions for several companies weakened significantly. Innofactor had prepared for the risk of a pandemic by giving the employees instructions concerning traveling and especially any symptoms after it, by purchasing a larger than normal stock of computers, and by making a separate plan for getting all personnel to work remotely, if necessary. In accordance with the plan, it was recommended that the entire personnel work remotely in March 12–June 25, 2020, and again starting from August 7, 2020. It is estimated that it has been possible to perform over 98% of tasks remotely at Innofactor. As concerns some customers, a decrease of deliveries and purchases or delaying them until a later date has been observed. This has so far had a minor effect on Innofactor's business. In Sweden, Norway and Denmark, the net sales have decreased and minor adjustments have been made, for example, some employees started working shorter hours. The planning of our current operation is based on the presupposition that the effects of the COVID-19 pandemic on Innofactor's business operations will remain minor.

**Reaching the growth goals:** 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 is seeking for more 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 information systems supporting these that will decrease the risks in global operations.

**Uncertainties related to acquisitions:** The growth has partly been based on acquisitions. 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.

**Risks related to acquisitions:** Each acquisition, after it has been made, 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. In total at the end of the review period, Innofactor had approximately EUR 11.4 million in interest bearing debts to financial institutions, which have been taken out to finance acquisitions and working capital. Of the debts, approximately EUR 8.9 million is non-current and approximately EUR 2.5 million current liabilities. Additionally, the company had lease liabilities in accordance with the IFRS 16 standard (leases for the

duration of fixed-term leases) for EUR 4.0 million, of which EUR 1.7 million was current and EUR 2.2 million non-current. The total of interest-bearing liabilities was EUR 15.4 million.

In the review period, Innofactor acquired EUR 3.0 million in new additional financing in the form of a senior loan from a major Finnish pension insurance company to support growth projects and renegotiated loan terms with the bank. From now on, Innofactor is committed to the following covenants common to both financiers: Equity ratio calculated every 6 months is at least 36% until June 30, 2021, 38% until June 30, 2022, and 40% afterwards; interest bearing liabilities calculated every 6 months divided by the 12-month operating margin (EBITDA) is a maximum of 3.5 until December 31, 2020, 3.25 until June 30, 2021, 3.0 until December 31, 2021, 2.75 until June 30, 2022, and 2.5 afterwards; and certain other normal conditions for loans. In addition, due to the COVID-19 pandemic, Innofactor has agreed that installments for the new and current loans will be paid for the first/next time in April 2021.

The goal of managing the financing risks is to minimize the negative effects of the changes in the financial markets to 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 is 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.

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 checking account limits with an overdraft facility in order 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 are typically 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.

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 a significant amount of 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.

## Corporate Governance Report

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

The General Meeting of March 31, 2020, decided that the number of Board members is five. Previous members Pekka Eloholma, Sami Ensio, Anna Lindén and Risto Linturi, were re-elected as members of the Board of Directors. Heikki Nikku was elected as a new member. In their 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.

Innofactor has drawn up a separate Corporate Governance Statement for the financial period 2020.

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

## Research and Product Development

In product development in 2020, the focus was on the renewal of existing products and services and continuous further development to support the growth of product-based business.

Innofactor's research and development costs recognized in profit or loss for January 1–December 31, 2020, were approximately EUR 3,618 thousand (2019: 2,795), which accounts for 5.5 percent of the net sales (2019: 4.4%).

## Reporting Non-financial Information

This statement describes Innofactor's corporate responsibility in accordance with the Chapter 3a, Sections 1–6 of the Finnish Accounting Act.

### Business Model

Innofactor's business model is based on offering aimed at the IT service market and on Innofactor's strong partnership with Microsoft, with the focus on solutions developed on Microsoft platforms and solutions that use them. In accordance with its strategy, Innofactor is increasingly focusing on implementing cloud solutions and digitalization. Innofactor is a system integrator and

software development company. Thus, the core of the business model and enabler of company growth and development is the competent personnel with the ability to advance. The digital solutions delivered by Innofactor help the customers to reach their sustainability related goals and reduce their environmental impacts. Innofactor can impact the environmental effects of its own operation by developing even more environmentally friendly work environment.

### Principles Guiding Sustainability

Our operation is steered by our Code of Conduct and environmental policy, in addition to which we comply with the leading international sustainability standards, such as the ILO Declaration on Fundamental Principles and Rights at Work, UN Universal Declaration of Human Rights, UN Sustainable Development Goals, and the principles of the ICC Business Charter for Sustainable Development.

Innofactor's internal operations are managed through predefined core processes and standards. Innofactor's quality system describes the company's business model and it is divided into eight documented business processes and nine support service processes. These processes are monitored by means of process indicators and audits, for example. The company's support service processes related to human resources management, risk management and legal issues define the main issues with regard to corporate responsibility. Each process has its own Process Performance Indicators that are monitored within the company and set annually for the process owner. The framework for Innofactor's operations is provided by the ISO 9001, ISO 27001, ISO 13485 and AQAP2110 standards, which the company's various processes adhere to. In the external audits in 2020, only one minor deviation, related to the ISO 27001:2013 standard, was observed, which is a very good achievement.

### Environmental Responsibility

As an organization operating in the IT sector, Innofactor has a unique opportunity to be part of the solution in reducing environmental impacts. The digital solutions we deliver to our customer organizations play an important role in mitigating and adapting to climate change. Digitalization of manual processes and digital healthcare are examples of solutions through which Innofactor promotes its customers' – and thereby the entire society's – sustainable development.

Our environmental policy guides the actions we take to reduce our adverse environmental impacts and respond to the challenges caused by climate change. Our environmental policy defines the principles we always follow in our own operations and in the deliveries to our customers. The principles of Innofactor's environmental policy include continuous development, improvement of preventative actions, and reacting to the changing operating environment. Innofactor complies to all applicable environmental laws and regulations and expects its partners and suppliers to comply with them as well. The environmental policy concerns the entire Innofactor Group and is available on Innofactor's website.

We monitor our energy consumption regularly and aim to actively identify further energy saving opportunities within our organization. As the use of electric and hybrid cars becomes increasingly common, we recognized the need for charging stations at our Espoo Campus. In spring 2020, we installed four charging stations at our Campus.

Innofactor has a policy for extending the lifecycle of computers. Factors considered in the renewal of computer hardware include the user's needs and the possibility of updating existing devices. In spring 2020, Innofactor participated in the campaign "a computer for everyone" and donated computers that are not needed at Innofactor but are in good condition to schoolchildren. This enabled us to extend the lifecycle of the computers.

We recycle all recyclable materials such as cardboard,

organic waste, metal, plastic and glass. Our electronic waste is recycled by Kuusakoski Recycling.

Remote work is an essential part of the operations of a modern digital organization. In 2020, the global pandemic forced many organizations to switch to remote work extensively and accelerated the digital transformation of organizations. We offer our employees good opportunities for location-independent work, which can be seen in the increased number of Microsoft Teams meetings. We became fully operational with the Teams tool in the summer 2018, with 10,000 Teams meetings held throughout the year. In 2019, the number of meetings increased to well over 30,000. In 2020, this figure rose to over 80,000 as the pandemic made remote meetings an increasingly common practice. Use of Teams as a meeting tool brings added value to the operations of both Innofactor and its customers.

In 2020, we also organized an internal Nordic level workshop on energy-efficient coding. The aim was to identify solutions for reducing energy consumption during coding.

### Social Responsibility

In 2020, Innofactor focused particularly on the PeopleFirst theme. In Finland, for example, we had quarterly PeopleFirst themes that were used as the basis for training, webinars and other activities for all Innofactor employees in Sweden as well as separate training activities for managers. The quarterly themes included self-management, recovery and well-being in knowledge work, teamwork and diversity as an asset, and self-development. In summer 2020, we also started in-house coaching in Finland. It involves Innofactor employees who have completed BCI Business Coach certification or are aiming to complete it providing coaching to interested colleagues. We also launched an internal mentoring program at Innofactor.

In 2020, we focused on managerial work in even more diverse ways than before. Through Innofactor Academy, we offered managers interaction training as

well as Biased Thinking training, which underscored the importance of recognizing recruiters' personal preconceptions as part of the recruitment process. We also organized Scrum training that focused on retrospective facilitation remotely. We conducted a 360° feedback survey in which managers conducted a self-evaluation and received feedback from their subordinates, colleagues and manager.

Each employee can participate in the discussion about sustainability through a Microsoft Teams-based discussion forum, Innofactor Game Changers. In the forum, we initiate discussions and share ideas about sustainability.

In 2020, Innofactor continued the recruitment and training of students nearing their graduation. Nine new participants were recruited for the Innofactor DigiStar Trainee Program in spite of the COVID-19 pandemic.

In 2020, Innofactor recruited and trained a total of 15 undergraduate students.

### Information Security and Data Protection

Innofactor's customers require that the services provided to them are secure and that the services enable operation in accordance with the EU General Data Protection Regulation (GDPR). Innofactor's management has identified several critical cyber risk scenarios against which a company needs to protect itself. The company is committed to protecting its customers' and partners' information and systems, as well as its' own information and systems. In order to ensure the level of information security corresponding to the risks, Innofactor maintains a certified information security management system in accordance with the ISO 27001 standard. In its operation, Innofactor is committed to maintaining

high level of data protection and respects the privacy and rights of its personnel, customers and users. Through regular internal audits, we aim to continuously develop data protection and information security in our operations and processes. Information security and data protection are mandatory parts of induction training in addition to continuous training on information security and data protection. Innofactor's information security group meets regularly to guide the development and implementation of information security and data protection at Innofactor. The company has a designated information security manager and a data protection officer.

### Anti-Corruption and Anti-Bribery

Innofactor's Code of Conduct sets out the general principles and guidelines that the company's employees and partners adhere to. We arrange training activities concerning the Code of Conduct at regular intervals. Innofactor's Code of Conduct prohibits all types of corruption and bribery. In the Nordic countries, Innofactor operates in a very regulated environment, and in 2020, all subcontracting took place within the EEA or USA. This operating environment and in Finland, for example, the strict compliance to the Act on Contractor's Obligations and Liability, training the employees, continuous dialog within the company's management, and monitoring subcontractors are important factors related to preventing the risk of corruption and bribery.

Transparent business in accordance with the highest ethical standards is the basis of our company's operations. We use our anonymous whistleblowing channel for reporting suspected violations of our Code of Conduct. All reports received via the channel are processed in strict confidence.

### Risks Related to Corporate Responsibility

Innofactor's main risks related to corporate responsibility can be divided into five categories: personnel turnover, risks to reputation regarding data protection and

Theme	Operating model	Goal	Performance indicator	2020
<b>Environmental Responsibility</b>	Innofactor is committed to decreasing the environmental impact of its operations and to react to the challenges set by climate change.	Promoting and developing environmental responsibility in Innofactor's operations.	Number of actions that promote environmental responsibility	3
<b>Social Responsibility</b>	Innofactor's personnel plays a key role, and we consider them to be in a central role with regards to the organization's ability to operate and renew itself and creation of new innovations.	To be an inspiring and sought-after employer.	Hired students and recent graduates	15
<b>Data Protection and Information Security</b>	Innofactor is committed to protecting its customers' and partners' information and systems as well as its own information and information systems.	Reliable operator that takes information security and data protection into consideration.	Number of administrative sanctions	0
<b>Anti-corruption and Anti-bribery</b>	Innofactor's Code of Conduct defines the general principles and guidelines that the company's employees and partners adhere to.	Transparent business operations in accordance with the highest ethical standards.	No violations	No violations



information security, risks to reputation due to corruption and bribery, and risk of being cut off from public procurement competitions. Innofactor's operations do not include actual significant environmental risks, even though the energy consumption is being monitored and there is a continuous effort to decrease it. The risks related to personnel turnover, data protection and information security are described under the heading "Major risks and uncertainties."

## Share and Shareholders

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

During the period January 1–December 31, 2020, the highest price of the company's share was EUR 1.44 (2019: 0.84), the lowest price was EUR 1.15 (2019: 0.62) and the average price was EUR 1.24 (2019: 0.73).

During the period January 1–December 31, 2020, the highest price of the company's share was EUR 1.44 (2019: 0.84), the lowest price was EUR 0.51 (2019: 0.36) and the average price was EUR 1.00 (2019: 0.59). The closing price for the review period on December 31, 2020, was EUR 1.28 (2019: 0.72).

In public trading during the period October 1–December 31, 2020, a total of 5,357,986 shares were traded (2019: 2,783,634 shares), which corresponds to 14.3 percent (2019: 7.4%) of the average number of shares in the said period. During the period October 1–December 31, 2020, the average number of shares was 37,388,225 (2019: 37,388,225). The trading volume of Innofactor's shares increased by 92.5 percent compared to the corresponding period in 2019.

In public trading during the period October 1–December 31, 2020, a total of 20,099,421 shares were traded (2019: 10,919,321 shares), which corresponds to 53.8 percent (2020: 29.7%) of the average number of

shares in the said period. During the period January 1–December 31, 2020, the average number of shares was 37,388,225 (2019: 37,388,225). The trading volume of Innofactor's shares increased by 84.1 percent compared to the corresponding period in 2019.

The market value of the share capital at the closing price of EUR 1.28, on December 31, 2020, was EUR 47,669,987 thousand (2019: 26,845), representing an increase of 77.6 percent.

On December 31, 2020, the company had a total of 11,456 shareholders (2019: 11,115), including nominee-registered shares.

The Board of Directors has the following authorizations:

- ▶ Until June 30, 2021, 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 General Meeting of March 31, 2020); the authorization has not been used.
- ▶ Until June 30, 2020, to decide on a transfer of a maximum of 3,600,000 treasury shares (decided by the General Meeting of March 31, 2020); the authorization has not been used.

## Own Shares

The General Meeting of March 31, 2020, authorized the Board of Directors to decide on acquiring of a maximum of 3,600,000 of the company's own shares in one or several parts with the company's unrestricted equity. The authorization entitles the Board to deviate from the shareholders' proportional shareholdings (directed acquisition). Own shares may be acquired at the purchase price formed for them in public trading at the day of purchase or at another market price. The number of treasury shares at a time may be, at the maximum, one tenth of the total number of shares in the company.

Shares may be purchased to be used in company acquisitions or implementing other arrangements relating to the company's business operations, improving the company's capital or financing structure, as a part of the company's incentive system, or otherwise to be handed over or voided. In connection with the share repurchase, ordinary derivative, stock lending and other agreements may be made in the market in accordance with the laws and regulations. The authorization includes the right of the Board of Directors to decide on all other matters related to the acquisition of shares. The authorization will be valid until June 30, 2021. This authorization replaces the Board's earlier authorizations concerning share repurchase.

At the end of 2020, the company had no treasury shares.

## Shareholdings of the Management

### Shareholdings of the Board of Directors

- ▶ Pekka Eloholma, 83,589 shares, 0.22%
- ▶ Sami Ensio, 7,880,237 shares, 21.08%
- ▶ *Sami Ensio, 5,706,477 shares, 15.26%*
- ▶ *minor under guardianship, 724,588 shares, 1.94%*
- ▶ *minor under guardianship, 724,586 shares, 1.94%*
- ▶ *minor under guardianship, 724,586 shares, 1.94%*
- ▶ Anna Lindén, 66,906 shares, 0.18%
- ▶ Risto Linturi and companies he has control over, 826,411 shares, 2.21%
- ▶ Heikki Nikku, 14,000 shares, 0.04%

### Shareholdings of the CEO on December 31, 2020:

- ▶ Sami Ensio, 7,880,237 shares, 21.08%
- ▶ *Sami Ensio, 5,706,477 shares, 15.26%*
- ▶ *minor under guardianship, 724,588 shares, 1.94%*
- ▶ *minor under guardianship, 724,586 shares, 1.94%*
- ▶ *minor under guardianship, 724,586 shares, 1.94%*

### Shareholdings of the Other Members of the Executive Board:

- ▶ Jørn Ellefsen, 75,000 shares, 0.20%
- ▶ Janne Heikkinen, 123,044 shares, 0.33%
- ▶ Markku Puolanne, 10,000 shares, 0.03%
- ▶ Vesa Syrjäkari, 60,000 shares, 0.16%
- ▶ Marcus Hasselblad, 0 shares, 0.00%

## 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 year, on December 31, 2020, was as follows.

Name	Number of shares	% of share capital
1. Ensio Sami	7,880,237	21.08%
<i>Ensio Sami</i>	<i>5,706,477</i>	<i>15.26%</i>
<i>Minor under guardianship</i>	<i>724,588</i>	<i>1.94%</i>
<i>Minor under guardianship</i>	<i>724,586</i>	<i>1.94%</i>
<i>Minor under guardianship</i>	<i>724,586</i>	<i>1.94%</i>
2. Ilmarinen Mutual Pension Insurance Company	1,800,000	4.81%
3. Hallikainen Jyrki	1,471,009	3.93%
4. Linturi Kaija and Risto R. Linturi Oyj	1,256,411	3.36%
<i>Linturi Kaija Anneli</i>	<i>489,107</i>	<i>1.31%</i>
<i>Linturi Risto Erkki Olavi</i>	<i>430,000</i>	<i>1.15%</i>
<i>Linturi Risto Erkki Olavi</i>	<i>337,304</i>	<i>0.90%</i>
5. Laiho Rami Tapani	1,181,594	3.16%
6. Ärje Matias Juhanoika	882,065	2.36%
7. Mäki Antti-Jussi	747,192	2.00%
8. Tilman Tuomo Tapani	733,397	1.96%
9. Saarelainen Mika Pekka	600,000	1.60%
10. Ingman Finance Oy Ab	500,000	1.34%
11. Muukkonen Teemu Heikki	473,818	1.27%
12. Järvenpää Janne-Olli	305,211	0.82%
13. Kukkonen Heikki-Harri	301,931	0.81%
<i>Kukkonen Heikki-Harri Rausanne Oy</i>	<i>280,000</i>	<i>0.75%</i>
15. Hellen Stefan Andreas	250,000	0.67%
16. Laiho Jari Olavi	235,000	0.63%
17. Puolakka Petri Yrjö Emil	202,511	0.54%
18. Mäkinen Antti Vilho Juhani	164,000	0.44%
19. Heikki Tervonen Oy	153,000	0.41%
20. Mandatum Life Insurance Company Limited	146,044	0.39%

## Board of Directors and the Company's Management

### Board of Directors

In 2020, the members of Innofactor Plc's Board of Directors were:

- ▶ Pekka Eloholma (Chairman of the Board until March 31, 2020)
- ▶ Sami Ensio
- ▶ Anna Lindén (Chairman of the Board from March 31, 2020)
- ▶ Risto Linturi
- ▶ Heikki Nikku (from March 31, 2020)

The Chairman of the Board of Directors for Innofactor's Finnish group companies is Sami Ensio, and the member of the Board of Directors is Executive Vice President, Business Development and Operational Excellence Vesa Syrjäkari with General Counsel Michaela Skrabb as the deputy member.

The Board members of Innofactor Plc's Swedish, Danish and Norwegian holding companies are the Group CEO Sami Ensio (Chairman) and Executive Vice President, Business Development and Operational Excellence Vesa Syrjäkari with General Counsel Michaela Skrabb as the deputy member in the Swedish and Danish companies.

The Board members of Innofactor Plc's Swedish, Danish and Norwegian operative country companies are the Group CEO Sami Ensio (Chairman) and Executive Vice President, Business Development and Operational Excellence Vesa Syrjäkari and the local Managing Directors of the country companies. In the operative company in Norway (Innofactor AS), also the General Counsel Michaela Skrabb has been a Board member.

## CEO

Innofactor Plc's CEO is Sami Ensio. Mr. Ensio also acted as the CEO of Innofactor Plc's Finnish group companies and in Sweden temporarily until February 5, 2020. In Sweden, Denmark, and Norway, the local Country Managers act as the CEOs of the operative companies.

## Executive Board

In 2020, Innofactor Group's Executive Board consisted of:

- ▶ Sami Ensio, CEO, Country Manager in Finland and Chairman of the Executive Board
- ▶ Jørn Ellefsen, Country Manager for Norway and Denmark
- ▶ Marcus Hasselblad, Country Manager for Sweden
- ▶ Janne Heikkinen, Executive Vice President, Products and Services
- ▶ Jufo Peltomaa, Chief Technology Officer (until April 17, 2020)
- ▶ Markku Puolanne, CFO
- ▶ Vesa Syrjäkari, EVP, Business Development and Operational Excellence

## Loans of Related Parties

The company's managers considered to be related parties have EUR 107 thousand of liabilities from the company's personnel issues to the company. The term of the loan is five years, and the loan is repaid monthly in equal instalments. The interest rate is the 12-month Euribor 360 interest rate. The minimum interest rate is 0%. The accrued interest is paid monthly to the company. The company has no other significant related party transactions.

## Auditor

The auditor of Innofactor Plc was Ernst & Young Oy Authorized Public Accounting Firm, with Juha Hilmola (APA) as the auditor with principal responsibility.

## 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. On August 31, 2020, Innofactor confirmed the company's updated dividend distribution policy as part of the annual strategy process. According to the revised policy, the aim of the Board of Directors is 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 2020, the Group's result for the financial period was EUR 1,761,496.06. 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 period 2020, the distributable assets of the Group's parent company amounted to EUR 29,910,687.

The Board of Directors proposes that Innofactor Plc distributes EUR 0.02 per share as dividends for the financial period of 2020 and additionally a repayment of capital amounting to EUR 0.02 per share, for a total of EUR 0.04 per share.

The Board of Directors further proposes that the Annual General Meeting authorizes the company's Board of Directors to decide on a potential additional dividend or additional repayment of capital amounting to a maximum of EUR 1,639,529 (EUR 0.04 per share, taking into account the share issue authorization proposed to the Board of Directors).



# Comprehensive Consolidated Profit and Loss Statement, IFRS

EUR thousand	Note	2020	2019
Net sales	3	66,164	64,198
Other operating income		282	44
Materials and services		-6,214	-6,073
Employee benefits/expenses	6	-43,551	-43,802
Depreciation	5	-4,663	-4,294
Other operating expenses	4	-9,518	-9,278
Operating profit		2,501	795
Financial income	8	1,329	23
Financial expenses	9	-1,780	-807
Profit before taxes		2,050	12
Income taxes	10	-288	406
<b>Profit/loss for the period</b>		<b>1,761</b>	<b>418</b>
Other comprehensive income			
Items that may be later recognized in profit or loss:			
Exchange differences		-462	52
<b>Total comprehensive income</b>		<b>1,299</b>	<b>470</b>
Distribution of the profit and comprehensive income			
To shareholders of the parent company		1,299	470
To non-controlling interests		0	0
Earnings per share calculated from the profit attributable to equity holders of the parent:			
basic earnings per share (EUR)	11	0.0471	0.0113
diluted earnings per share (EUR)	11	0.0471	0.0113

# Consolidated Balance Sheet, IFRS

EUR thousand	Note	Dec 31, 2020	Dec 31, 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Other tangible assets	12	489	530
Buildings and structures	12	3,849	4,760
Goodwill	13	26,531	26,003
Other intangible assets	13	2,084	3,745
Shares and holdings		5	79
Non-current assets		245	629
Deferred tax assets	14	6,413	5,602
		<b>39,616</b>	<b>41,347</b>
<b>Current assets</b>			
Trade and other receivables	15, 19	13,925	13,409
Cash and cash equivalents	18	3,066	963
		<b>16,991</b>	<b>14,373</b>
<b>TOTAL ASSETS</b>		<b>56,607</b>	<b>55,720</b>

# Consolidated Balance Sheet, IFRS

EUR thousand	Note	Dec 31, 2020	Dec 31, 2019
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Equity attributable to the shareholders of the parent company</b>			
Share capital	17	2,100	2,100
Share premium reserve	17	72	72
Reserve fund	17	59	59
Fund for invested unrestricted equity	17	20,921	20,921
Retained earnings		292	-1,008
<b>Total shareholders' equity</b>		<b>23,444</b>	<b>22,145</b>
<b>Non-current liabilities</b>			
Loans from financial institutions	18, 23	8,890	3,684
Lease liabilities		2,218	3,269
Deferred tax liabilities	14	1,824	813
		<b>12,933</b>	<b>7,767</b>
<b>Current liabilities</b>			
Loans from financial institutions	18, 23	2,540	8,334
Lease liabilities		1,738	1,566
Trade and other payables	19	15,953	15,909
		<b>20,230</b>	<b>25,808</b>
<b>Total liabilities</b>		<b>33,163</b>	<b>33,575</b>
<b>Total shareholders' equity and liabilities</b>		<b>56,607</b>	<b>55,720</b>

# Consolidated cash flow statement, IFRS

EUR thousand	Note	2020	2019
<b>Cash flow from operating activities</b>			
Operating Profit		2,501	795
Adjustments:			
Depreciation	5	4,663	4,294
Other transactions with no related cash flow:		-683	0
Changes in working capital:			
Change in non-interest-bearing current receivables		-9	-407
Change in non-interest-bearing current liabilities		-813	2,165
Interest paid		-682	-662
Interest received		43	23
Taxes paid		-10	0
<b>Net cash flow from operating activities</b>		<b>5,010</b>	<b>6,209</b>
<b>Investment cash flow</b>			
Acquisition of subsidiaries		-97	-49
Investments in intangible and tangible assets		-311	-619
Change in loan receivables		319	63
<b>Net cash flow from investments</b>		<b>-89</b>	<b>-606</b>
<b>Cash flow from financing</b>			
Loans withdrawn		3,000	165
Loans paid		-3,972	-3,566
Lease liability payments		-1,853	-1,618
Share issue		0	120
<b>Net cash flow from financing</b>		<b>-2,825</b>	<b>-4,898</b>
<b>Change in cash and cash equivalents</b>		<b>2,096</b>	<b>705</b>
Cash and cash equivalents, opening balance		963	258
<b>Cash and cash equivalents, closing balance</b>		<b>3,059</b>	<b>963</b>



# Consolidated Statement of Change in Shareholders' Equity, IFRS

Shareholders' equity attributable to equity holders of the parent										
EUR thousand	Note 17	Share capital	Share premium reserve	Reserve fund	Fund for invested unrestricted equity	Own shares	Retained earnings	Exchange differences	Non-controlling interest	Total shareholders' equity
<b>Shareholders' equity Jan 1, 2020</b>		<b>2,100</b>	<b>72</b>	<b>59</b>	<b>20,921</b>	<b>0</b>	<b>-22</b>	<b>-985</b>		<b>22,145</b>
<b>Comprehensive income</b>										
Result for the financial period							1,761		0	<b>1,761</b>
Other comprehensive income:										
Exchange differences								-462		<b>-462</b>
<b>Total comprehensive income</b>							<b>1,761</b>	<b>-462</b>	<b>0</b>	<b>1,299</b>
<b>Shareholders' equity Dec 31, 2020</b>		<b>2,100</b>	<b>72</b>	<b>59</b>	<b>20,921</b>	<b>0</b>	<b>1,740</b>	<b>-1,447</b>	<b>0</b>	<b>23,445</b>

Shareholders' equity attributable to equity holders of the parent										
EUR thousand	Note 17	Share capital	Share premium reserve	Reserve fund	Fund for invested unrestricted equity	Own shares	Retained earnings	Exchange differences	Non-controlling interest	Total shareholders' equity
<b>Shareholders' equity Jan 1, 2019</b>		<b>2,100</b>	<b>72</b>	<b>59</b>	<b>20,321</b>	<b>0</b>	<b>-212</b>	<b>-1,038</b>	<b>0</b>	<b>21,303</b>
<b>Comprehensive income</b>										
Result for the financial period							418			<b>418</b>
Exchange differences								52		<b>52</b>
<b>Total comprehensive income</b>							<b>418</b>	<b>52</b>	<b>0</b>	<b>470</b>
Personnel share issue					600		101			<b>701</b>
Other adjustments							-329			<b>-329</b>
<b>Shareholders' equity Dec 31, 2019</b>		<b>2,100</b>	<b>72</b>	<b>59</b>	<b>20,921</b>	<b>0</b>	<b>-22</b>	<b>-985</b>	<b>0</b>	<b>22,145</b>

# Notes to the Consolidated Financial Statements (IFRS)

## 1. Basic Information on the Group

Innofactor Plc is a Finnish public company established in accordance with Finnish legislation. The domicile of the parent company is Espoo and its registered address is Keilaranta 9, 02150 Espoo.

Innofactor Group is one of the leading software providers focused on Microsoft solutions in the Nordic Countries. Innofactor delivers to its customers IT projects as a system integrator and develops its own software products and services.

A copy of the consolidated financial statements is available at the company's Internet address [www.innofactor.com](http://www.innofactor.com) or at the head office at Keilaranta 9, 02150 Espoo, Finland.

Innofactor Plc's Board of Directors has approved these financial statements for publishing in its meeting on March 8, 2021. According to the Finnish Companies Act, shareholders may approve or reject the financial statements at a General Meeting held after their publication. The Meeting may also decide to amend the financial statements.

## 2. Accounting Policies

### Accounting Policies

Innofactor Plc's consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS), observing the IAS and IFRS standards as well as SIC and IFRIC interpretations valid on December 31, 2020. In the Finnish Accounting

Act and provisions issued thereunder, International Financial Reporting Standards refer to standards and related interpretations approved for adoption within the EU in accordance with the procedure laid down in regulation (EC) No. 1606/2002. The notes to the consolidated financial statements also comply with the provisions of Finnish accounting and corporate legislation that supplement the IFRS provisions.

The consolidated financial statements have been prepared on a historical cost basis, unless otherwise stated in the accounting policies. The consolidated financial statements are presented in thousands of euros unless otherwise stated. As the figures are presented in thousands of euros, rounding may cause differences.

### Application of New and Amended IFRS Norms

As of January 1, 2020, the Group has applied the following new and amended standards and interpretations, which have not had a material effect on the Group's reporting:

#### Amendments to IFRS 9, IAS 39 and IFRS 7: Interest rate benchmark reform

The amendments provide certain relief in connection with interest rate benchmark reform. The relief relates to hedge accounting and has the effect that IBOR reform should not generally cause hedge accounting to terminate. Any hedge ineffectiveness should continue to be recognized through profit or loss. The amendments are not expected to have a significant impact on the consolidated financial statements.

#### Amendments to IFRS 3 Definition of a Business

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. The amendment had no impact on the consolidated financial statements.

Amendments to IAS 1 and IAS 8: Definition of Material (effective for annual periods beginning on or after January 1, 2020). The amendments aim to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments had no impact on the consolidated financial statements.

#### Amendment to IFRS 16 Leases

The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment had no impact on the consolidated financial statements.

#### Changes That Will Take Effect During the Financial Period 2021 or Later

In addition to the standards and interpretations presented in the financial statements for 2020, the Group will adopt the following standards, interpretations and

amendments to standards published by the IASB during financial periods beginning on or after January 1, 2021. The Group will adopt each standard on the effective date, or if the effective date is not the first day of a reporting period, as of the beginning of the following reporting period, provided that they are approved by the EU.

#### **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest rate benchmark reform – Phase 2**

On August 27, 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The amendments provide temporary relief to address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). According to the Group's current estimate, the amendments will have no impact on the Group's future financial statements, and it is continuing its assessment of the impact of the amendments.

#### **Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework**

The amendments are intended to replace a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing its requirements. According to the Group's current estimate, the amendments will have no impact on the Group's future financial statements, and it is continuing its assessment of the impact of the amendments.

#### **Amendments to IAS 37 Onerous Contracts – Costs of Fulfilling a Contract**

The amendments are intended to replace a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018.

#### **Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16**

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. According to the Group's current estimate, the amendments will have no impact on the Group's future financial statements, and it is continuing its assessment of the impact of the amendments.

Other amended IFRS standards or IFRIC interpretations have not had an effect on Innofactor's consolidated financial statements. New or amended IFRS standards or IFRIC interpretations that are not yet effective are not expected to have a material impact on the consolidated financial statements in the current reporting period or future reporting periods. They will be adopted from the date they become effective.

The preparation of the financial statements in accordance with the IFRS standards requires that the management makes certain assessments and judgment-based solutions. Information on the judgment-based solutions, which the management has used when applying the accounting policies and which have the most significant impact on the figures presented in the financial statements, is given under the section "Critical accounting judgments and key sources of estimation uncertainty."

## **Segment Structure**

Innofactor Group provides comprehensive solutions in a Microsoft-based environment. The Group has one reportable segment. The operations are reviewed as a whole to estimate the profitability and to manage the resources.

## **Subsidiaries**

Subsidiaries are companies over which the Group exercises control. This control arises from the Group holding more than half of the voting rights or otherwise being in a position to exercise control. The existence of potential control has also been taken into account in assessing the conditions under which control arises when instruments entitling to potential control are currently exercisable. Control refers to the right to stipulate the principles of the company's finances and business operations to gain from the operations.

Mutual holdings in the Group are eliminated using the acquisition cost method. The consideration transferred and the acquired company's identifiable assets and assumed liabilities are measured at fair value at the acquisition date. The acquisition costs, excluding the costs to issue debt or equity securities, have been recognized as a cost. The consideration transferred does not include transactions treated separately from the acquisition. The impact of these is recognized in profit or loss in connection with the acquisition. Possible contingent additional consideration has been measured at fair value at the acquisition date and has been classified as liability or equity. Contingent additional consideration classified as debt is measured at fair value at the closing date, and the gain or loss arising is recognized in profit or loss or in other comprehensive income. Contingent additional consideration classified as equity is not remeasured.

The subsidiaries acquired are consolidated from the date when control commences, and the subsidiaries disposed of are included in the consolidated financial statements until control ceases. All internal transactions, receivables, liabilities and unrealized profits, as well as internal profit distribution are eliminated in the consolidated financial statements. In a phased acquisition, the previously held equity interest is measured at fair value, and the resulting gain or loss is recognized in profit or loss. If the Group no longer has a controlling stake in a subsidiary, the remaining asset is measured at fair value at the date the control is lost, and the resulting gain or loss is recognized in profit or loss.

## Tangible Assets

Tangible assets have been measured at acquisition value less accumulated depreciation and impairment losses.

If an item of tangible assets consists of several parts with economic lives of different lengths, the parts are treated as separate assets. When a part is renewed, the costs are capitalized and the possible remaining carrying amount is written off. In other cases, subsequent costs are included in the carrying amount of the item of tangible assets only when it is probable that the future economic benefits that are attributable to it will flow to the Group and the acquisition cost of the item can be determined reliably. Other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation of assets is calculated using the straight-line method over the estimated useful lives. The estimated useful lives are as follows:

Machinery and equipment 3–10 years

The residual values and useful lives of assets are reviewed at the end of each financial period and, if necessary, adjusted to reflect the changes in the expected economic benefits.

The sales gains or losses from the sale or disposition of items of tangible assets are recognized in profit or loss under other operating income or expenses. The sales profit is defined as the difference between the sales price and the remaining purchase price.

## Government Grants

Government grants received for realized costs are recognized in profit or loss as income for the period that the grant becomes receivable. These grants are recognized in other income.

## Intangible Assets

### Goodwill

Goodwill arising in business combinations is recognized at the amount exceeding the Group's share of the fair value of the net assets of the acquired company at the time of acquisition.

Goodwill is not subject to depreciation, but it is tested annually for impairment. Goodwill is measured at original acquisition cost less impairment losses.

### Research and Development Costs

Research and development costs are recognized as costs in profit or loss.

The development costs incurred by the design of new or advanced products are capitalized in the balance sheet as intangible assets from the date on which the product is regarded as technically feasible,

commercially utilizable and able to generate future economic benefits. Capitalized development costs include the material, work and testing expenses that result directly from completing an asset for the intended purpose. The development costs recognized as expenses are not capitalized later.

Depreciation is recognized from the date the asset is ready for use. An asset which is not ready for use is tested annually for impairment. After initial recognition, capitalized development costs are measured at cost less accumulated depreciation and impairment losses. The useful life of capitalized development costs is 3-5 years, during which time capitalized costs are amortized on a straight-line basis.

In 2020 and 2019, no development costs were capitalized as the requirements were not met.

### Other Intangible Assets

An intangible asset is recognized in the balance sheet at acquisition cost, if the cost can be reliably determined and it is likely that the expected economic benefit from the asset will flow to the Group.

Intangible assets with a limited useful life are recognized in profit or loss and amortized on a straight-line basis over their known or estimated useful lives.

In 2020, Innofactor activated costs related to intangible assets for EUR 0 thousand (EUR 4 thousand in 2019). These costs will be amortized in 5 years.

The major part of other intangible assets has been formed in relation to business acquisitions and consists of customer relationships and technology. The amortization period is defined separately for each acquisition and is 5–9 years.

The amortization period for software is 3–5 years.

## Leases

### Group as a Lessee

Lease agreements, which fulfill the requirements of the IFRS 16 standard, are recognized in the balance sheet as right-of-use assets and corresponding lease liabilities.

Initially, lease liabilities are measured at the commencement date at the present value of the lease payments, discounted using the interest rate implicit in the lease, if it can be readily determined. If the rate can't be readily determined, such as in real estate leases, the incremental borrowing rate is used. The incremental borrowing rate reflects the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The lease term covers the non-cancellable period during which the Group has the right to use the underlying asset. For leases that are valid indefinitely, the probable minimum lease term is estimated.

Subsequently, lease liabilities are measured at amortized cost by increasing or reducing the carrying amount to reflect interest on the lease liability or the lease payments made. Lease liabilities are remeasured for lease reassessments, amendments to lease agreements or to reflect revised in-substance fixed lease payments. Interest expenses are recognized in profit or loss.

## Impairment of Tangible Assets and Intangible Assets

The Group assesses at the closing date of each reporting period whether there is any indication of impairment of an asset. If there are such indications, the asset's recoverable amount is estimated. In addition, the recoverable amount is estimated annually for the following assets regardless of whether there are any indications of impairment: goodwill and intangible assets with an infinite useful life.

The recoverable amount is the asset's fair value less costs to sell or its value in use, whichever is higher. Value in use refers to the estimated future net cash flows, discounted to their present value, expected to be derived from the said asset or cash-generating unit. The discount rate used is the interest rate before tax that represents the market's view of the time value of money and special risks associated with the asset.

An impairment loss is recognized, if the carrying amount of the asset is higher than its recoverable amount. The impairment loss is recognized immediately in profit or loss. An impairment loss of a cash-generating unit is first allocated to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amounts of the other assets of the unit pro rata. The useful life of the depreciated asset is re-evaluated in connection with the recognition of an impairment loss. An impairment loss recognized for an asset other than goodwill is reversed, if a change has taken place in the estimates used to determine the recoverable amount of the asset. However, the maximum reversal of an impairment loss amounts to the carrying amount of the asset had no impairment loss been recognized. An impairment loss recognized for goodwill is not reversed in any situation. No impairment losses were recognized in 2020 and 2019.

## Employee Benefits

### Pension Obligations

Pension arrangements are classified as benefit pension plans or contribution plans. In the contribution plans, the Group makes fixed payments to an external unit. The Group does not have a legal or constructive obligation to make additional payments, if the recipient is not able to pay the pension benefits concerned. All such arrangements that do not meet these conditions are benefit pension plans.

The Group's pension arrangements have been implemented through a pension insurance company, and they are based on contribution plans. In the contribution plan arrangement, payments are recognized in the profit and loss statement during the period to which the payment applies.

### Taxes Based on Taxable Income and Deferred Taxes for the Financial Period

The tax expense comprises taxes on taxable income and deferred taxes for the financial period. Taxes are recognized in profit or loss, except when they are directly connected with items recognized in shareholders' equity or other items of the comprehensive income. In this case, also the tax is recognized in the items concerned. The tax based on taxable income for the financial period is calculated on taxable income according to the tax rate in the country concerned.

Deferred taxes are calculated on temporary differences between the carrying amount and the taxable value. However, deferred tax liabilities are not recognized for taxable temporary differences when the deferred tax liability arises from the initial recognition of goodwill, or if the liabilities arise from

the initial recognition of an asset or liability in a transaction which is other than a business combination and which affects neither accounting nor taxable profit (or loss recognized in taxation) at the time of the transaction.

The largest temporary differences arise from the depreciation of tangible assets, previously unrecognized tax losses, and adjustments based on fair value measurement on business combinations.

Deferred taxes are calculated by using the tax rates enacted or approved in practice by the closing date of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that such future taxable profit will be available against which the temporary difference can be utilized. An estimate is made at the closing date of the reporting period on whether the conditions for recognizing deferred tax assets are met.

## Revenue Recognition Principles

Revenue from the sale of products and services is presented as net sales measured at fair value and adjusted for indirect taxes, discounts and currency translation differences from sales in foreign currencies. Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes consideration collected on behalf of third parties. The Group recognizes revenue when it transfers control of a good or service to a customer.

### Services Sold

Revenue from services is recognized when the service has been provided and the economic benefit from the service is probable. Man-hour work is recognized monthly as it progresses.

### Long-Term Projects

Long-term projects include planning, implementation, project management and commissioning services related to software and solutions to be implemented for the customer. Long-term fixed-price projects are recognized using the percentage of completion method when the outcome of the project can be estimated reliably. For contracts comprising fixed-price projects, revenue is recognized based on the actual service provided by the reporting date as a proportion of the total services to be provided. This is determined based on the cost of actual labor hours spent relative to the total expected cost of labor hours, as it best reflects the transfer of control to the customer. Estimates of revenues, costs or progress towards completion are revised if circumstances change and any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by the management. Invoicing and customer payments in fixed-price projects follow the payment schedule defined in the customer contract. If the services rendered by the Group exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

If the estimate of the outcome of the project changes, the recognized sales are adjusted in the financial period during which the change is discovered and can be estimated. An expected loss on a project is recognized in profit or loss immediately when it is identified.

The Group does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Consequently, the Group does not adjust any of the transaction prices for the time value of money.

The management exercises judgment in estimating the recognition of revenue from fixed-price projects and the amount of retrospective discounts.

### Maintenance Fees

Maintenance fees are recognized over the contract period.

### Licenses

License revenue is recognized at a point in time when the license is delivered, the legal title has passed, the customer has accepted the license, and has access to the licensed software. Distinct licenses that provide a right to access the software are recognized over the contract period. Contract assets or liabilities do not typically arise in the businesses described above.

### Financing

Innofactor's financial assets have been categorized according to IFRS 9 into the following categories: financial assets at allocated acquisition cost and financial assets at fair value through profit or loss. The financial assets are categorized as they are first registered, and the categorization is based on the business model applied by the company as regards financial assets and nature of contract-based cash flows.

Valuing an instrument, which belongs to financial assets, at allocated acquisition cost requires that the contract-based cash flows consist entirely of an interest and capital reimbursement (the so called SPPI criteria). The fulfilling of the SPPI criteria is assessed separately

for each financial instrument. If the SSPI criteria are not fulfilled, the financial assets are valued at fair value through profit or loss.

Financial assets are presented as current assets, if their maturity is under 12 months, or if the investment is planned to be relinquished within 12 months. In other cases, the asset is presented as a non-current asset. Transaction costs are included in the original carrying amounts of the financial assets, when the asset has been valued at allocated acquisition cost. The purchases and sales of financial instruments are registered at the clearance date. The fair values of financial instruments have been defined through discounted cash flows.

#### **Cash and Cash Equivalents**

Cash and cash equivalents comprise bank deposits. Bank overdrafts are included in the current liabilities in the balance sheet.

#### **Impairment of Financial Assets**

In estimating the losses for write-offs of sales receivables, a customer classification is used in which the reservation for credit loss is calculated based on experience, that is, based on expected credit losses from different customer groups. The Group's realized credit losses have historically been very small due to the large share of net sales coming from public administration, third sector and large companies. Sales receivables and assets based on contracts are written off the profit or loss as final credit losses, when it is not reasonable to expect a payment to be received for them. If the amount of the impairment loss decreases during a future financial period and the deduction can be objectively considered to be related to a transaction taking place after the impairment entry, the recognized loss will be reversed as incurred in profit or loss.

#### **Financial Liabilities**

Initially, financial liabilities are measured at fair value. Transaction costs are included in the original carrying amount of financial liabilities measured at amortized cost. Financial liabilities are rated as current liabilities when they are planned to be settled within 12 months from the reporting time.

The lending costs that are directly attributable to the acquisition, construction or production of a qualifying asset are recognized as part of the cost of that asset, if it is probable that future economic benefits that are attributable to the asset will flow to the Group and the costs can be determined reliably. Other lending costs are recognized as expenses in the period in which they have incurred. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. When the draw-down occurs, the fees paid on the establishment of loan facilities are recognized as part of transaction costs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

#### **Derivative Agreements**

Initially, derivative agreements are recognized at fair value on the date when the Group becomes a party of the agreement, and later they will continue to be valued at fair value. Profit and loss for valuing at fair value are treated in the accounting in a way defined by the purpose of use of the derivative agreement. Initially, derivative agreements are recognized at fair value on the date when the Group becomes a party

of the agreement, and later they will be valued at fair value at the time of reporting. Changes in fair value are recognized in financial income or expenses in the profit and loss statement. The Group has no derivative agreements in effect.

#### **Shareholders' Equity**

Ordinary shares are presented as share capital. Costs relating to the issue or acquisition of equity instruments are presented as a deduction in shareholders' equity. If Innofactor repurchases its own equity instruments, the purchase price of such instruments is deducted from the shareholder's equity.

#### **Operating Profit**

The IAS 1 Presentation of Financial Statements standard does not define the concept of operating profit. The Group has defined the concept as follows: Operating profit is the net total which is formed when other operating income is added to the net sales and the following items are deducted: materials and services, cost of employee benefits, depreciation and possible impairment losses, and other operating expenses. All other items of the profit and loss statement are presented below the operating profit. Currency translation differences are included in operating profit if they arise from business related items; otherwise they are recognized in financial items.

## **Critical Accounting Judgments and Key Sources of Estimation Uncertainty**

The preparation of financial statements requires estimates and assumptions concerning the future. The end results may deviate from these estimates and assumptions. The application of the accounting policies also requires judgment.

The estimates made in the preparation of the financial statements are based on the best view of the management at the closing date of the reporting period. The estimates are based on the previous experiences and on assumptions concerning the future that are considered the most probable at the closing date. They may be related to the expected development of the Group's financial operating environment in terms of sales and cost level. The Group regularly monitors the realization of the estimates and assumptions and the factors behind them by using several both internal and external sources of information. Possible changes in the estimates and assumptions are recognized in the financial period during which the estimate or assumption is adjusted and in the subsequent financial periods.

The key assumptions concerning the future and those key sources of estimation uncertainty at the closing date of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are presented later in this report. The Group management considers

these sections of the financial statements the most essential, because the accounting policies concerning them are the most complicated and their application requires the use of the most significant estimates and assumptions concerning, for example, the measurement of financial assets. In addition, the impact of possible changes in the assumptions and estimates used in these sections of the financial statements is estimated as the most significant.

## **Determination of the Fair Value of Assets Acquired in Business Combinations**

The estimation of the fair value of intangible assets is based on an estimate of the cash flows related to the assets as there is no information available in the market concerning the purchase of similar assets.

The Group management believes that the used estimates and assumptions are sufficiently exact for determining fair value. Additionally, the Group examines at every closing date of a reporting period or, if necessary, more frequently, if there are any indications of impairment in tangible and intangible assets.



### 3. Net Sales

EUR thousand	2020	2019
Revenue from services	29,155	33,282
Revenue recognized from long-term projects	37,009	30,917
<b>Total</b>	<b>66,164</b>	<b>64,199</b>

From long-term projects in progress at the balance sheet date, a total of EUR 33.8 million (EUR 28.7 million in 2019) of realized revenues had been recognized.

For advance payments for long-term projects in progress, the balance sheet included EUR 123 thousand on December 31, 2020 (EUR 301 thousand on December 31, 2019).

During the period January 1–December 31, 2020, approximately 68 percent of the net sales came from Finland, approximately 19% from Sweden, approximately 4% from Denmark, and approximately 9% from Norway.

### Unfulfilled Long-Term Customer Contracts

EUR thousand	2020	2019
Total transaction price for partially or entirely unfulfilled long-term customer contracts	60,402	49,753

#### Estimated time of recognition

Estimated recognition within the next year	35,689	29,166
Estimated recognition later	24,713	20,587
<b>Total</b>	<b>60,402</b>	<b>49,753</b>

For continuing service contracts, the value of long-term customer contracts is calculated as the value of the net sales in one year. On December 31, 2020, this was EUR 15,958 thousand and on December 31, 2019, it was EUR 14,490 thousand.

### Net Sales by Customer Location

EUR thousand	2020	2019
Finland	44,718	38,601
Rest of Europe	21,446	25,469
Rest of the world	0	128
<b>Total net sales</b>	<b>66,164</b>	<b>64,198</b>

### 4. Other Operating Expenses

EUR thousand	2020	2019
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The following table shows three of the most significant items included in other operating expenses:

Voluntary indirect employee costs	1,229	1,464
Expenses for business premises	582	932
Marketing expenses	490	519
<b>Total</b>	<b>2,301</b>	<b>2,915</b>
Other unspecified operating expenses	7,217	6,363
<b>Other operating expenses, total</b>	<b>9,518</b>	<b>9,278</b>

#### Remuneration of the Auditors

EUR thousand	2020	2019
Auditing	159	109
Other services	20	34
<b>Total</b>	<b>179</b>	<b>143</b>

## 5. Depreciation, Amortization and Impairment

EUR thousand	2020	2019
Depreciation by asset group		
Intangible Assets	2,478	2,489
<b>Total</b>	<b>2,478</b>	<b>2,489</b>

Tangible Assets		
Real estate	1,804	1,531
Machinery and equipment	381	273
<b>Total</b>	<b>2,185</b>	<b>1,805</b>
<b>Total depreciation</b>	<b>4,663</b>	<b>4,294</b>

## 6. Employee Benefits/Expenses

EUR thousand	2020	2019
Wages and salaries	35,668	35,195
Pension expenses – defined contribution plans	4,632	5,135
Other indirect employee costs	3,251	3,472
<b>Total</b>	<b>43,551</b>	<b>43,802</b>

Group personnel	2020	2019
Average in the financial period	544	534
At the end of the financial period	541	538

Information on management benefits is presented in Note 24 Related party transactions.

## 7. Research and Development Costs

In 2020, the research and development costs recognized as expenses totaled EUR 3,618 thousand (EUR 2,795 thousand in 2019). The Group did not capitalize any research and development costs during the financial period 2020.

## 8. Financial Income

EUR thousand	2020	2019
Interest income	29	4
Other financial income *	1,300	19
<b>Financial income, total</b>	<b>1,329</b>	<b>23</b>

\* Other financial income includes EUR 1,286 thousand in unrealized exchange rate gains that are primarily intra-Group.

## 9. Financial Expenses

### Items recognized in profit or loss

EUR thousand	2020	2019
Interest and other financial expenses *	1,634	654
Change in fair value registered from interest rate derivatives	4	8
Interest expenses for right-of-use assets	142	145
<b>Financial expenses, total</b>	<b>1,780</b>	<b>807</b>

\* Other interest and financial income includes EUR 1,075 thousand in unrealized exchange rate losses that are primarily intra-Group.

## 10. Income Taxes

EUR thousand	2020	2019
Tax based on the taxable income of the financial period	-10	0
Deferred tax related to the creation or cancellation of temporary differences	-278	406
<b>Total</b>	<b>-288</b>	<b>406</b>

Reconciliation between the income tax expense and the taxes calculated at the 20.0% tax rate valid in the Group's home country:

EUR thousand	2020	2019
Earnings before taxes	2,050	12
Taxes calculated at the domestic tax rate	-410	-2
Non-deductible expenses	-121	-8
Tax-free income	12	0
Change in tax rate	0	5
Difference in foreign tax rate	31	31
Change in deferred taxes	333	0
Group transfers recognized in profit or loss for which no deferred tax assets or liabilities have been recognized	-139	381
Other	6	0
<b>Taxes in the profit and loss statement</b>	<b>-288</b>	<b>406</b>

## 11. Earnings per Share

Basic earnings per share are calculated by dividing the profit attributable to the shareholders of the company by the weighted average number of outstanding shares during the financial period.

	2020	2019
Profit for the year attributable to shareholders of the parent company (EUR)	1,761,496	417,750
Weighted average of the number of shares during the financial period	37,388,225	36,806,307
Basic earnings per share (EUR/share)	0.0471	0.0113

There is no dilution effect in the Group.

## 12. Tangible Assets

EUR thousand	Machinery and equipment	Buildings and structures	Total
Acquisition cost, Jan 1, 2020	4,559	6,194	10,753
Additions in 2020	341	893	1,234
<b>Acquisition cost, Dec 31, 2020</b>	<b>4,900</b>	<b>7,088</b>	<b>11,987</b>
Accumulated depreciation, amortization and impairment, Jan 1, 2020	-4,030	-1,435	-5,465
Depreciation in 2020	-381	-1,804	-2,185
Carrying amount, Jan 1, 2020	529	4,760	5,289
<b>Carrying amount, Dec 31, 2020</b>	<b>489</b>	<b>3,850</b>	<b>4,338</b>
Acquisition cost, Jan 1, 2019	4,143	0	4,143
Change in the calculation principles (IFRS 16), Jan 1, 2019	171	5,621	5,792
Additions in 2019	245	574	819
<b>Acquisition costs, Dec 31, 2019</b>	<b>4,559</b>	<b>6,194</b>	<b>10,753</b>
Accumulated depreciation, amortization and impairment, Jan 1, 2019	-3,659	0	-3,659
Depreciation in 2019	-371	-1,435	-1,805
Carrying amount, Jan 1, 2019	484	0	484
<b>Carrying amount, Dec 31, 2019</b>	<b>529</b>	<b>4,760</b>	<b>5,289</b>
		<b>Jan 1, 2020</b>	<b>Dec 31, 2020</b>
Tangible assets		455	472
Right-of-use assets		4,835	3,865
<b>Total</b>		<b>5,290</b>	<b>4,338</b>
		<b>Jan 1, 2019</b>	<b>Dec 31, 2019</b>
Tangible assets		484	455
Right-of-use assets		5,792	4,835
<b>Total</b>		<b>6,276</b>	<b>5,290</b>
<b>Right-of-use assets</b>			
EUR thousand	Machinery and equipment	Buildings and structures	Total
Acquisition cost, Jan 1, 2020	74	4,760	4,835
Additions in 2020	30	893	924
Depreciation in 2020	89	1,804	1,893
<b>Carrying amount, Dec 31, 2020</b>	<b>16</b>	<b>3,850</b>	<b>3,865</b>
Acquisition cost, Jan 1, 2019	171	5,621	5,792
Additions in 2019	0	574	574
Depreciation in 2019	97	1,435	1,531
<b>Carrying amount, Dec 31, 2019</b>	<b>74</b>	<b>4,760</b>	<b>4,835</b>

Lease liabilities are described in Note 21.

### 13. Intangible Assets

EUR thousand	Goodwill	Other intangible assets	Total
Acquisition cost, Jan 1, 2020	27,214	15,621	42,835
Additions in 2020	186	702	887
Change in value from exchange rate changes	343	115	458
<b>Acquisition cost, Dec 31, 2020</b>	<b>27,743</b>	<b>16,438</b>	<b>44,180</b>
Accumulated depreciation, amortization and impairment, Jan 1, 2020	-1,216	-11,879	-13,095
Depreciation in 2020	0	-2,478	-2,478
<b>Accumulated depreciation, amortization and impairment, Dec 31, 2020</b>	<b>-1,216</b>	<b>-14,357</b>	<b>-15,573</b>
Carrying amount, Jan 1, 2020	26,003	3,745	29,748
<b>Carrying amount, Dec 31, 2020</b>	<b>26,531</b>	<b>2,084</b>	<b>28,616</b>
Acquisition cost, Jan 1, 2019	27,337	15,501	42,838
Additions in 2019	0	4	4
Change in value from exchange rate changes	-123	116	-7
<b>Acquisition cost, Dec 31, 2019</b>	<b>27,214</b>	<b>15,621</b>	<b>42,835</b>
Accumulated depreciation, amortization and impairment, Jan 1, 2019	-1,216	-9,389	-10,605
Depreciation in 2019	0	-2,490	-2,490
<b>Accumulated depreciation, amortization and impairment, Dec 31, 2019</b>	<b>-1,216</b>	<b>-11,879</b>	<b>-13,095</b>
Carrying amount, Jan 1, 2019	26,126	6,114	32,240
<b>Carrying amount, Dec 31, 2019</b>	<b>26,003</b>	<b>3,745</b>	<b>29,748</b>

## Intangible Assets

### Impairment Testing

The Group has one cash-generating unit (CGU), software business, to which all the goodwill created in business acquisitions is allocated.

In impairment testing, all the Group's recoverable amounts are determined on the basis of value in use. The cash flow forecasts are based on the forecasts approved by the management and they cover a period of three years. The cash flows after the forecast period approved by the management have been extrapolated by using a growth factor of 1.0%.

The essential variables in the calculation of value in use are the following:

1. Budgeted operating margin – The value of the variable is based on the budget approved by the Board of Directors and the management's estimate on the development of the operating margin during the next three years. During the forecast period, no essential changes are expected in the operating margin.
2. Change in working capital – The value of the variable is based on the average working capital in relation to the net sales and the management's estimate on changes in the working capital during the next three years. During the forecast period, no essential changes are expected in the change in the working capital.

3. Discounting rate – Determined by using Weighted Average Cost of Capital (WACC), which defines the overall cost of equity and debt, taking the special risks concerning the items into consideration. The discount rate has been determined before taxes. The discount rate used in the calculations is 12.8% (11.1% in 2019). The discount rate after taxes is 9.5% (8.6% in 2019).
4. Growth rate in the forecast period – the company considers the used net sales to be conservative, considering the realized long-term growth of the field and of Innofactor's business.

According to the impairment testing, the recoverable amounts exceed the corresponding balance sheet values by approximately EUR 33 million. No impairment losses were recognized in 2020 and 2019.

The Group has prepared a goodwill sensitivity analysis. Based on the analysis, it was found that no reasonably possible change in any key variable would lead to a situation where the recoverable amount of a unit would be lower than its carrying amount.

## Recognition of Goodwill

EUR thousand	2020	2019
IT service business	26,531	26,003
<b>Goodwill</b>	<b>26,531</b>	<b>26,003</b>

## 14. Deferred Tax Assets and Liabilities

### Changes in deferred taxes in 2020:

EUR thousand	Dec 31, 2019	Recognized in profit or loss	Exchange differences	Reversal of net deferred tax assets and liabilities	Dec 31, 2020
<b>Deferred tax assets</b>					
From Group combinations *	5,602	-550	77	1,283	6,412
<b>Total</b>	<b>5,602</b>	<b>-550</b>	<b>77</b>	<b>1,283</b>	<b>6,412</b>
<b>Deferred tax liabilities</b>					
Measurement of intangible assets and tangible assets at market value in business combinations					
	813	-272	0	1,283	1,824
<b>Yhteensä</b>	<b>813</b>	<b>-272</b>	<b>0</b>	<b>1,283</b>	<b>1,824</b>

\* Of the deferred tax assets, approximately EUR 4,950 thousand consist of historical, confirmed losses.

At the end of 2020, the amount of losses, which have not been used in the Group's taxation and which have not been recognized as deferred taxes in accordance with the prudence concept, is EUR 8.3 million. These losses are from the other Nordic countries outside Finland. The losses in other Nordic countries will not expire, but strong evidence of their utilization in the next few years is required. For the deferred losses, the amount of deferred tax receivables that has not been recognized is EUR 1.82 million. The figures do not include the losses to be used in the taxation for 2020, which have not yet been confirmed.

To assess whether the convincing evidence threshold per IAS 12 is met, the company has prepared profit and tax forecasts for future periods that take into consideration the tax regulations in effect at the time of calculation. The management has recognized a deferred tax asset from the Group's operations in Sweden based on the forecast of taxable income in these calculations.

## 15. Trade and Other Receivables

EUR thousand	2020	2019
<b>Trade and other receivables</b>		
Trade receivables	9,882	9,543
Receivables from customers for long-term projects	2,012	2,163
Loan receivables	141	66
Accrued income	1,890	1,637
<b>Total</b>	<b>13,925</b>	<b>13,409</b>

EUR thousand	Credit loss provision for receivables			
	2020		2020	2019
Breakdown of trade receivables by age				
Not past due	3,004	3	3,001	5,089
Past due				
Past due 1–90 days	5,611	11	5,600	3,835
Past due over 90 days	1,349	67	1,282	619
<b>Total</b>	<b>9,964</b>	<b>81</b>	<b>9,882</b>	<b>9,543</b>

Trade receivables have been adjusted by a credit loss provision in accordance with IFRS 9. The balance sheet values correspond best to the maximum amount of the credit risk, excluding the fair value of collateral, in cases where the other parties to the agreement are unable to fulfill their obligations related to financial instruments. The Group's operating practices do not include the acquisition of collateral for trade and other receivables. The principles for managing credit risks are described in Note 19.

## Assets Based on Customer Contracts

EUR thousand	2020	2019
Receivables based on project contracts	2,012	2,163
<b>Total</b>	<b>2,012</b>	<b>2,163</b>

EUR thousand	2020	2019
Liabilities based on project contracts	1,078	589
<b>Total</b>	<b>1,078</b>	<b>589</b>

Liabilities and receivables based on project contracts are stated in the accrued income and liabilities in the balance sheet. Innofactor does not expect to enter into contracts in which the time between the handover of projects or services to the customer and the payment made by the customer would be longer than one year. For this reason, the transaction prices are not adjusted to take the time value of money into account. During the financial period 2020, a write-down of EUR 0.6 million was recognized in receivables based on project contracts in Sweden in relation to a project implemented in 2019.

## 16. Cash and Cash Equivalents

EUR thousand	2020	2019
Bank accounts	3,066	963
<b>Total</b>	<b>3,066</b>	<b>963</b>

Current deposits have a maturity of three months at most. Cash and cash equivalents are presented at nominal value, which corresponds to their fair value.



## 17. Notes Concerning Shareholders' Equity

Number of Shares in 2020	2020	2019
Outstanding shares, Jan 1	37,388,225	36,188,225
Share issue	0	1,200,000
Outstanding shares, Dec 31	37,388,225	37,388,225

Innofactor Plc has one class of shares. The share has no nominal value. All the issued shares have been paid in full.

The equity funds are described below:

### Share premium reserve

In the cases in which option rights have been decided upon while the old Companies Act (29.9.1978/734) was in force, the cash payments received for subscriptions have been recognized in the share capital and share premium reserve in accordance with the conditions of the arrangement, with the transaction costs deducted.

### Reserve fund

The reserve fund is a fund for unrestricted equity formed on the basis of the decision of the General Meeting.

### Fund for Invested Unrestricted Equity

The fund for invested unrestricted equity contains other equity type investments and the subscription price of shares to the extent that they are not, based on a specific decision, recognized in the share capital. For the option programs that have been decided on after

the new Companies Act (21.7.2006/624) entered into force (September 1, 2006), the fees for subscriptions are recognized in full in the fund for invested unrestricted equity.

### Dividends

No dividends were distributed in 2020. The Board of Directors has proposed that Innofactor Plc distribute EUR 0.02 per share as dividends for the financial period 2020 and additionally a repayment of capital amounting to EUR 0.02 per share, for a total of EUR 0.04 per share.

The Board of Directors further proposes that the Annual General Meeting authorizes the company's Board of Directors to decide on a potential additional dividend or additional repayment of capital amounting to a maximum of EUR 1,639,529 (EUR 0.04 per share, taking into account the share issue authorization proposed to the Board of Directors).

### Own Shares

The General Meeting of March 31, 2020, authorized the Board of Directors to decide on acquiring of a maximum of 3,600,000 of company's own shares in one or several parts with the company's unrestricted equity.

The authorization entitles the Board to deviate from the shareholders' proportional shareholdings (directed acquisition). Own shares may be acquired at the purchase price formed for them in public trading at the day of purchase or at another market price. The number of treasury shares at a time may be, at the maximum, one tenth of the total number of shares in the company. Shares may be purchased to be used in company acquisitions or implementing other arrangements relating to the company's business operations, improving the company's capital or financing structure, as a part of the company's incentive system, or otherwise to be handed over or voided. In connection with the share repurchase, ordinary derivative, stock lending and other agreements may be made in the market in accordance with the laws and regulations. The authorization includes the right of the Board of Directors to decide on all other matters related to the acquisition of shares. The authorization will be valid until June 30, 2021. This authorization replaces the Board's earlier authorizations concerning share repurchase.

At the end of the review period, the company had no treasury shares.

## 18. Financial Risk Management

In its normal business operations, the Group is susceptible to several financial risks. The goal of the Group's risk management is to minimize the negative effects of the changes in the financial markets on the result of the Group. The main financial risks are credit risks, exchange rate risks, and interest risks. The general principles of the Group's risk management are approved by the Board of Directors and the practical implementation of financial risk management is the responsibility of the Group's financial department.

### Interest Risk

At the closing date, the company had fluctuating rate bank loans totaling EUR 11.4 million (EUR 12.0 million on December 31, 2019). The company has been subjected to the cash flow interest risk through the loan portfolio. The goal of the company's risk management as concerns the interest risk is to minimize the negative impacts of interest rate changes on the company's result. The average interest rate of the loans was 3.9 percent (3.5% in 2019).

The realized average balances of the fluctuating rate loans during the financial period have been used in the sensitivity analysis. At the closing date, the effect of the fluctuating rate interest-bearing loans on the result before taxes would have been EUR +/- 108 thousand (2019: EUR +/- 131 thousand) had the interest rate been increased or decreased by 1 percentage point.

### Exchange Rate Risk

Innofactor Group operates globally and is exposed 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. Innofactor has significant business 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 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.

### 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.

The aging analysis of the trade receivables is presented in Note 15. Trade and other receivables.

### 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 are typically 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.

### Risks Related to the Cash Position

The Group continually estimates and monitors the amount of financing required for the business operations, for example, by analyzing cash flow forecasts monthly to ensure that the Group has sufficient liquid funds to finance its operations. The Group analyzes the liquidity forecasts regularly and assesses the effect of possible acquisitions on the cash position.

The Group has not identified significant liquidity risk concentrations in the financial assets.

#### EUR thousand

Balance sheet value	0-6 months	6 months-1 year	over 1 year	2-4 years
Dec 31, 2020				

#### Maturity distribution of financial liabilities

Loans from financial institutions				
11,430	1,270	1,270	2,540	5,080
Lease liabilities				
3,955	909	830	1,233	984
Trade and other payables				
15,952	13,864	2,088	0	0

Balance sheet value	0-6 months	6 months-1 year	over 1 year	2-4 years
Dec 31, 2019				

#### Maturity distribution of financial liabilities

Loans from financial institutions				
12,018	4,205	4,129	1,810	1,874
Lease liabilities				
4,835	778	788	1,416	1,853
Trade and other payables				
15,909	13,816	2,093	0	0

## Capital Structure Management

The shareholders' equity in the consolidated balance sheet is managed as capital assets. The goal of capital structure management is to ensure operational preconditions of the Group and increase shareholder value in the long term. The capital structure can be managed through decisions concerning, for example, dividend distribution, acquisition and transfer of treasury shares, and share issues. The shareholders' equity in the consolidated balance sheet is managed as capital assets. No external capital requirements are applied to the Group.

The development of the capital structure of the Group is monitored continually by means of Net Gearing.

EUR thousand	2020	2019
Interest-bearing loans from financial institutions	11,430	12,018
Lease liabilities	3,955	4,835
Cash and cash equivalents	3,066	963
Total shareholders' equity	23,444	22,145
Net Gearing	52.5%	71.8%

## Financial Risk Management

In its normal business operations, Innofactor Group is exposed to normal financing risks. In total at the end of the review period, Innofactor had approximately EUR 11.4 million in interest bearing debts to financial institutions, which have been taken out to finance acquisitions and working capital. Of the debts, approximately EUR 8.9 million is non-current and approximately EUR 2.5 million current liabilities. Additionally, the company had lease liabilities in accordance with the IFRS 16 standard (leases for the duration of fixed-term leases) for EUR 4.0 million, of which EUR 1.7 million was current and EUR 2.2 million non-current. The total of interest-bearing liabilities was EUR 15.4 million.

In the review period, Innofactor acquired EUR 3.0

million in new additional financing in the form of a senior loan from a major Finnish pension insurance company to support growth projects and renegotiated loan terms with the bank. From now on, Innofactor is committed to the following covenants common to both financiers: Equity ratio calculated every 6 months is at least 36% until June 30, 2021, 38% until June 30, 2022, and 40% afterwards; interest bearing liabilities calculated every 6 months divided by the 12-month operating margin (EBITDA) is a maximum of 3.5 until December 31, 2020, 3.25 until June 30, 2021, 3.0 until December 31, 2021, 2.75 until June 30, 2022, and 2.5 afterwards; and certain other normal conditions for

loans. Due to the COVID-19 pandemic, Innofactor has agreed that installments for the new and current loans will be paid for the first/next time in April 2021.

The goal of managing the financing risks is to minimize the negative effects of the changes in the financial markets to 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.

## 19. 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	Note	Dec 31, 2020	Dec 31, 2019
Trade and other receivables	15	13,925	13,409
Cash and cash equivalents	16	3,066	963
<b>Total</b>		<b>16,991</b>	<b>14,373</b>
Loans from financial institutions		11,430	12,018
Lease liabilities		3,956	4,835
<b>Total</b>		<b>15,386</b>	<b>16,853</b>
Trade and other payables:			
Received advances		1,078	589
Trade payables		1,559	2,202
Other liabilities		4,766	5,678
Accrued expenses		8,550	7,387
Interest rate swap agreements, not in hedge accounting *		0	52
<b>Total</b>		<b>15,953</b>	<b>15,909</b>

\* fair value hierarchy level 2

## Trade and other receivables

The original carrying amount of the receivables corresponds to their fair values, as the effect of discounting is not essential considering the maturity of the receivables.

## Loans From Financial Institutions

The carrying amount of loans corresponds with their fair value.

## Trade and Other Payables

The original carrying amount of the trade and other payables corresponds to their fair values, as the effect of discounting is not essential considering the maturity of the payables.

## Derivatives

Fair value of derivative agreements has been defined based on available market information.

## 20. Government Grants

### Comprehensive Consolidated Profit and Loss Statement, IFRS

Government grants recognized during the financial period

EUR thousand	2020	2019
Grants received for wages and employee expenses	407	0
Other grants	302	0
<b>Total</b>	<b>709</b>	<b>0</b>

Payments of government grants related to the COVID-19 pandemic

EUR thousand	2020	2019
Government grants received	513	0
Government grants receivable	196	0
Deferred payments	275	0

During the financial period 2020, Innofactor Group received COVID-19 grants from the Swedish, Norwegian and Danish governments and business development funding from the Finnish state (Business Finland).

## 21. Lease Liabilities

### Maturity

EUR thousand	Total	Less than 1 year	1–5 years	Over 5 years
<b>Dec 31, 2020</b>				
Lease liabilities (IFRS 16)	3,956	1,740	2,216	0
Other lease liabilities	38	29	8	
<b>Total</b>	<b>3,993</b>	<b>1,769</b>	<b>2,224</b>	<b>0</b>

### Financial statement

EUR thousand	
Non-current lease liabilities	2,216
Current lease liabilities	1,740
<b>Total</b>	<b>3,956</b>

### Comprehensive Consolidated Profit and Loss Statement, IFRS

EUR thousand	
Deduction of other expenses (lease liabilities)	1,994
Addition of right-of-use asset deductions	-1,893
<b>Addition of operating profit</b>	<b>101</b>
Addition of financial expenses	-142
<b>Result for the financial period</b>	<b>-41</b>

Current lease liabilities recognized in 2020	142
Low value lease liabilities recognized in 2020	71

The cash flow effect of the company's lease agreements was EUR -2,207 thousand in 2020 (EUR -2,246 thousand in 2019).

Interest on lease liabilities is shown in Note 9. Financial expenses. Right-of-use assets are described in Note 12.

## 22. Contingent Liabilities and Assets and Acquisition Commitments

### Collateral

EUR thousand	2020	2019
Collateral given for own commitments		
Lease collateral	156	246
Mortgages on company assets	17,017	16,535
Mortgages on company assets have been given as collateral for the credit limit and a loan.		
Bank guarantees	296	303
Bank guarantees have been given as collateral for lease agreements.		

## 23. Statement of Changes in Interest Bearing Debts

EUR thousand	Non-current	Current	Total
<b>Liabilities Jan 1, 2020</b>	<b>6,953</b>	<b>9,900</b>	<b>16,853</b>
Loans withdrawn	3,000	0	3,000
Loans paid	0	-3,588	-3,588
Changes with no related cash flow:			
Changes between non-current and current	2,206	-2,206	0
Change in lease liabilities *	-1,051	172	-879
<b>Liabilities Dec 31, 2020</b>	<b>11,108</b>	<b>4,278</b>	<b>15,386</b>

\* IFRS 16 lease liabilities (Note 21)

EUR thousand	Non-current	Current	Total
<b>Liabilities Jan 1, 2019</b>	<b>5,418</b>	<b>10,000</b>	<b>15,418</b>
Loans withdrawn	0	165	165
Loans paid	-1,741	-1,832	-3,573
Changes with no related cash flow:			
Effective interest rate	7	0	7
Lease liabilities	3,269	1,566	4,835
<b>Liabilities Dec 31, 2019</b>	<b>6,953</b>	<b>9,900</b>	<b>16,853</b>

## 24. Related Party Disclosures

Persons discharging managerial duties in the company, who are considered related parties, owe EUR 107 thousand to the company (EUR 136 thousand in 2019) as a result of personnel share issues. The loan period is five years, and the loan is repaid in fixed monthly installments. The interest rate for the loan is 12-month Euribor 360. However, the interest rate is always a minimum of 0%. The accrued interest is paid to the company monthly.

The company has no other significant related party transactions.

### Management's Employment Benefits

EUR thousand	2020	2019
Salaries and fees paid to the CEO and Group management during the financial period, including benefits in kind, as follows:		
CEO (including Board fees)	344	311
Other Group management	882	776
<b>Total</b>	<b>1,226</b>	<b>1,087</b>

Management's employment benefits include the salaries and fees of the Executive Board.

EUR thousand	2020	2019	
Board members and deputy members			
Lindén Anna	Chairman of the Board in 2020	45	24
Eloholma Pekka	Board member in 2020	27	48
Ensio Sami	Board member in 2020	24	24
Linturi Risto	Board member in 2020	24	24
Heikki Nikku	Board member in 2020	20	0
<b>Total</b>	<b>140</b>	<b>120</b>	

The CEO's retirement age and the basis for calculating the pension comply with the effective Employee Pensions Act. The mutual term of notice of the CEO is 6 months. If the company terminates the CEO's contract, the CEO will be paid the salary for the period of notice and also, as a compensation for the termination, a one-time payment equaling to the CEO's 12 months' salary. In addition to the Board fee, Anna Lindén has been paid a consultancy fee of EUR 19 thousand while acting as the company's advisor. This assignment has been terminated and it took place before Lindén's election as Chairman of the Board.

## 25. Group Companies

At the end of the financial period, the Innofactor Group includes the following companies:

- ▶ Innofactor Plc, Finland (parent company)
- ▶ Innofactor Software Oy, Finland, Espoo, 100%
- ▶ Arc Technology Oy, Finland, Espoo, 100%
- ▶ Innofactor Holding AB, Sweden, 100%
- ▶ Innofactor AB, Sweden, 100%
- ▶ Innofactor Holding ApS, Denmark, 100%
- ▶ Innofactor A/S, Denmark, 100%
- ▶ Innofactor Holding AS, Norway, 100%
- ▶ Innofactor AS, Norway, 100%

Innofactor took the following measures in 2020 to simplify the group structure with regard to the 100% owned Group companies:

- ▶ Innofactor Business Solutions Oy merged into Innofactor Software Oy on December 31, 2020
- ▶ Lumagate Holding AB merged into Innofactor Holding AB on December 3, 2020
- ▶ Innofactor CS Oy was dissolved on December 23, 2020 (all of the company's business had already previously been transferred to Innofactor Software Oy in a business transfer, and there is no longer any need for the company)

Innofactor acquired Arc Technology Oy during the review period. The transaction price was EUR 0.1 million and the goodwill generated by the acquisition was EUR 0.2 million. The goodwill is based on synergies derived from the acquisition. The goodwill is tax-deductible. Arc Technology Oy's total assets and liabilities amounted to EUR 1.4 million at the time of acquisition. The acquisition does not involve any contingent liabilities. The acquisition increased consolidated goodwill by EUR 0.9 million and increased operating profit by EUR 2 thousand during the period April 1–December 31, 2020. The effect on consolidated net sales would have been approximately EUR 1.1 million and the effect on operating profit would have been EUR 2 thousand for the financial period that ended on December 31, 2020, if the companies were consolidated from the start of the financial period.

## 26. Events After the Closing Date

### Events After the Review Period

- ▶ On January 21, 2021, Innofactor announced in a stock exchange release that the Finnish Tax Administration has selected Innofactor in a public procurement competition as the primary provider of IT specialist services in the area of Azure programming. On the basis of the volume stated by the customer in connection with the procurement, the total value in this area is approximately EUR 15–25 million. The duration of the framework agreement is 6 years, and assignments started during the framework agreement period may continue 4 years after the expiration of the framework agreement.
- ▶ On January 29, 2021, Innofactor announced in a stock exchange release that Innofactor and a Norwegian financial services company have signed an agreement concerning the migration and implementation of services to Microsoft Azure. The solution will be built on the Innofactor Virtual Data Center solution. The value of the agreement (excluding VAT) is approximately EUR 500,000 and the services will be delivered during the year 2021.

There are no other significant events in Innofactor after the review period.

# Parent Company Financial Statement, FAS

EUR

<b>PARENT COMPANY PROFIT AND LOSS STATEMENT</b>	<b>Note</b>	<b>Jan 1–Dec 31, 2020</b>	<b>Jan 1–Dec 31, 2019</b>
		<b>12 months</b>	<b>12 months</b>
<b>NET SALES</b>	<b>1</b>	<b>9,378,502</b>	<b>7,176,408</b>
Other operating income	2	12,500	34,137
Materials and services			
Purchases during the financial period	3	-2,028,509	-1,796,595
Personnel expenses	4	-2,394,223	-2,124,839
Depreciation			
Planned depreciation		-315,047	-321,270
Other operating expenses	6	-4,634,977	-3,057,694
<b>OPERATING RESULT</b>		<b>18,246</b>	<b>-89,853</b>
Financial income and expenses	7		
Dividend income		0	0
Interest and financial income		2,147,857	709,801
Interest and other financial expenses		-887,966	-400,137
Total financial income and expenses		1,259,891	309,664
<b>RESULT BEFORE APPROPRIATIONS AND TAXES</b>		<b>1,278,137</b>	<b>219,811</b>
Group contribution		272,944	81,396
<b>EARNINGS BEFORE TAXES</b>		<b>1,551,081</b>	<b>301,207</b>
<b>RESULT FOR THE FINANCIAL PERIOD</b>		<b>1,551,081</b>	<b>301,207</b>



# Balance Sheet, FAS

EUR

ASSETS	Note	Dec 31, 2020	Dec 31, 2019
<b>NON-CURRENT ASSETS</b>			
<b>Intangible assets</b>			
Intangible rights	8	359,962	542,815
Goodwill	8	120,768	241,536
<b>Tangible assets</b>			
Machinery and equipment	8	26,479	37,906
<b>Investments</b>			
Shares in Group companies	9	29,384,334	28,696,532
Other shares and holdings		0	77,625
<b>TOTAL NON-CURRENT ASSETS</b>		<b>29,891,544</b>	<b>29,596,414</b>
<b>CURRENT ASSETS</b>			
<b>Receivables</b>			
<b>Non-current</b>			
Loan receivables		245,202	541,363
Other receivables		27,289,298	23,134,463
<b>Current</b>			
Trade receivables		12,876,104	12,785,020
Loan receivables		115,972	75,624
Accrued income	11	457,433	350,136
Cash and bank receivables		2,867,927	475
<b>TOTAL CURRENT ASSETS</b>		<b>43,851,937</b>	<b>36,887,080</b>
<b>ASSETS</b>		<b>73,743,481</b>	<b>66,483,494</b>

EUR

LIABILITIES	Note	Dec 31, 2020	Dec 31, 2019
<b>SHAREHOLDERS' EQUITY</b>			
12			
Share capital		2,100,000	2 100 000
Revaluation fund		2,000,000	2 000 000
Fund for invested unrestricted equity		29,015,281	29 015 281
Profit from previous financial periods		-776,443	-1 178 450
Personnel share issue 2019		0	100 800
Profit/loss for the financial period		1,551,081	301 207
<b>Total shareholders' equity</b>		<b>33,889,919</b>	<b>32 338 839</b>
<b>LIABILITIES</b>			
13			
<b>Non-current</b>			
Loans from financial institutions		8,890,000	3,077,055
<b>Non-current total</b>		<b>8,890,000</b>	<b>3,077,055</b>
<b>Current</b>			
Loans from financial institutions		2,540,000	4,817,110
Trade payables		372,771	187,928
Other liabilities		26,887,845	25,401,051
Accrued expenses	14	1,162,945	661,512
<b>Current total</b>		<b>30,963,561</b>	<b>31,067,601</b>
<b>Total liabilities</b>		<b>39,853,561</b>	<b>34,144,656</b>
<b>LIABILITIES</b>		<b>73,743,481</b>	<b>66,483,494</b>

# Parent Company Cash Flow Statement

EUR	Jan 1–Dec 31, 2020	Jan 1–Dec 31, 2019
<b>Operating activities cash flow</b>		
Operating profit/loss	18,246	-89,853
Adjustments:		
Depreciation	315,047	321,270
Transactions with no related cash flow	120,566	0
Change in working capital		
Change in trade and other receivables	-247,826	-2,078,897
Change in trade and other payables	-2,451,830	2,424,693
Interest received	991,801	1,118
Dividend income	0	0
Paid interest and other financial expenses	-420,227	-338,911
<b>Total operating activities cash flow</b>	<b>-1,674,222</b>	<b>239,419</b>
<b>Investment cash flow</b>		
Investments in subsidiary shares	-103,727	0
Investments in other shares	0	0
Proportional share of the dissolution of a subsidiary	1,065,926	0
Investments in subsidiaries	-682,237	0
Investments in fixed assets	0	-6,115
Loan receivables paid back	255,813	143,809
Loans paid	0	2,329,041
Loans granted	-3,428,792	0
<b>Total investment cash flow</b>	<b>-2,893,017</b>	<b>2,466,735</b>
<b>Cash flow before financing</b>	<b>-4,567,239</b>	<b>2,706,154</b>
<b>Financing cash flow</b>		
Loans withdrawn	3,535,836	0
Loans paid	0	-2,826,287
Group account debt withdrawn	4,624,899	0
Group account debt repaid	-726,043	0
Payments received from share issue	0	120,280
<b>Total financing cash flow</b>	<b>7,434,692</b>	<b>-2,706,007</b>
<b>Change in cash and cash equivalents as per cash flow statement</b>	<b>2,867,453</b>	<b>147</b>
<b>Change in cash and cash equivalents</b>	<b>2,867,453</b>	<b>147</b>
Cash and cash equivalents, opening balance	475	328
Cash and cash equivalents, closing balance	2,867,927	475

# Notes to the Parent Company's Financial Statements

## Accounting Principles Used in the Parent Company's Financial Statements

The financial statements of Innofactor Plc for the financial period of 2020 have been prepared in accordance with the Finnish accounting regulations.

## Intangible and Tangible Assets

The intangible and tangible assets have been recognized at historical cost less planned depreciation. Planned depreciation has been calculated on the basis of the assets' economic lives as follows:

- intangible rights            3–5 years
- goodwill                      5 years
- tangible assets               3–5 years

Acquisition costs for non-current asset items, which have a probable economic life of under three years, and small purchases (under EUR 850) have been recognized as cost in their entirety in the financial period in which they were purchased.

## Securities Included in Financial Assets

Securities included in financial assets have been measured at the acquisition price or the market price, whichever is lower.

## Items in Foreign Currency

Items in foreign currency have been converted using the weighted average rate quoted by the European Central Bank at the closing date.

## Derivatives

Fair value of derivative agreements has been defined based on available market information.

## Notes to the Financial Statements (EUR)

<b>1. Net sales (EUR) by market area</b>	<b>2020</b>	<b>2019</b>
Finland	8,471,444	6,307,700
Rest of Europe	907,058	868,708
<b>Total net sales</b>	<b>9,378,502</b>	<b>7,176,408</b>

<b>2. Other operating income</b>	<b>2020</b>	<b>2019</b>
Lease revenue	12,500	29,900
Other operating income	0	4,237
<b>Total other operating income</b>	<b>12,500</b>	<b>34,137</b>

<b>3. Materials and services</b>	<b>2020</b>	<b>2019</b>
Purchases during the financial period	2,028,509	1,796,595
<b>Total</b>	<b>2,028,509</b>	<b>1,796,595</b>

<b>4. Personnel expenses</b>	<b>2020</b>	<b>2019</b>
Salaries and fees	2,083,488	1,788,591
Pension expenses	253,852	280,449
Other indirect employee costs	56,882	55,799
<b>Total personnel expenses</b>	<b>2,394,223</b>	<b>2,124,839</b>

### Management salaries and fees

CEO and Board Member Sami Ensio	344,069	310,610
Board members and deputy members	116,000	96,000
<b>Total</b>	<b>460,069</b>	<b>406,610</b>

The CEO's retirement age and the basis for calculating the pension comply with the effective Employee Pensions Act. The mutual term of notice of the CEO is 6 months. If the company terminates the CEO's contract, the CEO will be paid the salary for the period of notice and also, as a compensation for the termination, a one-time payment equaling the CEO's 12 months' salary.

Average number of personnel	26	24
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<b>5. Planned depreciation</b>	<b>2020</b>	<b>2019</b>
On intangible rights	182,852	185,326
On goodwill	120,768	120,768
On machinery and equipment	11,427	15,176
<b>Total</b>	<b>315,047</b>	<b>321,270</b>

<b>6. Other operating expenses</b>	<b>2020</b>	<b>2019</b>
Leases and other expenses for premises	919,107	866,563
IT hardware, licenses and communications	1,738,968	1,268,134
Travel expenses	52,807	130,671
Training expenses	17,500	34,969
Entertainment expenses	20,507	68,421
Other operating expenses	1,886,088	681,592
	<b>4,634,977</b>	<b>3,050,350</b>

<b>The Group's internal expenses</b>	<b>0</b>	<b>7,344</b>
<b>Other operating expenses, total</b>	<b>4,634,977</b>	<b>3,057,694</b>

#### Remuneration of the Auditors

Auditing	133,002	49,566
Other services	4,200	32,710
<b>Total</b>	<b>137,202</b>	<b>82,276</b>

<b>Fees in total</b>	<b>137,202</b>	<b>82,276</b>
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<b>7. Financial income and expenses</b>	<b>2020</b>	<b>2019</b>
Total interest and other financial income		
Dividend income from Group companies	0	0
From Group companies	991,787	708,683
From others	1,156,069	1,118
<b>Total interest and other financial income</b>	<b>2,147,857</b>	<b>709,801</b>

Interest and other financial expenses		
To Group companies	-24,519	-61,225
Interest expenses to others	-863,447	-338,911
<b>Total interest and other financial expenses</b>	<b>-887,966</b>	<b>-400,137</b>
<b>Total financial income and expenses</b>	<b>1,259,891</b>	<b>309,664</b>
<b>Group contributions received</b>	<b>272,944</b>	<b>81,396</b>

## Balance Sheet Notes (EUR)

### 8. Intangible and tangible assets

	<b>Intangible</b>	<b>Goodwill</b>	<b>Tangible</b>	<b>Total</b>
Acquisition cost, Jan 1, 2020	1,047,111	603,840	138,163	1,789,114
Additions	0	0	0	0
Acquisition cost, Dec 31, 2020	1,047,111	603,840	138,163	1,789,114
Accumulated depreciation, amortization and impairment, Jan 1, 2020	504,296	362,304	100,257	966,857
Depreciation for the financial period	182,852	120,768	11,427	315,047
Accumulated depreciation, Dec 31, 2020	687,149	483,072	111,684	1,281,904
<b>Carrying amount, Dec 31, 2020</b>	<b>359,962</b>	<b>120,768</b>	<b>26,479</b>	<b>507,209</b>

	<b>Intangible</b>	<b>Goodwill</b>	<b>Tangible</b>	<b>Total</b>
Acquisition cost, Jan 1, 2019	1,047,111	603,840	132,048	1,782,999
Additions	0	0	6,115	6,115
Acquisition cost, Dec 31, 2019	1,047,111	603,840	138,163	1,789,114
Accumulated depreciation, amortization and impairment, Jan 1, 2019	318,970	241,536	85,081	645,587
Depreciation for the financial period	185,326	120,768	15,176	321,270
Accumulated depreciation, Dec 31, 2019	504,296	362,304	100,257	966,857
<b>Carrying amount, Dec 31, 2019</b>	<b>542,815</b>	<b>241,536</b>	<b>37,906</b>	<b>822,257</b>

<b>9. Investments</b>	
Acquisition cost, Jan 1, 2020	28,696,532
Acquisition cost, Dec 31, 2020	29,384,334
<b>Carrying amount, Dec 31, 2020</b>	<b>29,384,334</b>
Acquisition cost, Jan 1, 2019	28,696,532
Acquisition cost, Dec 31, 2019	28,696,532
<b>Carrying amount, Dec 31, 2019</b>	<b>28,696,532</b>

During the first quarter, Innofactor increased its holding in Arc Technology Oy by 26.94 percent to a total of 45.13 percent. Starting from Q2/2020, Arc Technology Oy was reported as a subsidiary, because Innofactor has had control over the company since April 2020. Innofactor's holding in the company increased to 100% on December 30, 2020. The value of the investment during the financial period was EUR 181,353.

#### Shares and holdings owned by the parent company

Shares in subsidiaries:	Domicile	Country	Share of ownership
Innofactor Software Oy	Espoo	Finland	100%
Arc Technology Oy	Espoo	Finland	100%
Innofactor Holding AB	Stockholm	Sweden	100%
Innofactor Holding ApS	Copenhagen	Denmark	100%
Innofactor Holding AS	Oslo	Norway	100%

Innofactor took the following measures in 2020 to simplify the group structure with regard to the 100% owned Group companies:

- ▶ Innofactor Business Solutions Oy merged into Innofactor Software Oy on December 31, 2020
- ▶ Lumagate Holding AB merged into Innofactor Holding AB on December 3, 2020
- ▶ Innofactor CS Oy was dissolved on December 23, 2020 (all of the company's business had already previously been transferred to Innofactor Software Oy in a business transfer, and there is no longer any need for the company)

The carrying amount of the subsidiary shares is EUR 29,384,334 in total. The companies have been consolidated into the consolidated financial statements of the parent company.

<b>10. Receivables</b>	<b>2020</b>	<b>2019</b>
Non-current assets		
Loan receivables	245,202	541,363
Receivables from associated companies	0	87,932
Other receivables from Group companies	27,289,298	23,046,531
<b>Non-current receivables total</b>	<b>27,534,500</b>	<b>23,675,826</b>

Current receivables		
Trade receivables	17,220	24,138
Loan receivables	115,972	75,624
Trade receivables from Group companies	12,858,884	12,760,882
<b>Current receivables total</b>	<b>12,992,076</b>	<b>12,860,644</b>

<b>Total receivables from Group companies</b>	<b>40,148,182</b>	<b>35,807,413</b>
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<b>11. Accrued income</b>	<b>2020</b>	<b>2019</b>
Pre-paid licenses	425,913	325,506
Periodical personnel expenses	23,781	16,980
Other	7,739	7,650
<b>Accrued income in total</b>	<b>457,433</b>	<b>350,136</b>

<b>12. Shareholders' equity</b>	<b>2020</b>	<b>2019</b>
Shareholders' equity, opening balance	2,100,000	2,100,000
<b>Shareholders' equity, closing balance</b>	<b>2,100,000</b>	<b>2,100,000</b>

Revaluation fund, opening balance	2,000,000	2,000,000
<b>Revaluation fund, closing balance</b>	<b>2,000,000</b>	<b>2,000,000</b>

#### Unrestricted shareholders' equity

Fund for invested unrestricted equity opening balance	29,015,281	28,415,281
Personnel loan in 2019	0	600,000

<b>Fund for invested unrestricted equity closing balance</b>	<b>29,015,281</b>	<b>29,015,281</b>
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Profit from previous financial periods, opening balance	-776,443	-1,178,450
Cost effect of the personnel share issue 2019	0	100,800
<b>Profit from previous financial periods, closing balance</b>	<b>-776,443</b>	<b>-1,077,650</b>
<b>Result for the financial period</b>	<b>1,551,081</b>	<b>301,207</b>
<b>Total unrestricted shareholders' equity</b>	<b>29,789,919</b>	<b>28,238,838</b>
<b>Total shareholders' equity</b>	<b>33,889,919</b>	<b>32,338,838</b>

<b>Calculation of distributable funds</b>	<b>2020</b>	<b>2019</b>
Result from previous financial periods	-776,443	-1,077,650
Result for the financial period	1,551,081	301,207
Fund for invested unrestricted equity	29,015,281	29,015,281
<b>Total</b>	<b>29,789,919</b>	<b>28,238,838</b>

<b>13. Liabilities</b>	<b>2020</b>	<b>2019</b>
<b>Non-current liabilities</b>		
Loans from financial institutions	8,890,000	3,077,055
<b>Total non-current liabilities</b>	<b>8,890,000</b>	<b>3,077,055</b>
<b>Current liabilities</b>		
Loans from financial institutions	2,540,000	4,817,110
Trade payables	372,771	187,928
Trade payables to Group companies	8,301	1,592,990
<b>Trade payables in total</b>	<b>381,072</b>	<b>1,780,918</b>
Other liabilities	1,906,907	1,316,474
Other payables to Group companies	24,972,637	22,491,588
<b>Other liabilities in total</b>	<b>26,879,544</b>	<b>23,808,061</b>
Accrued expenses	1,162,945	661,512
<b>Liabilities to Group companies</b>	<b>24,980,938</b>	<b>24,084,578</b>
<b>Total current liabilities</b>	<b>30,963,561</b>	<b>31,067,602</b>
<b>Total liabilities</b>	<b>39,853,561</b>	<b>34,144,657</b>

<b>14. Accrued expenses</b>	<b>2020</b>	<b>2019</b>
Periodical personnel expenses	520,714	348,215
Rent	159,196	211,865
Other	483,035	101,432
<b>Accrued expenses in total</b>	<b>1,162,945</b>	<b>661,512</b>

15. Commitments and contingent liabilities	2020	2019
<b>Bank guarantees</b>		
A bank guarantee has been given as collateral for a lease agreement	252,960	252,960
<b>Lease liabilities</b>		
To be paid in the next financial period	0	17,177
To be paid later	0	0
<b>Total</b>	<b>0</b>	<b>17,177</b>
<b>Lease liabilities</b>		
To be paid in the next financial period	1,023,250	1,023,250
To be paid later	2,046,499	3,069,749
<b>Total</b>	<b>3,069,749</b>	<b>4,092,999</b>
<b>Mortgages on company assets as collateral for loan</b>		
Mortgages on company assets as collateral for loan	4,000,000	4,000,000

### Board of Directors' Proposal on the Distribution of Profits

At the end of the financial period of 2020, the distributable assets of Innofactor Plc are EUR 29,789,919. The Board of Directors proposes that Innofactor Plc distribute EUR 0.02 per share as dividends for the financial period 2020 and additionally a repayment of capital amounting to EUR 0.02 per share, for a total of EUR 0.04 per share.

The Board of Directors further proposes that the Annual General Meeting authorizes the company's Board of Directors to decide on a potential additional dividend or additional repayment of capital amounting to a maximum of EUR 1,639,529 (EUR 0.04 per share, taking into account the share issue authorization proposed to the Board of Directors).

### Company Shares

Innofactor Plc has one series of shares. The number of shares is 37,388,225. The share has no nominal value. One share entitles the holder to one vote at the General Meeting. All shares entitle their holders to dividends of equal value. Innofactor Plc's share capital, paid in full and entered in the Trade Register, is EUR 2,100,000.00.

### Location of Accounting Records

Innofactor Plc, Keilaranta 9, 02150 Espoo

INNOFACTOR PLC

**SIGNATURES TO THE FINANCIAL STATEMENTS AND ANNUAL REPORT**

Espoo, March 8, 2021

**Anna Lindén**

Chairman of the Board of Directors

**Pekka Eloholma**

Board Member

**Sami Ensio**

CEO, Board Member

**Risto Linturi**

Board Member

**Heikki Nikku**

Board Member

**AUDITOR'S NOTE**

A report on the audit has been issued today.

Helsinki, March 9, 2021

**Ernst & Young Oy**

Authorized Public Accountants

**Juha Hilmola**

Authorized Public Accountant



# Auditor's Report (Translation of the Finnish Original)

To the Annual General Meeting of Innofactor Plc

## Report on the Audit of Financial Statements

### Opinion

We have audited the financial statements of Innofactor Corporation (business identity code 0686163-7) for the year ended 31 December, 2020. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- ▶ the consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- ▶ the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Board of Directors.

### Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in 4 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

### *Key Audit Matter*

#### **Revenue Recognition of Fixed Price Projects**

*Refer to note summary of significant accounting policies and note 3.*

The company provides its customer with services based on fixed price contracts. Revenue is recognized over time which involves the use of management judgement when determining the percentage of completion of the projects.

The group focuses on revenue as a key performance measure which could create an incentive for revenue to be recognized before the control has been transferred.

Revenue recognition of fixed price projects was determined to be a key audit matter and a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2) due to the management's judgement used when determining the percentage of completion of the projects.

### *How our audit addressed the Key Audit Matter*

Our audit procedures to address the significant risk of material misstatement related to revenue recognized over time, included amongst other:

- ▶ assessing the Group's accounting policies over revenue recognition of fixed price contracts.
- ▶ gaining an understanding of the PoC revenue recognition process.
- ▶ examination of the project documentation and testing the PoC calculations and inputs of estimates in the calculations and comparing the estimates to actuals.
- ▶ analytical procedures
- ▶ assessing the progress and overall situation of the fixed price projects and key ratios by performing inquiries to persons on different levels in the organization.

- ▶ analyzing key elements of the estimates, for instance, estimated revenue and estimated hours to complete.
- ▶ Assessing the Group's disclosures in respect of revenue recognition.

### *Key Audit Matter*

#### **Valuation of Goodwill**

*Refer to note summary of significant accounting policies and note 13.*

At the balance sheet date 31 December 2020, the value of goodwill amounted to 26.5 M€ representing 47 % of the total assets and 113 % of the total equity. Valuation of goodwill was a key audit matter because:

- ▶ goodwill represents a significant proportion of the balance sheet
- ▶ annually performed impairment testing estimation process is complex and is judgmental
- ▶ it is based on assumptions relating to market and economic conditions.

Valuation of goodwill is tested annually through goodwill impairment test. Innofactor has allocated goodwill to a cash generating unit (CGU) which is the level for goodwill impairment test. The recoverable amount of the cash generating unit is based on value in use calculations, and the outcome could vary significantly if different assumptions were applied. There are a number of assumptions used to determine the value in use of the cash generating units, including revenue growth, EBITDA and the discount rate applied. Changes in the above-mentioned assumptions may result in an impairment of goodwill.

### *How our audit addressed the Key Audit Matter*

In our audit procedures related to valuation of goodwill we involved our internal valuation specialist to assist us in evaluating the assumptions and methodologies used by the management. Procedures included comparison of management assumptions with external market data and peer group average calculated by us focusing particularly on

- ▶ forecasted revenue growth
- ▶ EBITDA percentage and
- ▶ weighted average cost of capital used in discounting cash flows.

We reviewed the goodwill impairment test performed by the management and compared the discounted cash flows to the company's market value. We also assessed the historical accuracy of managements' estimates. In addition, we assessed the Group's disclosures in the financial statements regarding the impairment test.

### *Key Audit Matter*

#### **Valuation of Deferred tax assets**

*Refer to note summary of significant accounting policies and note 14.*

As of balance sheet date 31 December 2020, the group had deferred tax assets arising from the unused tax losses carry forward amounting to 5.05 M€ and from the consolidation entries 1.4M€.

The amount of deferred tax asset is material to financial statements. Management assessment related to the recognition of deferred tax assets and the likelihood of future income is judgmental and based on assumptions affected by future market and economic developments. Due to above mentioned judgmental factors, valuation of deferred tax assets was determined to be a key audit matter.

### *How our audit addressed the Key Audit Matter*

When auditing deferred tax assets we evaluated company's evidence that there will be future taxable income available to utilize the deferred tax assets.

As part of our audit procedures we

- ▶ assessed the key assumptions in the calculations prepared by the management focusing on forecasted future economic development and the company's ability to generate taxable income.
- ▶ tested deferred tax assets including the assessment of recognizing judgmental tax positions. We reviewed the communication with tax authorities.
- ▶ assessed disclosures related to deferred taxes.

### **Responsibilities of the Board of Directors and the Managing Director for the Financial Statements**

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

### **Auditor's Responsibilities for the Audit of Financial Statements**

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those

risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Other Reporting Requirements

### Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 2 April 2019 and our appointment represents a total period of uninterrupted engagement of two years.

### Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 9.3.2021

Ernst & Young Oy  
Authorized Public Accountant Firm

**Juha Hilmola**  
Authorized Public Accountant

# Additional Information

## Key Figures per Share

	2020	2019
Earnings per share (EUR)	0.0471	0.0113
Highest price of the share (EUR)	1.44	0.84
Lowest price of the share (EUR)	0.51	0.36
Market value of the shares (EUR thousand)	47,670	26,845
Turnover of shares (pcs)	20,099,421	10,919,321
Turnover of shares (%)	53.8	29.7
Weighted average of the number of shares during the financial period	37,388,225	36,806,307
Number of shares at the end of the financial period	37,388,225	37,388,225

## Shareholding

On December 31, 2020, Innofactor Plc had 11,456 shareholders including the administrative registers (11). The share of administratively registered shares was 5.26% of the total number of shares.

### Distribution of shareholding at December 31, 2020

Shares	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of shares
1-100	6,338	55.33	187,420	0.50
101-1 000	3,178	27.74	1,417,827	3.79
1 001-10 000	1,669	14.57	5,529,235	14.79
10 001-100 000	232	2.03	5,925,895	15.85
yli 100 000	39	0.34	24,327,848	65.07
<b>Total</b>	<b>11,456</b>	<b>100.00</b>	<b>37,388,225</b>	<b>100.00</b>

Shareholders by shareholder group December 31, 2020 (% of shares)	
Other foreign	4.95
Administratively registered	5.26
Financial and insurance institutions	2.19
Enterprises	6.01
Public entities	4.81
Non-profit organizations	0.12
Private households	76.66
<b>Total</b>	<b>100.00</b>

# Calculation of Key Figures

## **Percentage of Return on Equity:**

$$\frac{\text{Profit or loss before taxes} - \text{Taxes}}{\text{Shareholders' equity}}$$

## **Percentage of Return on Investment:**

$$\frac{\text{Profit or loss before taxes} + \text{Interest and other financial expenses}}{\text{Shareholders' equity} + \text{Interest bearing financial liabilities}}$$

## **Net Gearing:**

$$\frac{\text{Interest bearing liabilities} - \text{Cash funds}}{\text{Shareholders' equity}}$$

## **Equity Ratio, %:**

$$\frac{\text{Shareholders' equity}}{\text{Balance sheet total} - \text{Advances received}}$$

## **Result / Share:**

$$\frac{\text{Profit before taxes attributable to equity holders of the parent} - \text{Taxes}}{\text{Average number of shares on the financial period adjusted after the share issue}}$$

## **Shareholders' Equity / Share:**

$$\frac{\text{Shareholders' equity attributable to equity holders of the parent}}{\text{Undiluted number of shares on the date of the financial statement}}$$

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