



INNOFACTOR

Annual Report 2022



Innofactor Plc Annual Report January 1 to December 31, 2022

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 organizations. 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 over 1,000 organizations in the private and public sectors in the Nordic countries. We are a strong and valued partner. Our long-term customer relationships are evidence of our 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 has over 500 enthusiastic and motivated top specialists 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 five Microsoft Solution Partner Designations and four Microsoft Specializations we achieved, for example.

Our net sales in 2022 amounted to EUR 71.1 million, which shows an increase of 7.2 percent from the previous year. Our operating margin (EBITDA) was EUR 7.8 million, corresponding to 11.0 percent of net sales. 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's share is listed on the main list of Nasdaq Helsinki Ltd. Innofactor has approximately 12,000 shareholders.

#ModernDigitalOrganization | #HybridWork | #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 Grew in 2022 Both Organically and Through Acquisitions

In 2022, Innofactor acquired the data and analytics specialist Invenco Ltd and received a record-high volume of new orders, with the largest being an information management solution for the Finnish Defence Forces, valued at approximately EUR 22 million. Innofactor's growth for the full year 2022 was 7.2 percent, with growth of over 19 percent achieved in the second half of the year.

The Innofactor Group's net sales in 2022 were EUR 71,130 thousand (EUR 66,364 thousand in 2021), representing growth of 7.2 percent. In the second half of the year, the rate of growth exceeded 19 percent. The operating margin (EBITDA) was EUR 7,808 thousand (EUR 10,111 thousand in 2021). Excluding the non-recurring sales gain of approximately EUR 2.6 million recognized on the divestment of the Innofactor Prime business in 2021, EBITDA increased by 3.4 percent. The share of EBITDA of net sales was 11.0 percent (15.2 percent in 2021). The order backlog at the end of the review period was EUR 75,831 thousand (EUR 72,837 thousand in 2021), showing an increase of 4.1 percent. The order backlog does not yet include the largest contract in Innofactor's history, which was announced in December and concerns an information management solution for the Finnish Defence Forces. On the whole, Innofactor reached record-high net sales, EBITDA (excluding non-recurring income from divestments), and order backlog in 2022.

We achieved good business growth in Finland, Norway, and Denmark in 2022, and profitability was also at a good level in those countries. Unfortunately, net sales in Sweden declined again in 2022 and profitability was in the negative, although the operating margin for the latter two quarters of the year was positive. We have taken corrective measures in Sweden. We focus at Innofactor in 2023 on improving

operational efficiency and increasing the invoicing rate, increasing the share of licenses and SaaS services, increasing the number of employees, and possible acquisitions.

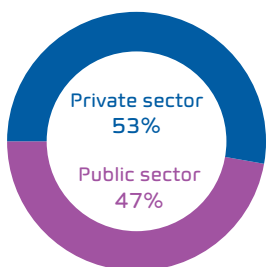
In June 2022, Innofactor acquired Invenco Ltd, a company that specializes in data and analytics. We see a significant growth opportunity in the area of data and analytics, and we now pursue this opportunity together with the top specialists who joined us as part of the Invenco acquisition. The company has had approximately 50 employees, and annual net sales were approximately EUR 6 million. Innofactor's aim is to grow the net sales of the data and analytics business acquired from Invenco and improve its profitability through synergies, for example. One excellent example of this is the decision of the Aalto University Foundation in August 2022 to select Innofactor as part of a consortium formed with Invenco Ltd to develop and maintain Aalto University's centralized data warehouse, in a contract valued at approximately EUR 5 million.

Innofactor received a record number of new orders in 2022. The case and document management system for the Greater Stockholm Fire Brigade is an important strategic achievement, as it is the first delivery of our Dynasty product outside Finland. We see very attractive opportunities in Sweden and the other Nordic countries for significant market growth over the next few years with the

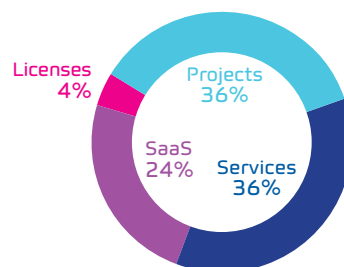
help of our Dynasty product, which has become the market leader in Finland. In Finland, we achieved excellent success in 2022 with our Dynasty product. In December 2022, Innofactor won the largest contract in its history when the Finnish Defence Forces selected our offer, which is based on our Dynasty product, as its new information management solution. The value of the contract is estimated to be approximately EUR 22 million.

In September 2022, Innofactor appointed Martin Söderlind as the Country Manager for Innofactor Sweden. Söderlind was already a member of the Group Executive Board before the appointment. In addition, Anni Pokkinen was appointed as Chief People Officer and joined the Group Executive Board as a new member. In connection with these changes, the previous Country Manager for Innofactor Sweden, Marcus Hasselblad, left the company. Vesa Niinistö joined the Executive Board for Finland in April 2022 as Vice President, Information and Case Management.

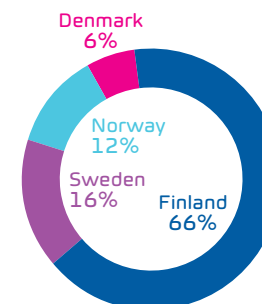
To support its growth targets, Innofactor opened a new office in Oulu at the end of September 2022. Having a sufficient number of offices in the Nordic countries is important for promoting the achievement of Innofactor's growth targets. We will again consider opening new offices in 2023, especially in Sweden.



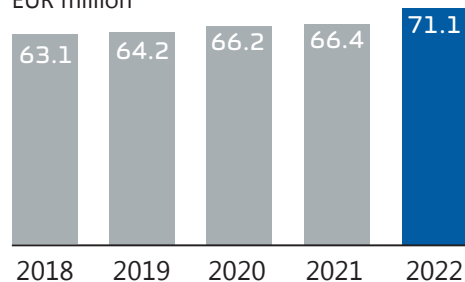
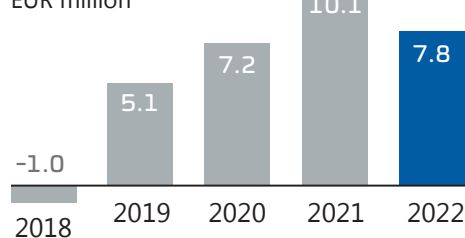
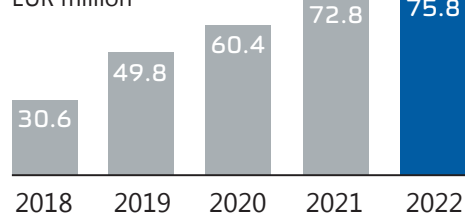
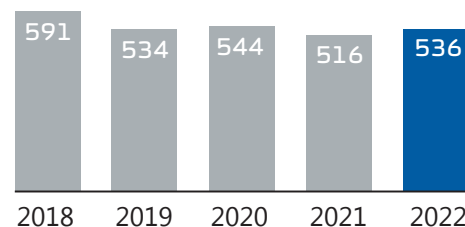
- ▶ A strong customer base in the private and public organizations provides stability against economic cycles
- ▶ The 10 largest customers account for approximately 28% of net sales



- ▶ Licenses, SaaS, and recurring service contracts 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**EBITDA**
EUR million**ORDER BACKLOG**
EUR million**NUMBER OF PERSONNEL**
average

	2022	2021	2020	2019	2018
Net sales, EUR thousand	71,130	66,364	66,164	64,198	63,144
Operating profit before depreciation and amortization (EBITDA), EUR thousand	7,808	10,111*	7,164	5,089	-1,029
percentage of net sales	11.0%	15.2%	10.8%	7.9%	-1.6%
Operating profit (EBIT), EUR thousand	4,751	6,519	2,501	795	-3,872
percentage of net sales	6.7%	9.8%	3.8%	1.2%	-6.1%
Earnings before taxes, EUR thousand	4,178	5,730	2,050	12	-3,811
percentage of net sales	5.9%	8.6%	3.1%	0.0%	-6.0%
Earnings, EUR thousand	3,320	4,504	1,761	418	-3,462
percentage of net sales	4.7%	6.8%	2.7%	0.7%	-5.5%
Shareholders' equity, EUR thousand	24,799	25,404	23,444	22,145	21,303
Interest bearing liabilities, EUR thousand	14,349	9,818	15,386	16,853	15,418
Cash and cash equivalents, EUR thousand	1,956	1,963	3,066	963	258
Deferred tax assets, EUR thousand	4,090	4,830	6,413	5,602	5,602
Return on equity	13.2%	18.4%	7.7%	1.9%	-13.8%
Return on investment	14.5%	20.6%	11.1%	2.3%	-7.7%
Net Gearing	50.0%	30.9%	52.5%	71.8%	71.2%
Equity ratio	44.8%	51.1%	42.2%	40.2%	41.2%
Balance sheet total, EUR thousand	55,815	51,057	56,607	55,720	51,875
Research and development, EUR thousand	4,153	3,504	3,618	2,795	2,860
percentage of net sales	5.8%	5.3%	5.5%	4.4%	4.5%
Personnel on average during the year	536	516	544	534	591
Personnel at the end of the year	564	500	541	538	550
Number of shares at the end of the year	37,388,225	37,388,225	37,388,225	37,388,225	36,188,225
Earnings per share (EUR)	0.09	0.12	0.05	0.01	-0.09
Shareholders' equity per share (EUR)	0.68	0.68	0.63	0.59	0.59

* The operating margin in 2021 included a capital gain of approximately EUR 2.6 million from the sale of the Prime business.

We Managed to Turn Our Business to Strong Growth in the Second Half of 2022

In our strategy, we have set ourselves a target of approximately 20 percent annual growth. While we did not reach that target in the first half of the year, our growth exceeded 19 percent in the latter half of the year. Our growth in the latter half of the year and improved profitability towards the end of the year were particularly attributable to the following: improving operational efficiency and the resulting increase in the invoicing rate; the growth of license and SaaS net sales; and the Invenco acquisition in June 2022. Our goal in 2023 is to further improve the efficiency of our operations, increase the invoicing rate and increase the share of net sales derived from licenses and SaaS.

In 2022, our sales performance was excellent and we maintained our order backlog at a high level. It was a great year for Innofactor. I am pleased that we can again pay a good amount of dividends to our shareholders in accordance with our dividend policy. We would like to thank our customers, partners, employees, and investors for a great 2022!

We are confident that, in 2023, we will continue to deliver good service for our customers, continue our robust growth, improve our operating margin, and make Innofactor an even better workplace for our employees.



We were pleased to have the opportunity to acquire the data and analytics specialist Invenco Ltd in June 2022 after a few years of no acquisitions. We have identified data and analytics as an important growth area for our business. The acquisition brought more leading specialists and top customers to our company. Together, we can achieve even more.

We deepened our cooperation with customers further in 2022. We received a record-high number of new orders during the year, including the following: a case management, document management, transaction service and reference price information system for the Finnish Ministry of Social Affairs and Health; a Sequence Number Register for the Housing Finance and Development Centre of Finland (ARA); development, servicing, and maintenance of information systems for the Finnish Safety and Chemicals Agency (Tukes); configuration, development, and support services for a Microsoft Dynamics 365 solution for a Swedish bank; a SaaS solution for Finnvera's case management system; an administrative case management solution for the Social Insurance Institution of Finland (Kela); a cloud migration project for a Norwegian non-profit organization; a case and document management system for Senate Properties and related maintenance and development services; managed cloud services supporting a data integration platform for a Danish pharmaceutical company; IT expert services to support the development and maintenance of a Microsoft Dynamics 365 CRM system for the State Treasury of Finland; continued maintenance and development of a grant and case management system for the Funding Centre for Social Welfare and Health Organisations (STEA); a case and document management system and related maintenance and support services for the Greater Stockholm Fire Brigade; continued development and maintenance on the ERP and document management system for administrative courts and special courts (HAIPA project) for the Legal Register Centre; development and maintenance of a centralized data warehouse for Aalto University Foundation; an information management system solution for the Finnish Defence Forces Logistics Command; 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 five Microsoft Solution Partner designations and four Microsoft Specializations we have achieved. Microsoft awarded Innofactor as Tech for Good Partner of the Year 2022 in Finland. The endorsement is a demonstration of the social impact of Innofactor's digital solutions and capability of innovating for a better world, together with customers. 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. I am pleased that we opened our eighth Finnish office in Oulu, the city of my birth. Opening an office in Oulu was a move we had planned for a long time, as Oulu is a hub of Finnish technology and higher education, and we also had a few existing employees residing in Oulu. The decision to establish a presence in Oulu was considerably accelerated by the fact that Invenco Ltd, which we acquired, had an office in Oulu. Our new office is centrally located in Oulu in an impressive and environmentally friendly building that is known as the head office of the traditional media group Kaleva.

In 2022, we strengthened our team, trained our personnel, completed certifications, and developed our organization and management style. We want to use all means available to ensure our 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 under the new hybrid model, and increase productivity. For that, I am grateful to all of you.

A successful and growing company needs committed owners. In 2022, Innofactor's share price development was challenging. The trading volume in terms of the number of shares also declined. Nevertheless, I am pleased that we

were able to repurchase a significant number of our shares in 2022, and in 2023 we will be able to distribute dividends for 2022 to our shareholders in accordance with our dividend policy. 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 2023, Innofactor will continue to focus on increasing the company's net sales and improving 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 2023, we will focus on increasing our net sales and improving profitability. Our goal is to improve the efficiency of our operations, increase the invoicing rate, further increase the share of net sales derived from licenses and SaaS, and focus particularly on improving the key figures of our Swedish business."

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

Long-Term Goals of 20% Annual Growth and 20% Profitability

We expect that the growth rate of the Nordic IT services market will be positive in 2023 but, due to the European security policy situation and the general economic downturn, we are not able to provide a more accurate estimate. Our growth target for the next few years is to surpass the market growth rate, and our long-term goal is annual growth of approximately 20 percent.

We Expect to See Market Growth and Strengthen Our Market Position in 2023

The key innovation trends and drivers of change in the market include next-generation data security, the metaverse, the Internet of Things (IoT), artificial intelligence, robotics, blockchains, low-code and citizen development, with facilitating roles being played by software moving to the cloud, data analytics, social media, and the use of mobile devices. Microsoft's strong investment in integrating artificial intelligence into its own platform and the growing awareness of the possibilities of artificial intelligence, which is believed to increase customers' need to renew information systems, are considered particularly significant for Innofactor's business. Combating climate change and the changed security policy situation in Europe place 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. In addition, customers are increasingly seeking continuous services instead of large one-time projects. Our customers also increasingly value reliable suppliers that are located close to them.

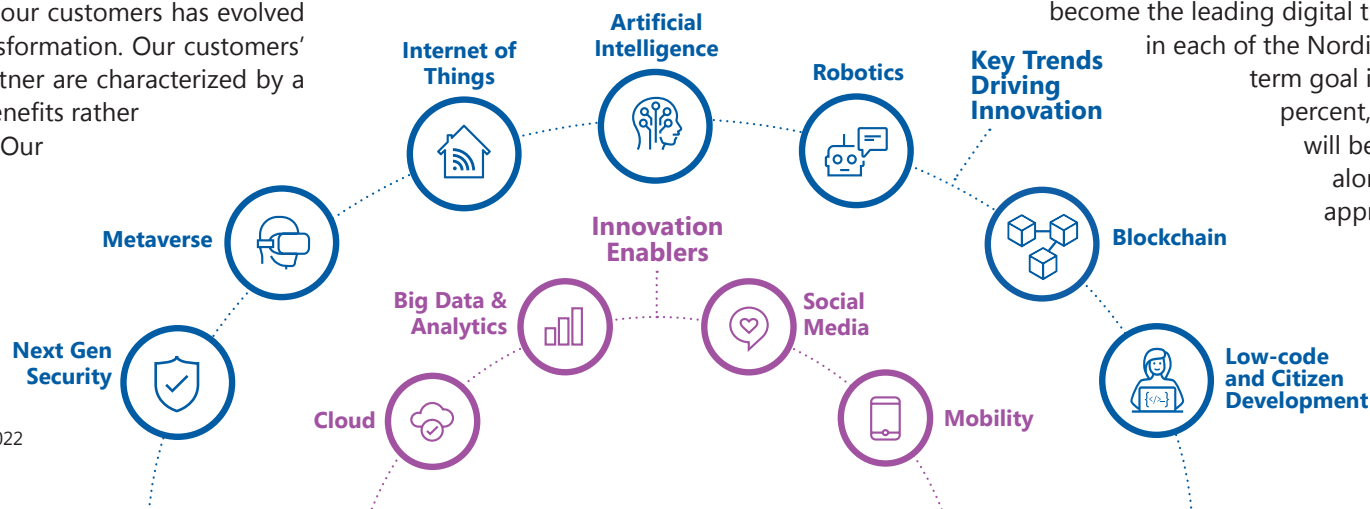
We estimate that the IT service market in the Nordic countries grew by a few percent in 2022. We estimate that growth in the Nordic IT services market will continue in 2023, but because of the uncertain economic and security policy situation, we cannot give a more detailed estimate. Our estimate is based on research institutes' forecasts and our own outlook on markets.

In the long term, we believe that the digital leap of society in response to the COVID-19 pandemic and the changes in the security policy situation in Europe will increase Innofactor's possibilities to grow its business operations. The abilities of a modern digital organization

will be even more important for our customers in the future. It is also likely that some of our customers will transfer some of their operations back to the Nordic countries in order to be closer to their customers. This also has a favorable effect as regards the business model of Innofactor's chosen strategy based on Nordic specialists. Microsoft's position has also strengthened during the crises of the past few years. 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

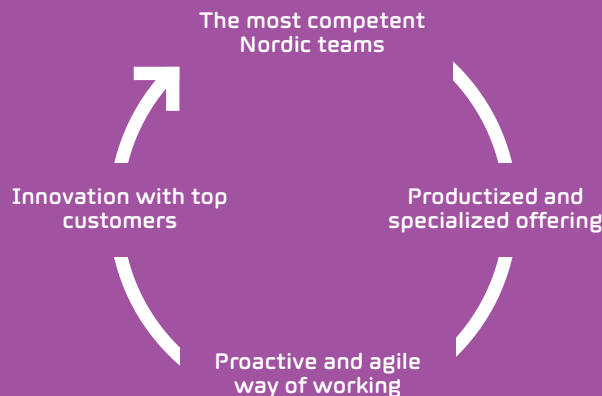
Our vision

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 Key Actions to Be Taken to Achieve Growth of 20% and EBITDA of 20%:

1. We will improve the efficiency of our operations and increase our invoicing rate by five percentage points. This will be achieved by, for example, improving the management of project and service contracts, enhancing the cross-resourcing of personnel between countries and units, reducing employee turnover, and developing our self-directed team models.
2. We will increase the share of licenses and SaaS services to over 33 percent of net sales from the current level of approximately 28 percent. This will be achieved by, for example, developing our offering, such as the new MDRaaS service (CSOC), and by focusing our sales efforts on customers and solution areas with the highest growth potential and that present the best opportunities for scaling our existing offering in each of the Nordic countries.
3. We will increase the number of employees engaged in invoiced services. This will be achieved by, for example, doubling our recruitment of new university graduates to over 60 employees in 2023, concentrating the recruitment of senior professionals to our Nordic recruitment team, increasing the competence of our employees through certifications, reducing employee turnover, improving the efficiency of subcontracting, and investing in the development of our employer image.
4. We will become an even more proactive player in the Nordic M&A field. This will be achieved by, for example, through the internal reorganization of operations, emphasizing the role of country directors in actively seeking new potential acquisition targets in their respective countries.

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. A good reputation, fast and profitable growth, successful acquisitions, and entrepreneurial spirit make us an attractive partner with whom to develop business.

Innovating to Make the World Work Better for Over 20 Years

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.

Technology is revolutionizing how organizations function at an ever-increasing pace. However, taking advantage of digitalization is still often a challenge. That's why here at Innofactor we have made it our mission to help our customers transform into Modern Digital Organizations, which take full advantage of the opportunities brought by hybrid work, data, and the cloud.

In fact, making it easier for people and organizations to work wonders is the end goal for everything we do. It's this passion to make the world work better that's enabled our talented cloud technology professionals to successfully collaborate with approximately 1,000 private and public sector customers across the Nordic region.

To do this, we work in six solution areas, which we consider the building blocks of a Modern Digital Organization.

While the technology and solutions we provide might sometimes seem complex, the objective is always the same: A more efficient, more effective organization with happier customers and more motivated employees, empowered by technology that makes daily work and life



Digital Services

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

Cloud Infrastructure

- Managed Services and DevOps
- Cloud Transformation
- Governance and Automation
- Migrations

Business Solutions

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

Data and Analytics

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

Information and Case Management

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

Cybersecurity

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

#ModernDigitalOrganization

more meaningful. It should come as no surprise, then, to learn that putting a smile on people’s faces is the best way to measure our success. To ensure we carry on doing this, we never stop enhancing our own skills and expertise. As a result, we have achieved five additional Microsoft Solution Partner Designations and four highly valued Microsoft Specializations. In addition to these, Innofactor also held 16 company-level Microsoft Gold competencies, the renewal of which Microsoft discontinued in September 2022.

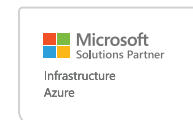
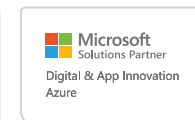
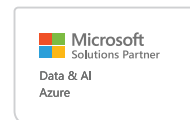
Our Modern Delivery Model Ensures Effective Deployment and Adoption to Maximize the Lifetime Value of New Solutions

Our delivery model is based on years of experience in the successful design, adoption, and development of digital solutions and services. It consists of five stages, each of which delivers our customers quick, tangible value in each of the six solution areas of our offering. The value of our deliveries is based on not only helping our customers to design and implement a specific solution but also supporting them all the way from defining a vision and governance to adoption and continuous development.



- 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 & Devices

- Infra and Database Migration to Microsoft Azure Specialization
- Modernization of Web Applications to Microsoft Azure Specialization
- Microsoft Modern Work Adoption and Change Management Specialization
- Microsoft Identity and Access Management Specialization



Storyboard

Evaluating the customer’s current state and helping them shape the digital vision for their organization

Foundation

Defining the structure and governance needed to implement new solutions

Implementation and Delivery

Developing, tailoring, and deploying the solution based on proven concepts and platforms

Adoption

Focusing on ensuring that the organization and users adopt the new solution so that its benefits are fully realized

Managed Services and Continuous Development

Ensuring the solution is continuously managed and developed and meets the organization’s future needs

Digital Services

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

Many organizations seek to digitalize complex business processes or try out innovative new business models powered by scalable and secure digital solutions. Others are challenged by outdated applications that pose security risks and leave vital data trapped in silos. Often, there are no off-the-shelf solutions to overcome these challenges, or organizations simply lack the internal IT resources and cloud development skills to get the job done. Innofactor has for several years focused on building high quality software development and maintenance services. Our development teams leverage agile methodologies, such as Scrum, as well as traditional software development and ITIL-based maintenance. These teams provide customers with end-to-end services for business process digitalization, new service development, and application and data modernization. We have strong expertise in modern DevOps, Microsoft cloud technologies, especially Azure PaaS, low-code development with Microsoft Power Platform, traditional tools, and hybrid and on-premises platforms. Our agile teams work side by side with customer experts towards a common goal. This gives the customer the best possible end solution and the ability to continuously develop digital services. As a result of high customer satisfaction, our collaboration often evolves into a long-term partnership over time.



Our Digital Services Solutions

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

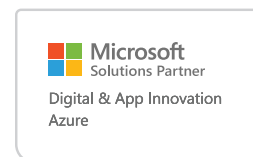
Our promise is to help our customers accelerate their business with user-friendly, scalable, and secure digital solutions that are delivered through a long-term partnership by motivated agile teams.

Key Benefits for Our Customers

- ▶ Turn complex business processes and innovative business models into user-friendly, scalable, and secure digital solutions
- ▶ Maintain existing applications and modernize them when needed and free up business-critical data siloed in old disconnected systems
- ▶ Accelerate your internal IT development and coach your employees with DevOps and Agile methodology
- ▶ Create continuous value for your business through a long-term partnership with skilled teams that share goals with your organization

Solutions and Partners

- ▶ Innofactor Enterprise Integration Platform



Modernization of Web Applications to Microsoft Azure Specialization

Skanska Sweden

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

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

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

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

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

Jonna Brattlöv
Development Manager
Skanska Sverige

Business Solutions

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

To stay ahead of the game in a digital intense environment, an organization must be able to transform its operations at a faster pace than ever before. Connecting data, processes and people with intelligent business applications enables organizations to optimize their operations and customer experience to drive business agility with no limitations. It's achieved by providing people with real-time data and insights to empower decision making and drive innovation within the daily business processes and ways of working. Innofactor is focused on helping customers to plan, develop and optimize their digital marketing, sales, customer service, finance, operations, project, and membership management capabilities with leading Microsoft Business Applications and our competent advisory, consultant and delivery teams.



Our Business Solutions

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

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

Key Benefits for Our Customers

- ▶ Build a prioritized implementation plan for business applications with our Advisory team to help your organization develop key capabilities quickly and cost-effectively
- ▶ Orchestrate personalized experiences across all touchpoints and create an excellent buying and customer service experience to build strong and lasting relationships
- ▶ Maximize financial visibility and profitability
- ▶ Get real-time visibility of your operations and projects, such as resource availability and utilization, invoicing ratio, and warehouse inventory

Solutions and Partners

- ▶ Innofactor Membership Management System
- ▶ Innofactor QualityFirst
- ▶ Apsis
- ▶ Enreach
- ▶ Seeloz





Kuva: Mirella Mellonmaa – Business Tampere

City of Tampere

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

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

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

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

Suvi Jokela
Project Manager
City of Tampere

Information and Case Management

We help you with every aspect of information work and document management, ranging from formal and standardized case and records management to hybrid work, teamwork, and collaboration.

In the post-Covid world, organizations need efficient digital information and case management tools as well as flexible conditions for hybrid work for their employees. Innofactor offers its customers a unique solution that combines organizational requirements for formal and controlled information management and the employees' needs for easy and flexible work. We have developed efficient solutions for document classification, access rights, availability, and lifecycle management, which makes it possible for our customers and employees to easily find and produce documents and communicate and cooperate together. Our award-winning Innofactor Dynasty product family offers leading solutions for case and document management as well as records management. Our services include E-Signature, E-Services, Microsoft 365, Teams and SharePoint collaboration platforms, intranets, and secure Microsoft Office tools. In addition, Innofactor is specialized in contract management and quality management solutions. All our solutions work seamlessly with each other and provide a unified user experience.



Our Solutions for Information and Case Management

- ▶ **Collaboration and Intranets**
- ▶ **Document and Records Management**
- ▶ **Case and Decision Management**
- ▶ **Contract and Quality Management**

Our promise is to help you with every aspect of information work and document management, ranging from the formal and standardized case and records management to hybrid work, teamwork, and collaboration.

Key Benefits for Our Customers

- ▶ Your organization can easily and centrally manage the classification, access rights, availability, and lifecycle of its information and documentation
- ▶ Your employees can easily, flexibly, and securely produce and edit documents in collaboration, as well as communicate with modern productivity tools
- ▶ Your customers and other stakeholders can transact and process information digitally, easily, reliably, and securely
- ▶ Your organization can carry out its processes regarding case management, contract, and quality management, as well as other information and document management in a controlled and efficient manner

Solutions and Partners

- ▶ Innofactor Dynasty
- ▶ Innofactor TeamsDocs
- ▶ Innofactor TeamsMate



Microsoft Modern Work Adoption and Change Management Specialization

Greater Stockholm Fire Brigade

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

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

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

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

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

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

Robin Haglund
Unit Director
Greater Stockholm Fire Brigade

Cloud Infrastructure

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

Cloud computing is omnipresent in today's digital world and most organizations have deployed cloud-based solutions and resources for a number of years already. The cloud enables faster business transformation as it allows organizations to store, access and analyze data, as well as develop new services faster and in a more agile way. It's hence no longer a question of 'if' or 'when', but 'how'. A successful cloud strategy requires a scalable and secure infrastructure. This is why Innofactor is focused on offering its customers leading expertise and quick-to-deploy cloud infrastructure, security, and governance services and solutions to let them take full advantage of Microsoft Azure, the world's #1 enterprise cloud platform.



Our Solutions for Cloud Infrastructure

- ▶ **Managed Services and DevOps**
- ▶ **Cloud Transformation**
- ▶ **Governance and Automation**
- ▶ **Migrations**

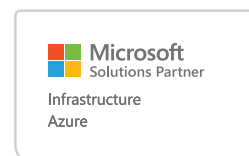
Our promise is to help our customers to design, implement and operate secure and scalable cloud platforms to grow their digital business.

Key Benefits for Our Customers

- ▶ Get the best expertise available to serve your IT and developers with Innofactor Managed Services
- ▶ Make your IT and software development work and culture more agile and responsive with modern DevOps
- ▶ Ensure your cloud infrastructure operates as expected every day and enables rapid digital service development without compromising security, compliance, and cost control by leveraging automation
- ▶ Manage your containerized workloads and services and build scalable and efficient cloud applications with minimal downtime leveraging e.g. Kubernetes

Solutions and Partners

- ▶ Innofactor Cloud Operations
- ▶ Innofactor Virtual Data Center
- ▶ Innofactor Managed Detection and Response as a Service (MDRaaS)



Infra and Database Migration to Microsoft Azure Specialization

Modernization of Web Applications to Microsoft Azure Specialization

Microsoft Modern Work Adoption and Change Management Specialization

GLS Denmark

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

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

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

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

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

Jana Hartwich

Director

IT & Commercial Services

Data and Analytics

We help you to build a scalable data platform that enables data-driven decision making in your organization by leveraging Advanced Analytics, BI, Enterprise Performance Management (EPM), Real-time Analytics, IoT and AI.

Organizations generate an ever-growing amount of data across various business processes. While several new cloud-enabled capabilities, such as Big Data analysis, machine learning, AI and automated data pipelines could enable efficient real-time data collection, processing, and analytics, the majority of decision makers still believe they're not using their data to its fullest extent. This is often caused by data remaining fragmented and locked across various disconnected internal and external sources, or organizations lacking the skills to build a proper data strategy and roadmap. Sometimes the reason is simply bad data quality. Innofactor is focused on providing its customers with leading skills, services, and tools to help remove the barriers to access and analyze their data, so they can unlock innovation, enhance data-driven decision making and empower employees with powerful insights.



Our Solutions for Data and Analytics

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

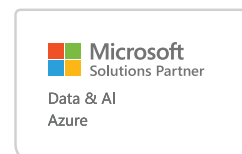
Our promise is to empower our customers to make better decisions and enable data-driven decision-making and business.

Key Benefits for Our Customers

- ▶ Define a data strategy, roadmap, and operating model that will help your organization start leveraging data to its full potential
- ▶ Remove barriers to data and unlock innovation by digitalizing and integrating business processes
- ▶ Develop new business models by leveraging the data you collect
- ▶ Create powerful insights to enhance decision-making by leveraging real-time data from any source with advanced analytics solutions
- ▶ Increase customer satisfaction and loyalty by improving your understanding of your customers' needs

Solutions and Partners

- ▶ Innofactor DataSight
- ▶ Jedox
- ▶ Profisee





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

Aki Kiiliäinen
CEO
Pohjantähti

Pohjantähti

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

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

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

Cybersecurity

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

Organizations regardless of size are under constant pressure to stay up to date on the latest cybersecurity trends and discussions as the sophistication and frequency of cyber-attacks keeps growing. Simultaneously, digital transformation projects are advancing rapidly across industries, increasing the attack surface and potential vulnerabilities for cyber attackers to exploit. Innofactor's unique approach to cybersecurity is centered around proactiveness and building trust. Instead of helping our customers merely build walls around their infrastructure, we help them to turn their investment and attention in security into something net-positive for their organization. With our broad capabilities and knowledge in cybersecurity consulting and leading Microsoft security technology, we're able to help our customers make the benefits of the digital world available for their employees and customers alike.



Our Solutions for Cybersecurity

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

Our promise is to help our customers to proactively build trust and make the benefits of a digital world available for their employees and customers alike.

Key Benefits for Our Customers

- ▶ Transform your organization's security strategy and culture from reactive to proactive and start building trust and cyber-positivity with your customers and employees
- ▶ Assess your organization's current security solutions and preparedness against modern cyber threats
- ▶ Utilize the best information security practices when designing and implementing applications
- ▶ Protect your resources and data and provide a seamless user experience with Microsoft's leading identity and access management solutions
- ▶ Govern and protect your organization's work and data with Microsoft 365 Security and Sentinel as well as with Innofactor Virtual Data Center and MDRaaS

Solutions and Partners

- ▶ Innofactor Managed Detection and Response as a Service (MDRaaS)
- ▶ Efecte
- ▶ Okta
- ▶ Sailpoint



Microsoft Identity and Access Management Specialization

Infra and Database Migration to Microsoft Azure Specialization

Modernization of Web Applications to Microsoft Azure Specialization


JOAB

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

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

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

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

A man with glasses and a dark vest over a checkered shirt is sitting at a desk in a workshop, working on a laptop. He is smiling slightly. In the background, there are several white Scania trucks parked in a large industrial space. A blue bag is hanging from his shoulder.

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

Pär Persson
Chief Digital Officer and Head of IT
JOAB

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 2022, we invested approximately six percent of the Group's consolidated net sales in research and product development. Our product development is centralized in our Nordic Products and Services profit center. It employs over 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 and public sector organizations. Delivering continuous cloud services to our customers is a rapidly growing business area of the Products and Services unit. We provide our customers with services for application deployment, monitoring, and management, as well as joint continuous development under the turnkey principle.



Innofactor Dynasty is a modern and versatile information and case management solution for municipalities, cities, universities, health care and social service organizations, governmental authorities, financial institutions, and enterprises. Dynasty is the joint outcome of modern user-oriented design and knowhow accumulated in over 300 customer deliveries throughout the the years. It boasts several new and updated productized extensions such as Document Management, Records Management, Case and Decision Management, Contract Management, Information Management System, E-Signature, CloudMeeting, e-Services and Microsoft Teams and SharePoint document management. Its excellent usability, flexible architecture and compatibility with third-party services and cloud platforms make Dynasty the preferred solution for digital administration.

Innofactor QualityFirst is a modern and scalable quality and management software suite. It helps our customers to engage their entire organization in managing risks, monitoring, and improving workplace safety and continuously enhancing the end-to-end quality of products and services. Innofactor QualityFirst is used by more than 20,000 users in dozens of customer organizations globally.

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 DataSight is a cost-effective packaged analytics solution that makes data-driven decision-making available for the entire organization through clear reports and real-time data compiled from key sources. 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 ensures a quick deployment in organizations that use Microsoft Dynamics 365-based CRM and ERP solutions. The solution is available throughout the Nordic region.

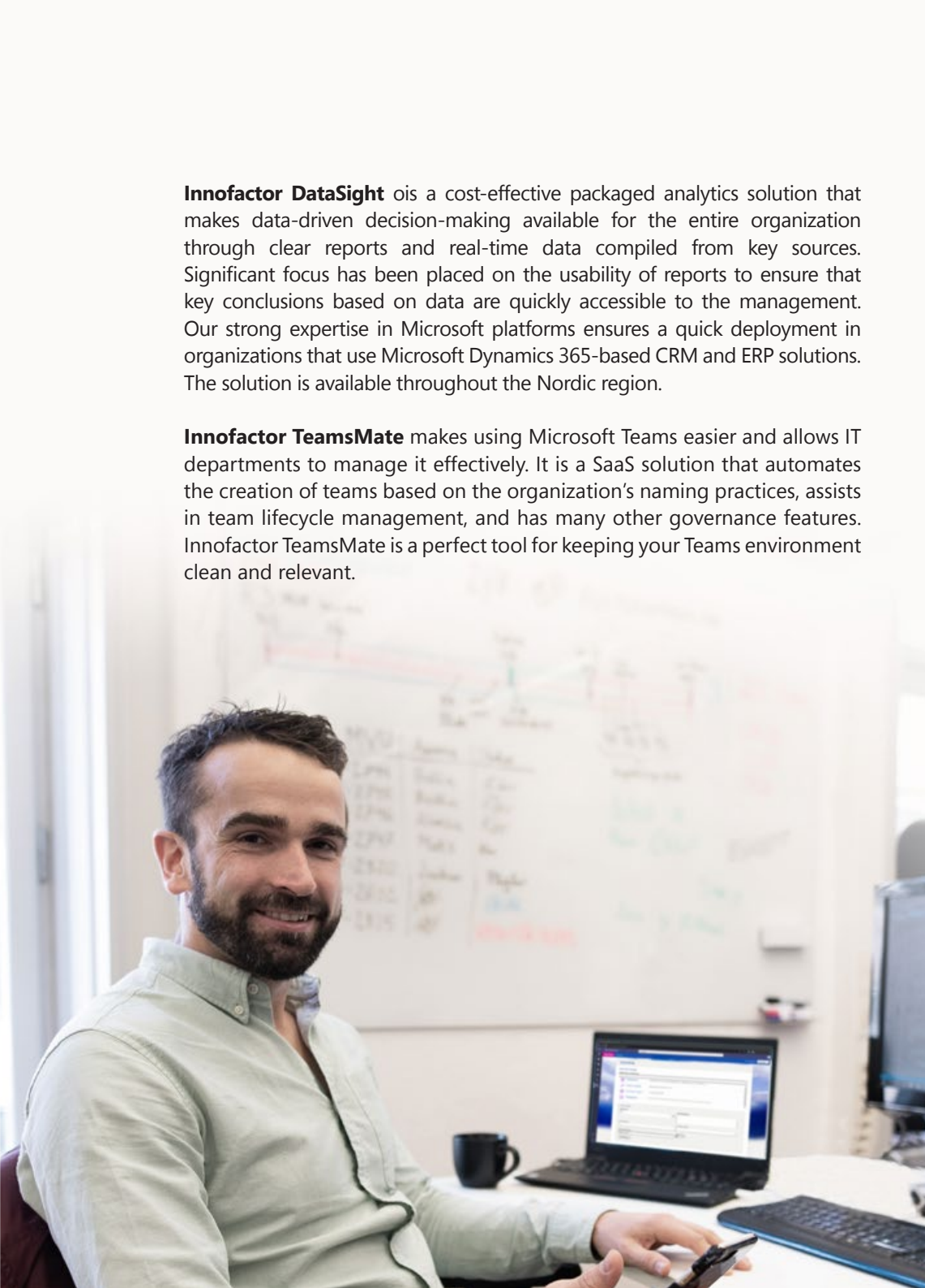
Innofactor TeamsMate makes using Microsoft Teams easier and allows IT departments to manage it effectively. It is a SaaS solution that automates the creation of teams based on the organization's naming practices, assists in team lifecycle management, and has many other governance features. Innofactor TeamsMate is a perfect tool for keeping your Teams environment clean and relevant.

Innofactor Virtual Data Center (VDC) enables organizations to migrate to the cloud in a secure and well-governed fashion. It has been developed by leading Microsoft Azure and data security experts at Innofactor to enable customers to implement the logic and principles of traditional physical data centers in a completely cloud-based environment. With VDC, customers can expect a high level of data security, regulatory compliance, and manageability without compromising agility. It leverages advanced Infrastructure as Code (IaC) methods and a modern Microsoft Azure management model. Innofactor Virtual Data Center is available in all Nordic countries.

Innofactor Cloud Operations provide our customers with a carefree and secure solution for managing their public cloud and hybrid environments under the turnkey principle, including monitoring, maintenance, security, 24/7 support as well as capacity, backup and application management. We also help in capacity management and license cost optimization. In addition, we offer training and services for DevOps development. We ensure that our customers' digital footprint remains safe, compliant, and cost-effective. In addition, we deliver Microsoft licenses and Azure services.

Innofactor Managed Detection and Response as a Service (MDRaaS) is a modern security monitoring service that enables organizations to have an effective, real-time, rapid, and formalized response to security incidents found in various environments and networks. Our service includes a Cyber Security Operation Center (CSOC) with a capability for 24/7 monitoring if needed. As a customer, you maintain ownership and control of logs and incidents in-house and have the freedom to decide how to organize the mitigation of threats, whether it be in-house, with a 3rd party, or by Innofactor's security team, who is able to provide support in taking care of the security risks once discovered by CSOC.

Innofactor Enterprise Integration Platform on Azure is a solution for regulating how data flows between multiple organizations. It also supports more complex actions like filtering, transforming, and combining data from system to system and more. The benefit of an Innofactor integration platform on Azure lies in its low entry threshold: start small and scale easily when demand and the organization's maturity increase.



People First and a Smile on the Face Every Working Day

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, self-organization, effective teamwork, 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 hybrid work environment for our employees and also have fun while working.

Responsibility and Freedom

At Innofactor, employees work at the office, at the customer's premises, and remotely, depending on what is the most appropriate choice in each situation. Teams agree on their operating models and rules concerning their working methods. Choices are guided by customer requirements. Teams are recommended to choose in-office days – for example, one or two days per week – when the team works together in the same physical location, either at the office or at the customer's premises. We have also made changes to our offices to support hybrid work even more effectively. For example, at our head office in Espoo, we opened several new team rooms that enable productive in-office work for teams. We also completed a new studio at our Espoo office in 2022 to enable high-quality virtual broadcasts and webinars.

Our operating models are based on a self-organizing culture, which means that teams are empowered to plan their work. At the same time, we want to support a strong sense of community and team spirit, which is why we encourage teams and units to have common in-office days.

In late 2022, we opened a new office in Oulu, moved our Kajaani and Jyväskylä offices to larger premises, and modernized our office in Stockholm. We also began expansion work on our office in Tampere in late 2022.

We believe that physical offices play a role as important meeting places and hold the potential for attracting talent from various parts of the Nordic region.

In 2022, we recruited over 100 new professionals to work at Innofactor, many of whom are returnees, and we also welcomed nearly 50 new professionals to Innofactor as part of the Invenco acquisition.

One of the best things about 2022 was being able to get together with co-workers at various events. After a few years of COVID-19 restrictions, we again had the opportunity to invite all of our personnel in the Nordic region to our Espoo Campus for our annual InSpirit event, which included a seminar and an evening party. We also had pre-Christmas parties in all of the cities we operate in, and we were able to organize unit-specific gatherings. A strong sense of community and social events are a big part of Innofactor's culture and the creation of team spirit.

Microsoft also selected Innofactor as the recipient of the Tech for Good Partner of the Year 2022 in Finland in recognition of our performance in realizing our purpose of innovating to make the world work better.

Talented Employees at the Core of Our Business

Innofactor aims to invest in competence development at the Nordic level. At the beginning of 2022, we

adopted a new performance indicator to actively monitor the certifications of our specialists. Innofactor's strategic goal is to have the most competent Nordic teams. Certificates are a key aspect of demonstrating our competence. Innofactor employees completed over 100 new certifications in 2022.

We organized diverse trainings through Innofactor Academy in 2022. Innofactor Academy brings together Innofactor's training activities at the local level as well as the Nordic level. We organized training related to Microsoft technology, basic induction training, as well as ITIL, PRINCE2, and Scrum training. In our managerial training, coaching-style leadership was one of our key themes in 2022.

We want to focus on training young people and offering jobs to new graduates. We organized our fourth Innofactor DigiStar Trainee Program, the purpose of which is to provide a diverse induction training period for new professionals, followed by learning on the job. We hired 37 new graduates in the Nordic countries in 2022. Our DigiStar program was implemented at the Nordic level for the first time in 2022, with the intake doubling from the previous year. Our target for 2023 is to increase the number of DigiStar participants to over 60.



Our Nordic Approach and Modern Operating Models Support Our Work

Innofactor's goal is to build a company with Nordic integration. Common systems, processes, and culture support Innofactor's strategic targets and cooperation between countries. We want to build a genuinely Nordic culture. In 2022, we added a Nordic onboarding day to our induction training for recruits, allowing new employees to get to know each other and Innofactor's operations. This initiative was received with enthusiasm.

At the end of 2022, we started negotiating a company-specific collective agreement in Finland. With the company-specific collective agreement, we wanted to enable us to agree on issues that are important to our personnel and to have a simpler and more understandable collective agreement that reflects who we are as a company. The new benefits we introduced in the collective agreement include the possibility to participate in voluntary exercises of the Defence Forces without loss of earnings and equal treatment for the paid part of parental leave. Innofactor's company-specific collective agreement was approved and signed at the beginning of 2023.

We Invest in Good Leadership

We believe that every Innofactor employee has the right to good leadership. The continuous development of leadership is a high priority for us. In addition to the quarterly employee satisfaction survey, all managers participated in the annual comprehensive 360° evaluation. According to the results, the quality of leadership at Innofactor is higher than the European benchmark by a clear margin. We want to continue our strong development, build self-organization and a coaching-style leadership culture that supports and develops our specialists while making Innofactor an even better place to work in the future.

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, customers, and a fantastic team spirit.

We organize recreational events for our personnel, both in teams and at the corporate level. In 2022, we focused particularly on in-person meetings between people. Having organized many virtual events during the COVID-19 pandemic, we decided it was time for our employees to get together with their co-workers in person. Our InSpirit summer event was held at the Espoo Campus, with over 400 Innofactor employees coming together to learn, get to know each other, and party. Several local events were also organized at our various operating locations. For example, we celebrated the opening of our Oulu office with employees and customers in attendance.

Number of Personnel

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

The average number of active personnel in 2022 was 536 (2021: 516), representing an increase of 3.9 percent. At the end of the year, the number of active personnel was 564 (2021: 500), representing an increase of 12.8 percent. At the end of 2022, the average age of the personnel was 42.7 years (2021: 42.5).

[#ModernDigitalOrganization](#)

[#HybridWork](#)

[#PeopleFirst](#)

[#CreatingSmiles](#)

Sustainability

Innofactor considers sustainability 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.

Innofactor's operations are guided by the company's 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. 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.

In autumn 2021, Innofactor signed the Microsoft Partner Pledge to commit to the development of digital skills, diversity, ethical AI, and environmental responsibility.

In 2022, Innofactor established a new sustainability task group that aims to develop Innofactor's sustainability at the strategic and tactical levels.

The group consists of approximately 15 Innofactor employees based in the Nordic region. The group reports to the Chairman of Innofactor's Board of Directors, Anna Lindén.



Good Health and Well-Being

The IT sector can act as a significant player in scaling social welfare and healthcare services by enabling access to services from any device, regardless of time and place. Microsoft awarded Innofactor as Tech for Good Partner of the Year 2022 in Finland. In particular, the endorsement focused on healthcare solutions developed in cooperation with the Joint Authority of the Helsinki and Uusimaa Hospital District (HUS), such as the Health Village public online service for specialized health care and platform solutions for digital care pathways.



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 in the fall of 2020, organized by our occupational health care partner in Finland, and this practice continued in 2022. We offered lectures on self-management, delivered by an occupational psychologist, for our employees in Finland. We also offer COVID-19 vaccinations to our employees through our occupational health care partner.



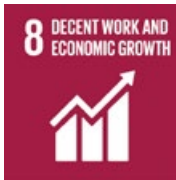
Gender Equality

Our personnel's diversity is in a key position at Innofactor, and we see diversity as an important factor in creating innovation and supporting the organization's operating and renewal capacity. During Helsinki Pride Week 2022, a number of our employees were given the opportunity on Innofactor's social media channels to talk about what diversity and inclusivity mean to them.

We conduct annual 360° evaluations for our managers, comprising a self-assessment and feedback from team members, colleagues, and their managers. As part of this feedback process, we asked about the manager's ability to take advantage of diversity

in the workplace community. In 2022, this was the area in which we had made the most progress during the preceding year, and it was highlighted as one of the key competencies of our managers.

Parental leave is also a key element of equality. In Innofactor's company-specific collective agreement, the first 36 days of parental leave after pregnancy leave are paid on an equal basis, also for the non-birthing parent.



Decent Work and Economic Growth

We contribute to economic growth through innovation and new technologies. The measures we have taken to employ young people support this goal to a significant degree. During the COVID-19 pandemic, we focused even more on remote work opportunities for our employees and sought to offer new jobs despite the difficult circumstances. In the Nordic region, we recruited over 30 new graduates or students nearing their graduation for the DigiStar Trainee Program that began in May 2022.

In late 2022, we participated in a campaign coordinated by the Confederation of Finnish Industries that aimed to highlight the importance of companies in ensuring well-being in Finland and the significance of innovation, for example.

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 with all applicable laws and regulations and expects the same from its partners and suppliers. The environmental policy concerns the entire Innofactor Group and is available on Innofactor's website.

We calculated the Innofactor Group's carbon footprint for the first time in 2022. The calculation included the emissions arising from the electricity and heating consumption of our operating locations (Scope 2), the emissions generated by our leased vehicles (Scope 1), and our most significant Scope 3 emissions. Scope 3 included business travel by car, flights, nights spent at hotels, computer and telephone purchases, and the water consumption of our offices. Our total carbon footprint for 2021 came to 288.7 tCO₂e. We compensated our total calculated emissions through certified international projects, making Innofactor a carbon-neutral company starting from 2021.

In 2022, our total carbon footprint was 383.3 tCO₂e. The calculation included the same emission categories as in 2021. The increase in emissions compared to the previous year was due to a manifold increase in business travel, which had reduced to a minimum during the COVID-19 pandemic. For example, our annual employee event, InSpirit, was not organized



during the pandemic. The lifting of the pandemic-related restrictions on travel and large gatherings led to a substantial increase in flights and nights spent at hotels. The calculation indicates that heating is our largest source of emissions, while many of our offices have already switched to renewable electricity. We aim to reduce our total emissions each year, which will also decrease the amount needing to be compensated. Our first step toward that goal is to increase the use of renewable energy at our offices.

We 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 partnered with our lessor to install the first charging stations, and the number of charging stations was recently increased by a considerable amount. The charging stations are available for use by our employees.

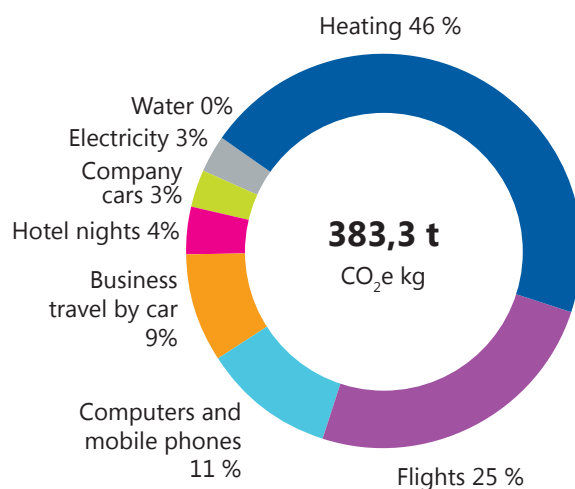
Innofactor has a policy aimed at extending the lifecycle of computers. Factors considered in the renewal of computer hardware include the user's needs and the possibility of updating existing devices.

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 provide our employees with good opportunities for location-independent work. Using Microsoft Teams as a meeting tool brings added value to the operations of both Innofactor and its customers.

Innofactor employees also carried out various sustainability actions in their teams during the year. In Finland, we participated in the Kilometrikisa cycling

Carbon Footprint 2022



Resource	CO ₂ e	Share
Heating	174.9	45.6%
Flights	96.4	25.2%
Computers and mobile phones	43.2	11.3%
Business travel by car	32.4	8.5%
Hotel nights	14.4	3.8%
Company cars	11.4	3.0%
Electricity	9.4	2.5%
Water	1.2	0.3%

campaign and the Finnish Red Cross Chain Reaction fundraiser, which saw us donate one euro for every 25 kilometers of cycling to help people adapt to and prepare for the impacts of climate change.

Social Responsibility

In accordance with our #PeopleFirst theme, we put people first in everything we do. This applies to our customers — who are the focus of our operations — and our employees and investing in their well-being and development.

In 2022, we focused on managerial work in even more diverse ways than before. We have focused on building a Nordic manager community to establish a consistent

leadership culture and practices. As part of this effort, we used the Innofactor Academy to organize managerial training on coaching-style leadership, for example. We want to provide our managers with the best possible tools for supporting and coaching our specialists. We also conducted a 360° evaluation in which managers conducted a self-assessment and received feedback from their subordinates, colleagues, and manager. The results help the managers develop their leadership skills and practices. Based on the 360° feedback, the key strengths of Innofactor's managers include inspiring others, supporting better performance, and taking other people's opinions into consideration.

In 2022, Innofactor continued the recruitment and training of students nearing their graduation, with over 30 new participants recruited in the Nordic



countries for the Innofactor DigiStar Trainee Program. In 2022, Innofactor recruited and trained a total of 37 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. Self-organization is a strategic choice that empowers our teams. This gives them the opportunity to change the world and innovate with our customers.

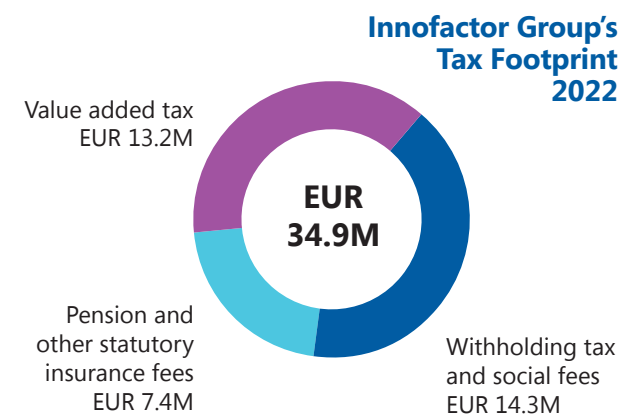
In 2022, we made two charitable donations to Unicef to support children in Ukraine. The first time, our entire staff had the opportunity to participate in the fundraiser with their own donation, and the second time, our staff chose Unicef as the target of our Christmas donation. In addition, we gave our teams the opportunity to use working hours for volunteering in late 2022. For example, one team helped with the distribution of food supplies to Ukrainian refugees.

Data Security and Data Protection

Innofactor's customers require appropriate data security in their services, and they need the services to enable compliance 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 and naturally, Innofactor as a company itself. 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 operations, Innofactor is committed to maintaining a high level of data protection and respects the privacy and rights of its personnel, customers, and users. Through regular internal audits and the continuous development of information security, 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.



The Board of Directors of Innofactor Plc



Heikki Nikku

BBA (not finished). Member of the Board of Directors since 2020. Born in 1956. Ownership 29,769 shares.

Risto Linturi

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

Anna Lindén, Chairman

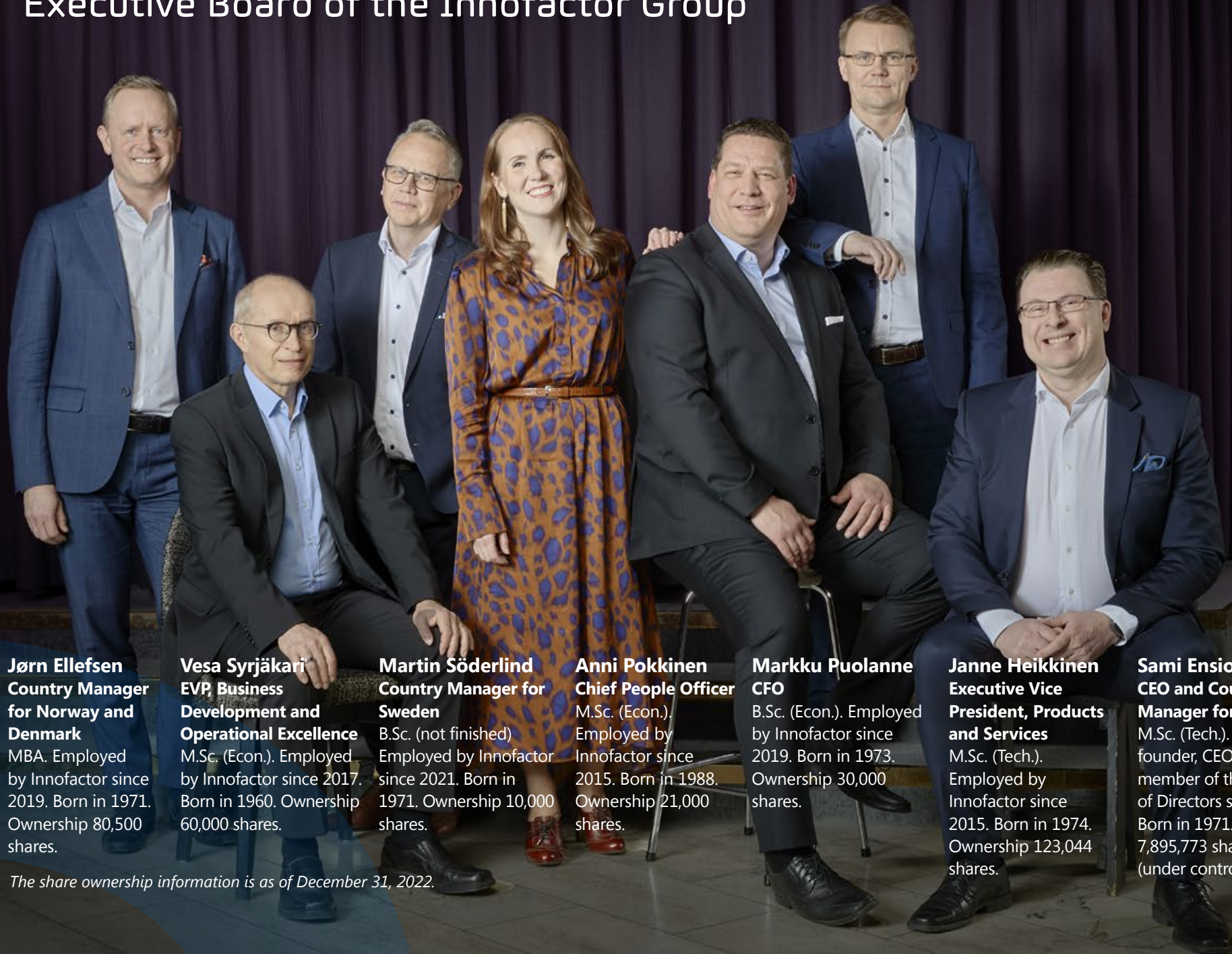
M.Pol.Sc. Chairman of the Board since 2020 and member of the Board since 2018. Born in 1973. Ownership 98,413 shares.

Sami Ensio

M.Sc. (Tech.). Innofactor's founder, CEO, and member of the Board of Directors since 2000. Born in 1971. Ownership 7,895,773 shares (under control).

The share ownership information is as of December 31, 2022.

Executive Board of the Innofactor Group



Jørn Ellefsen
Country Manager
for Norway and
Denmark
MBA. Employed
by Innofactor since
2019. Born in 1971.
Ownership 80,500
shares.

Vesa Syrjäkäri
EVP, Business
Development and
Operational Excellence
M.Sc. (Econ.). Employed
by Innofactor since 2017.
Born in 1960. Ownership
60,000 shares.

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

Anni Pokkinen
Chief People Officer
M.Sc. (Econ.).
Employed by
Innofactor since
2015. Born in 1988.
Ownership 21,000
shares.

Markku Puolanne
CFO
B.Sc. (Econ.). Employed
by Innofactor since
2019. Born in 1973.
Ownership 30,000
shares.

Janne Heikkinen
Executive Vice
President, Products
and Services
M.Sc. (Tech.).
Employed by
Innofactor since
2015. Born in 1974.
Ownership 123,044
shares.

Sami Ensio
CEO and Country
Manager for Finland
M.Sc. (Tech.). Innofactor's
founder, CEO, and
member of the Board
of Directors since 2000.
Born in 1971. Ownership
7,895,773 shares
(under control).

The share ownership information is as of December 31, 2022.



Innofactor Oyj

Annual Report and Financial Statement

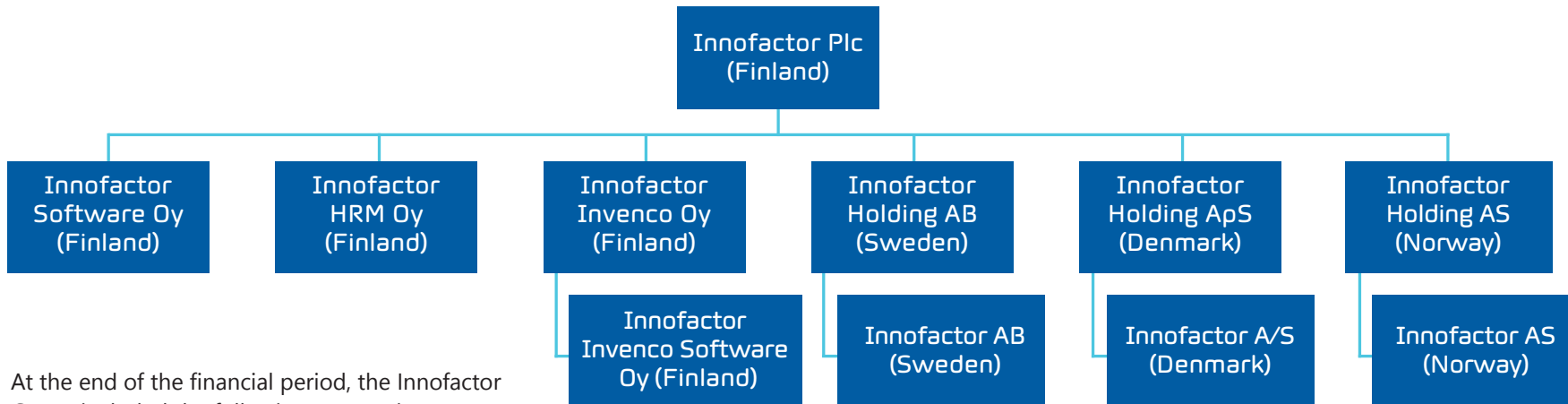
Financial period January 1–December 31, 2022

Report of Innofactor Plc's Board of Directors for 2022

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. Innofactor's customers include

over 1,000 private and public sector organizations. In its operations, Innofactor strives for long-term customer relationships. Innofactor has over 500 motivated and skilled employees in approximately 16 locations in Finland, Sweden, Denmark and Norway. The structure of the Innofactor Group at the end of the financial period 2022 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, 100%
- ▶ Innofactor Invenco Oy (previously Invenco Oy), Finland, 100%
- ▶ Innofactor Invenco Software Oy, Finland, 100% (previously Invenco Software Oy, merger into Innofactor Invenco Oy is under way)
- ▶ Innofactor HRM Oy, Finland, 100% (no business in the company, the company's dissolution is under way)
- ▶ 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%

Financial Performance and Position	2022	2021	2020	2019	2018
Net sales, EUR thousand	71,130	66,364	66,164	64,198	63,144
Operating profit before depreciation and amortization (EBITDA), EUR thousand	7,808	10,111*	7,164	5,089	-1,029
percentage of net sales	11.0%	15.2%	10.8%	7.9%	-1.6%
Operating profit (EBIT), EUR thousand	4,751	6,519	2,501	795	-3,872
percentage of net sales	6.7%	9.8%	3.8%	1.2%	-6.1%
Earnings before taxes, EUR thousand	4,178	5,730	2,050	12	-3,811
percentage of net sales	5.9%	8.6%	3.1%	0.0%	-6.0%
Earnings, EUR thousand	3,320	4,504	1,761	418	-3,462
percentage of net sales	4.7%	6.8%	2.7%	0.7%	-5.5%
Shareholders' equity, EUR thousand	24,799	25,404	23,444	22,145	21,303
Interest bearing liabilities, EUR thousand	14,349	9,818	15,386	16,853	15,418
Cash and cash equivalents, EUR thousand	1,956	1,963	3,066	963	258
Deferred tax assets, EUR thousand	4,090	4,830	6,413	5,602	5,602
Return on equity	13.2%	18.4%	7.7%	1.9%	-13.8%
Return on investment	14.5%	20.6%	11.1%	2.3%	-7.7%
Net Gearing	50.0%	30.9%	52.5%	71.8%	71.2%
Equity ratio	44.8%	51.1%	42.2%	40.2%	41.2%
Balance sheet total, EUR thousand	55,815	51,057	56,607	55,720	51,875
Research and development, EUR thousand	4,153	3,504	3,618	2,795	2,860
percentage of net sales	5.8%	5.3%	5.5%	4.4%	4.5%
Personnel on average during the year	536	516	544	534	591
Personnel at the end of the year	564	500	541	538	550
Number of shares at the end of the year	37,388,225	37,388,225	37,388,225	37,388,225	36,188,225
Earnings per share (EUR)	0.09	0.12	0.05	0.01	-0.09
Shareholders' equity per share (EUR)	0.68	0.68	0.63	0.59	0.59

* The operating margin in 2021 included a capital gain of approximately EUR 2.6 million from the sale of the Prime business.

Net Sales

Innofactor's net sales in 2022 were EUR 71,130 thousand (2021: 66,364), representing growth of 7.2 percent. Without the Prime business sold in the first quarter of 2021, the comparable change would have been an increase of 8.1 percent. Of the growth, approximately EUR 3.0 million (4.6%) was organic, excluding the Invenco acquisition, net sales from the Prime business in 2021 and the deduction of approximately EUR 0.4 million recognized in the net sales of Q4/2022 due to uncertainty concerning a receivable in an individual project.

Financial Performance

Innofactor's operating margin (EBITDA) in 2022 was EUR 7,808 thousand (2021: 10,111), representing a decrease of 22.8 percent. EBITDA represented 11.0 percent of net sales (2021: 15.2%). The operating margin in 2021 included a capital gain of approximately EUR 2.6 million from the sale of the Prime business, without which the operating margin would have been approximately EUR 7.5 million, in which case the comparable operating margin increased by 3.4 percent.

Innofactor's operating profit in 2022 was EUR 4,751 thousand (2021: 6,519), representing a decrease of 27.1 percent. Operating profit was 6.7 percent of net sales (2021: 9.8%).

Financial Position, Liquidity and Investments

Innofactor's balance sheet total at the end of 2022 was EUR 55,815 thousand (2021: 51,057). The Group's liquid assets totaled EUR 1,956 thousand (2021: 1,963), consisting entirely of cash funds.

Operating cash flow in 2022 was EUR 6,704 thousand (2021: 8,855). The cash flow from investing activities was EUR -3,593 thousand (2021: -643).

The equity ratio at the end of 2022 was 44.8 percent (2021: 51.1%) and net gearing was 50.0 percent (2021: 30.9%).

At the end of 2022, the company had EUR 4,886

thousand in current interest-bearing liabilities to financial institutions (2021: 1,873) and EUR 4,517 thousand in non-current interest bearing liabilities to financial institutions (2021: 4,683). The company had IFRS 16 lease liabilities (leases for the duration of fixed-term leases) of EUR 4,947 thousand (2021: 3,261) of which EUR 2,115 thousand in current leases (2021: 1,603) and EUR 2,832 thousand in non-current leases (2021: 1,658). The total amount of interest-bearing liabilities was EUR 14,349 thousand (2021: 9,818).

The return on investment in 2022 decreased year-on-year and was 14.5 percent (2021: 20.6%). The return on equity in 2022 decreased year-on-year and was 13.2 percent (2021: 18.4%).

The non-current assets on Innofactor's balance sheet at the end of 2022 were EUR 39,319 thousand in total and consisted of the following items:

- ▶ Tangible assets and right-of-use assets totaling EUR 5,919 thousand
- ▶ Goodwill EUR 26,831 thousand*
- ▶ Other intangible assets EUR 2,398 thousand*
- ▶ Shares and holdings EUR 5 thousand
- ▶ Receivables EUR 77 thousand
- ▶ Deferred tax assets EUR 4,090 thousand

Innofactor's gross investments in tangible and intangible assets in 2022 were EUR 872 thousand (2021: 402), consisting of normal additional and replacement investments required by growth.

Write-offs on intangible assets amounted to EUR 568 thousand (2021: 1,457).

* 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

In 2022, Innofactor acquired the entire share capital of Invenco Oy, a company specializing in data and analytics

solutions. To clarify the group structure, the merger of Innofactor Invenco Oy's subsidiary Innofactor Invenco Software Oy into Innofactor Invenco Oy was initiated in 2022. The merger process is intended to be completed in spring 2023.

To clarify the group structure, Innofactor HRM Oy, the entire business of which was previously sold to Innofactor Software Oy, was placed in liquidation in order to dissolve the company. The dissolution process is intended to be completed in spring 2023.

Personnel

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

The average number of active personnel in 2022 was 536 (2021: 516), representing an increase of 3.9 percent. At the end of 2022, the number of active personnel was 564 (2021: 500), representing an increase of 12.8 percent.

At the end of 2022, the average age of the personnel was 42.7 (2021: 42.5). Women accounted for 26 percent (2021: 27%) of the personnel. Men accounted for 74 percent (2021: 73%) of the personnel.

Strategy and Its Realization in 2022

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

Our purpose: Innovating to make the world work better

Our mission: Driving the modern digital organization

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

Our Strategic Choices:

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

Our Values:

- ▶ Accountability
- ▶ Empowerment
- ▶ Innovation
- ▶ Customer

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

Our Long-Term Financial Goals:

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

Innofactor's net sales in 2022 totaled EUR 71.1 million (2021: 66.4), representing year-on-year growth of 7.2 percent. Without the Prime business sold in the first quarter of 2021, the comparable change would have been an increase of 8.1 percent. The strategic goal of net sales growth is also supported by the favorable development of the order backlog of EUR 75.8 million (2021: 72.8). The Invenco acquisition made in 2022 brings inorganic growth to Innofactor's business.

The operating margin (EBITDA) decreased in 2022 from EUR 10.1 million in the corresponding period of the previous year to EUR 7.8 million (11.0 percent of net sales). The operating margin in 2021 included a capital gain of approximately EUR 2.6 million from the sale of the Prime business, without which the operating margin would have

been approximately EUR 7.5 million, corresponding to the comparable operating margin increasing by 3.4%. With regard to profitability, continued attention and efforts by the management are still needed in the coming years to reach the long-term target of approximately 20 percent.

Innofactor's operating cash flow in 2022 was EUR 6.7 million (2021: EUR 8.9 million) and the equity ratio at the end of 2022 was 44.8 percent (2021: 51.1%). Cash flow in 2021 was increased by the capital gain of approximately EUR 2.6 million from the sale of the Prime business. The equity ratio in 2022 was reduced by a loan of approximately EUR 2.5 million taken in relation to the Invenco Ltd acquisition. Innofactor's strong operating cash flow supports the company's strategic goal of profitable growth and securing a solid financial standing in all situations.

The Key Actions to be Taken to Achieve Growth of Approximately 20 Percent and EBITDA of Approximately 20 Percent:

1. We will improve the efficiency of our operations and increase our invoicing rate by five percentage points. This will be achieved by, for example, improving the management of project and service contracts, enhancing the cross-resourcing of personnel between countries and units, reducing employee turnover and developing our self-directed team models.
2. We will increase the share of licenses and SaaS services to over 33 percent of net sales from the current level of approximately 28 percent. This will be achieved by, for example, developing our offering, such as the new MDRaaS service (CSOC) and by focusing our sales efforts on customers and solution areas with the highest growth potential and that present the best opportunities for scaling our existing offering in each of the Nordic countries.
3. We will increase the number of employees engaged in invoiced services. This will be achieved by, for example, doubling our recruitment of

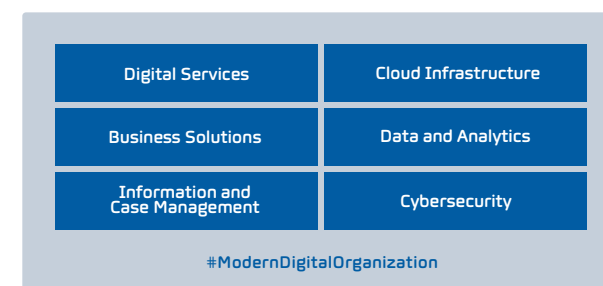
new university graduates to over 60 employees in 2023, concentrating the recruitment of senior professionals to our Nordic recruitment team, increasing the competence of our employees through certifications, reducing employee turnover, improving the efficiency of subcontracting and investing in the development of our employer image.

4. We will become an even more proactive player in the Nordic M&A field. This will be achieved by, for example, through the internal reorganization of operations, emphasizing the role of country directors in actively seeking new potential acquisition targets in their respective countries.

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. SaaS services that are typically paid for annually or monthly (including cloud services, hosting services and software maintenance) play a significant role in Innofactor's business operations. SaaS services substantially reduce cyclicity in business.

Innofactor's business operations were focused on Finland, Sweden, Denmark and Norway. In 2022, approximately 66 percent of the Group's net sales came from Finland, approximately 16 percent from Sweden, approximately 12 percent from Norway, and approximately 6 percent from Denmark. Net sales grew in Finland, Norway and Denmark, but decreased in Sweden.

In 2022 approximately 53 percent of the net sales came from commercial clients (including third-sector clients) and approximately 47 percent came from public sector clients.

License and SaaS net sales grew throughout the year, from 25 percent in the first quarter to 28 percent in the fourth quarter, which improved profitability. At the same time, the share of projects decreased from 40 percent in the first quarter to 36 percent in the fourth quarter, which also had a positive effect on profitability.

Innofactor's net sales in 2022 came from the following sources:

- ▶ Licenses: Approximately 4 percent, including all non-recurring fees received for software
- ▶ SaaS: 24 percent, including recurring income from SaaS, cloud and hosting services and from software maintenance

- ▶ Services: 36 percent, including specialist work based on recurring service contracts, such as smaller customer-specific changes and the further development of IT systems
- ▶ Projects: 36 percent, includes IT system delivery projects and consulting

Innofactor's 10 largest clients accounted for about 27.4 percent of the net sales in 2022.

Major Events in the Financial Period

- ▶ On January 4, 2022, Innofactor announced in a stock exchange release that it had completed the share repurchase program. Repurchases of treasury shares began on October 26, 2021, and ended on January 3, 2022. During this period, Innofactor acquired 800,000 treasury shares at an average price of EUR 1.5045. The shares were acquired at the current market price in public trading arranged by Nasdaq Helsinki Ltd.
- ▶ On January 18, 2022, Innofactor announced in a stock exchange release that the Ministry of Social Affairs and Health selected Innofactor in a public procurement competition as the provider of the Case Management, Document Management, Services, and Reference Price Information System as well as the related maintenance and further development tasks of the Pharmaceuticals Pricing Board. The total value of the procurement (excluding VAT) stated by the Ministry of Social Affairs and Health in the procurement decision for the four-year contract period is approximately EUR 1,190,000.
- ▶ On January 20, 2022, Innofactor announced in a stock exchange release that the Housing Finance and Development Centre of Finland (ARA) had selected Innofactor in a public procurement competition as the supplier of the Sequence Number Register. The procurement includes the planning and implementation of the Sequence Number Register, the support, maintenance and

further development services for the implemented solution, as well as system operation and control. The solution is based on Microsoft Azure cloud services. Innofactor's share of the total value of the procurement is approximately EUR 680,000. The minimum agreement period is three years.

- ▶ On February 16, 2022, Innofactor announced in a stock exchange release that the Finnish Safety and Chemicals Agency (Tukes) selected Innofactor in a public procurement competition as the supplier of the "Agile development of services, servicing and maintenance" section of the framework agreement on for IT system development and maintenance. The framework agreement comprises a total of three areas for which a total of four framework contract suppliers were selected. A total of two framework contract suppliers were selected for the "Agile development of services and Servicing and maintenance" are. The Agile development of services, servicing and maintenance section focuses on the implementation of Tukes' systems in accordance with an agile approach, service validation, the servicing and maintenance of applications, and processing and repair of disruptions. The anticipated total value of the procurement indicated by Tukes in the procurement decision for all three covered areas, without value added tax, is EUR 6.8 million. The duration of the framework agreement is four years, plus an option for two additional years.
- ▶ On March 1, 2022, Innofactor announced in a stock exchange release that Innofactor and a Swedish bank have signed an agreement concerning the configuration, development, and support services for a Microsoft Dynamics 365 solution. Innofactor estimates the value of the agreement to be approximately EUR 800,000. The agreement will be valid until further notice.
- ▶ On March 2, 2022, Innofactor announced in a stock exchange release that Finnvera had selected Innofactor as the provider of its case management

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

- ▶ On March 10, 2022, Innofactor announced in a stock exchange release that the Social Insurance Institution of Finland (Kela) has selected Innofactor as the provider of an administrative case management solution in a public competitive tendering process. The procurement includes a case management solution based on Innofactor's Dynasty 10 system, the delivery project, the maintenance and support services as well as any separately requested expert work related to the solution. The total value (excluding VAT) quoted by Kela in its procurement decision is approximately EUR 0.7 million. The agreement will be valid for fixed period of four (4) years, after which the agreement will be valid until further notice.
- ▶ On March 31, 2022, Innofactor announced in a stock exchange release that Innofactor and a Norwegian non-profit organization have signed an agreement concerning a cloud migration project, which comprises the migration of the organization's IT system from an external On Premises server room to the Microsoft Azure cloud environment. The value (excluding VAT) of the agreement is approximately EUR 1.2 million. The cloud migration project will be delivered between April 2022 and January 2023.
- ▶ On April 12, 2022, Innofactor announced in a stock exchange release that Senate Properties has selected Innofactor in a public procurement competition as

the provider of a case and document management system as well as the related maintenance and further development tasks. The system will be based on Innofactor's Dynasty 10 solution. Delivery of the system is scheduled to take place within the 2022–2023 period, after which the delivery comprises maintenance and further development services. The total value of the procurement (excluding VAT) quoted by Senate Properties in its procurement decision is approximately EUR 2.2 million. The agreement will be valid for a fixed period of two (2) years from delivery, after which the agreement will be valid until further notice.

- ▶ On May 12, 2022, Innofactor announced in a stock exchange release that Innofactor and a Danish pharmaceutical company have signed an agreement concerning the delivery of managed cloud services supporting a data integration platform. The services are implemented by using Microsoft Azure PaaS cloud services. The value (excluding VAT) of the agreement is approximately EUR 2.1 million. The agreement is valid until further notice.
- ▶ On May 17, 2022, Innofactor announced in a stock exchange release that the State Treasury of Finland has selected Innofactor in a dynamic purchasing system to provide IT expert services to support the development and maintenance of a Microsoft Dynamics 365 CRM system. The tasks of the experts include the development, maintenance and support services of the CRM system that is already in use in the State Treasury. The development will be carried out mainly with agile methods according to the operating models of the State Treasury. Based on the assessment of the yearly work under the agreement provided by the State Treasury, Innofactor estimates the net sales derived from the agreement to amount to at least EUR 5.0 million. The agreement period is eight years.
- ▶ On June 3, 2022, Innofactor announced in a stock exchange release that the Funding Centre for Social

Welfare and Health Organisations (STEA) has selected Innofactor in a public procurement competition to continue the maintenance and development of a grant and case management system. The work will be carried out with agile methods. Innofactor's estimate of the value of the procurement for the three-year contract period is approximately EUR 1.8 million.

- ▶ On June 8, 2022, Innofactor announced in a stock exchange release that the Greater Stockholm Fire Brigade (Storstockholms brandförsvär) has selected Innofactor in a public procurement competition to provide a case and document management system, as well as maintenance and support services related to it. The system will be based on the Innofactor Dynasty information and case management solution. Innofactor's reference price for a contract period of eight years stated by the client in the procurement decision is approximately EUR 0.35 million.
- ▶ On June 20, 2022, Innofactor issued a stock exchange release to announce that Innofactor Plc has signed an agreement on June 20, 2022, on acquiring the entire share capital of the privately owned company Invenco Ltd. The transaction is described in more detail under "Acquisitions and changes in the Group structure" and under "Preliminary acquisition cost calculation for Invenco Ltd" in the notes to the financial statements.
- ▶ On August 3, 2022, Innofactor announced in a stock exchange release that the Legal Register Centre has selected Innofactor to continue the development and maintenance work of the ERP and document management system for administrative courts and special courts (HAIPA project). The system is based on Innofactor's Dynasty product family. The total value of the procurement (excluding VAT) stated by the Legal Register Centre in the procurement decision is approximately EUR 4.0 million. The contract period is two years, in addition to which there are two one-year options, which will be decided on separately.

- ▶ On August 9, 2022, Innofactor announced in a stock exchange release that the Aalto University Foundation has selected Innofactor in a public procurement competition as part of a consortium formed with Invenco Ltd to develop and maintain Aalto University's centralized data warehouse. The tender was submitted as a consortium with Invenco Ltd, with Innofactor subsequently issuing a stock exchange release on June 20, 2022, to announce the acquisition of the share capital of Invenco Ltd. The acquisition was completed on June 30, 2022, after which Invenco Ltd is part of Innofactor Group. The estimated total value (excluding VAT) stated by the Aalto University Foundation in the public procurement decision for a contract period of four years is approximately EUR 5.0 million.
- ▶ On September 28, 2022, Innofactor issued a stock exchange release announcing that, at its meeting on September 27, 2022, the Board of Directors of Innofactor Plc had decided to commence the acquisition of the company's own shares for the purpose of developing the company's capital structure. The company will acquire a maximum of 800,000 shares, which corresponds to approximately 2.1% of the total number of shares. The maximum amount to be used for the acquisition of shares is EUR 1,000,000. The decision was made on the basis of the authorization given by Innofactor Plc's Annual General Meeting on March 31, 2022, to acquire a maximum of 3,600,000 shares. The repurchase of shares will commence on September 28, 2022, at the earliest and will end at the latest on March 24, 2023, or at an earlier Annual General Meeting. Innofactor Plc has a total of 37,388,225 shares, of which the company currently owns 741,410 (approximately 2.0%). The company's own shares will be acquired at the current market price in public trading arranged by NASDAQ Helsinki Ltd using the company's unrestricted equity.
- ▶ On December 7, 2022, Innofactor issued a stock exchange release announcing that the Board of Directors of Innofactor Plc had, on the date in

question, decided on a directed share issue for the company's management. The directed share issue is carried out with the shares held by the company. The decision on the transfer of the shares has been made on the basis of the authorization given by the General Meeting of Innofactor Plc on 31 March 2022. The share issue deviates from the shareholder's pre-emptive subscription right. The share issue is carried out in order to engage the commitment of the company's management, which means that there is an important financial reason for the deviation. A total of 50,000 shares held by the company will be transferred to the company's management at the price of EUR 1.00 per share. The basis for determining the transfer price is the volume-weighted average share price in October 2022 in public trading organized by NASDAQ Helsinki Oy. After the transfer, Innofactor Plc will hold 1,073,045 of its own shares.

- ▶ On 22 December 2022, Innofactor issued a stock exchange release announcing that the Finnish Defence Forces Logistics Command has selected Innofactor in a public procurement competition as the provider of an information management system solution (PVASIA) and related services. The system will be based on Innofactor's Dynasty product family. The procurement comprises an integrated solution of information management, task management, case management, document management, electronic signature and information search services. The service agreement will be valid for six years, after which the maintenance agreement can be continued with four two-year options for a maximum of eight years. According to the release published on the website of the Ministry of Defence, the total value of the procurement, excluding VAT, is EUR 22 million.

Major Events After the Financial Period

- ▶ On February 13, 2023, Innofactor announced in a stock exchange release that Innofactor and Metso

Outotec Oyj have signed a contract for the further development work of digitizing the company's quotation process. Innofactor will continue the development work that began in 2020, aiming to design and implement, using agile methods, a cloud-based solution for managing the quotation process and handling and storing related information and documents. The solution is implemented using Microsoft Azure PaaS cloud services. The value of the agreement (excluding VAT) is at most EUR 0.70 million and the services will be delivered during the year 2023.

- ▶ On February 16, 2023, Innofactor announced in a stock exchange release that Senate Properties has selected Innofactor with a procurement decision to continue the development and maintenance of an HR system. The system is based on the Innofactor Kide HR solution. Innofactor estimates the total value of the procurement at approximately EUR 0.8 million.
- ▶ On February 17, 2023, Innofactor announced in a stock exchange release that the Board of Directors of Innofactor Plc has decided, based on the authorization granted to it by the Annual General Meeting, on a share-based incentive plan for all of Innofactor Group's personnel in order to commit the personnel to the company and its goals ("Personnel Share Issue"). In the Personnel Share Issue, a maximum total of 400,000 shares ("Personnel Shares") of the company will be issued to the Innofactor Group's personnel, deviating from the shareholders' pre-emptive subscription rights. At the time of making the decision Innofactor Plc had 37,388,225 shares. Innofactor Plc's shares which are in the company's possession will be used for the Personnel Share Issue. The subscription price for the Personnel Shares will be EUR 1.01 per share. The share subscription price is based on the trade volume weighted average price of the company's share on Nasdaq Helsinki Ltd for the previous month and on a discount of 10 percent thereof.

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

Innofactor has had no other significant events after 2022.

Future Outlook

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

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.

Risks Related to Operations

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

Skilled personnel and its availability: The development of Innofactor's operations and deliveries depends greatly on the Group having skilled personnel and being able

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

Increase in personnel costs: A majority of Innofactor's costs consists of salaries and other personnel costs (in 2022, about 68% of all costs, including depreciation). Currently, all of Innofactor's own employees work in the Nordic countries, whereas some competitors rely heavily on workforce in countries with cheap labor. If the personnel costs continue rising in the Nordic countries at the same rate as before, it will create a risk for Innofactor, if the prices paid for IT services will not rise correspondingly. Innofactor is monitoring the situation constantly and strives to affect the moderate development of personnel costs via interest groups. It also aims at increasing the share of work done by subcontractors and abroad, when it makes sense from the point of view of business operations, for example, in large product development projects.

Profitability of projects: A Significant part of Innofactor's net sales 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 monitored key performance indicators. The relative share of project business has decreased and it will be further decreased, which reduces the risks associated to project business.

Competition: Innofactor's main competitors are companies offering traditional information technology services and software in the Nordic countries. Some competitors have larger financial resources, wider product selection, cheaper workforce and larger existing customer base than Innofactor does and also notable legal resources, and they can use these when competing with Innofactor for the same deliveries. Additionally, new startup companies increase competition in certain deliveries. The price competition in the field is expected to remain 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.

Research and product development: In Innofactor's operation, research and product development play a central role. In 2022, approximately 5.8% of net sales was used on research and product development. Each research and product development project carries the risk that the end results are not as successful financially as planned and that the investment in the project does not pay itself back. By constantly updating its offering and organizing its operations, Innofactor aims at minimizing the risks inherent in research and product development.

Changes in the technology and field of business: Fast development is characteristic for Innofactor's field of business. There can be quick changes in the customers' requirements and choices concerning software technology. 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 and agree on customer deliveries in new areas.

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

Risk of a pandemic: An epidemic spreading into a global pandemic may hinder Innofactor's business operations. If there is no significant pandemic in Innofactor's operating area in the Nordic countries, the detriment will be limited mostly to a decrease in the availability of tools, especially computers, which are needed in Innofactor's business operations. If there is a significant pandemic also in Innofactor's operating area in the Nordic countries, it could mean introducing remote work, either for a part of or the entire personnel, a temporary decrease in customers' purchases, and delays in some customer deliveries, increasing absence rates connected directly to the disease caused by the pandemic, quarantine or mental symptoms caused indirectly by isolation and increased personnel turnover due to remote work. COVID-19 caused an increase in

sickness-related absences in 2022, and this may continue in 2023, but no other impacts related to COVID-19 are expected.

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

Globalization: In accordance with its strategy, Innofactor 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 systems that will decrease the risks in global operations.

Uncertainties and risks 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. Each acquisition, after it has been made, also carries some risks, which include the success of the integration, the stability of the key personnel, formation of the business value, and possible related

needs for depreciations. Innofactor's strategy is primarily based on integrating the acquired companies in a fast schedule as part of the whole in the country in question. Innofactor invests in the integration process.

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

Financial Risks

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

Financing risks: In its normal business operations, the Innofactor Group is susceptible to normal financing risks. In total, at the end of 2022, Innofactor had approximately EUR 9.4 million in interest-bearing debts to financial institutions, which have been taken out to finance acquisitions and working capital. Of the debts, approximately EUR 4.5 million is non-current and approximately EUR 4.9 million is 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 4.9 million, of which

EUR 2.1 million was current and EUR 2.8 million non-current. The total of interest-bearing liabilities was EUR 14.3 million. Innofactor has committed to the following covenants: Equity ratio calculated every 6 months is at least of 40%, and interest bearing liabilities calculated every 6 months divided by the 12-month operating margin (EBITDA) is a maximum of 2.5, and certain other normal conditions for loans. The goal of managing the financing risks is to minimize the negative effects of the changes in the financial markets on the result of the Group. Financing risk management has been centralized to the CFO, who is responsible for the Group's financing and regularly reports to the company's Executive Board, CEO, and Board of Directors. It is possible that, in the future, the Group will not get the financing it needs and this would have a negative effect on the Group's business and its development, especially on making acquisitions.

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

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

in the Group aims at minimizing the uncertainty that changes in exchange rates cause in the result through cash flows and assessment of receivables and liabilities.

Risks related to the cash position: The Innofactor Group handles management of liquid assets with the help of centralized payments and cash management. The Group strives for continuous monitoring and assessment of the needed business financing in order to ensure that the Group has enough liquid assets in its use. Additionally, the Group has 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 may be agreed on with the customer beforehand. When Innofactor performs work in customer projects, which is scheduled to be invoiced afterwards, project receivables are accrued. Especially in public sector projects, scheduled payments often take place nearer to the end of the project, which means increased project receivables and related risks. In 2022, Innofactor recognized a deduction of approximately EUR 0.4 million in Q4 net sales due to uncertainty concerning a receivable in an individual project for which net sales had previously been recognized. 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 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 Annual General Meeting of March 31, 2022, decided that the Board of Directors shall have four members. Mr. Sami Ensio, Ms. Anna Lindén, Mr. Risto Linturi, and Mr. Heikki Nikku were re-elected as members to the Board of Directors. At the organizing meeting held after the General Meeting, the Board of Directors elected Anna Lindén as the Chairman of the Board.

The General Meeting approved the proposal to appoint Ernst & Young Oy, an auditing firm authorized by the Central Chamber of Commerce, again 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 of 2022.

Innofactor Plc's entire Corporate Governance policy and statements are available on the company's web site at: <https://www.innofactor.com/invest-in-us/corporate-governance/>

Research and Product Development

In product development in 2022, 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 2022 were approximately EUR 4,153 thousand (2021: 3,504), representing 5.8 percent of net sales (2021: 5.3%).

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

Innofactor's 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 eight support service processes. These processes are monitored by means of process indicators and audits, for example. The company's support service processes relating to human resources management, risk management and legal issues, and business processes related to the personnel and resource allocation, 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 external audits in 2022, no deviations were observed.

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 calculated the Innofactor Group's carbon footprint for the first time in 2022. The calculation included the emissions arising from the electricity and heating consumption of our operating locations (Scope 2), the emissions generated by our leased vehicles (Scope 1) and our most significant Scope 3 emissions. Scope 3 included business travel by car, flights, nights spent at hotels, computer and telephone purchases and the water consumption of our offices. Our total carbon footprint for 2021 came to 288.7 tCO₂e. We compensated our total calculated emissions through certified international projects, making Innofactor a carbon-neutral company starting from 2021.

In 2022, our total carbon footprint was 383.3 tCO₂e. The calculation included the same emission categories as in 2021. The increase in emissions compared to the previous year was due to a manifold increase in business travel, which had reduced to a minimum during the COVID-19 pandemic. For example, our annual InSpirit employee event was not organized during the pandemic. The lifting of the pandemic-related restrictions on travel and large gatherings led to a substantial increase in flights and nights spent at hotels. The calculation indicates that heating is our largest source of emissions, while many of our offices have already switched to renewable electricity. We aim to reduce our total emissions each year, which will also decrease the amount needing to be compensated. Our first step toward that goal is to increase the use of renewable energy at our offices.

We 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 partnered with

our lessor to install the first charging stations, and the number of charging stations was recently increased by a considerable amount. 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.

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 provide our employees with good opportunities for location-independent work. Using Microsoft Teams as a meeting tool brings added value to the operations of both Innofactor and its customers.

Innofactor employees also carried out various sustainability actions in their teams during the year. In Finland, we participated in the Kilometrikisa cycling campaign and the Finnish Red Cross Chain Reaction fundraiser, which saw us donate one euro for each 25 kilometers of cycling to help people adapt to and prepare for the impacts of climate change.

Social Responsibility

In accordance with our #PeopleFirst theme, we put people first in everything we do. This applies to our customers – who are the focus of our operations – and our employees and investing in their well-being and development.

In 2022, we focused on managerial work in even more diverse ways than before. We have focused on building a Nordic manager community to establish a consistent leadership culture and practices. As part of this effort, we used the Innofactor Academy to organize managerial training on coaching-style leadership, for example. We want to provide our managers with

the best possible tools for supporting and coaching our specialists. We also conducted a 360° evaluation in which managers conducted a self-assessment and received feedback from their subordinates, colleagues and manager. The results help the managers develop their leadership skills and practices. Based on the 360° feedback, the key strengths of Innofactor's managers include inspiring others, supporting better performance and taking other people's opinions into consideration.

In 2022, Innofactor continued the recruitment and training of students nearing their graduation, with over 30 new participants recruited in the Nordic countries for the Innofactor DigiStar Trainee Program. In 2022, Innofactor recruited and trained a total of 37 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. Self-organization is a strategic choice that empowers our teams. This gives them the opportunity to change the world and innovate with our customers.

In 2022, we made two charitable donations to Unicef to support children in Ukraine. The first time, our entire staff had the opportunity to participate in the fundraiser with their own donation, and the second time, our staff chose Unicef as the target of our Christmas donation. In addition, we gave our teams the opportunity to use working hours for volunteering in late 2022. For example, one team helped with the distribution of groceries to Ukrainian refugees.

Data Security and Data Protection

Innofactor's customers require appropriate information security in their services 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 and naturally, Innofactor as a company itself. 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 operations, Innofactor is committed to maintaining a high level of data protection and respects the privacy and rights of its personnel, customers and users. Through regular internal audits and the continuous development of information security, 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.

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 2022, 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 infringements that are against 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 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."

EU Taxonomy Disclosures

The EU Taxonomy Regulation aims to steer investments towards environmentally sustainable investments and to contribute to the achievement of the EU's environmental objectives. The disclosure requirement for 2022 concerns climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems.

Innofactor has reviewed its economic activities against the criteria set by the EU. Innofactor has not identified activities aligned with the environmental objectives of the taxonomy. Therefore, Innofactor's taxonomy-eligible activities account for 0 percent of the company's net sales and capital expenditure.

Theme	Operating model	Goal	Performance indicator	2022
Environmental Responsibility	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
Social Responsibility	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	37
Data Protection and Information Security	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
Anti-corruption and Anti-bribery	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

Proportion of taxonomy-eligible activity

KPI	EUR thousand	Taxonomy-eligible %	Taxonomy non-eligible %
Net sales	71,130	0.0	100.0
Investments*	872	0.0	100.0
Operative expenses	7,205	0.0	100.0

*The group's reported gross investments including advance payments

Share and Shareholders

At the end of 2022, Innofactor Plc's share capital was EUR 2,100,000.00 and the total number of shares was 37,388,225. Innofactor Plc has one series of shares. Each share confers one vote.

In 2022, the highest price of the company share was EUR 1.54 (2021: 2.07), the lowest price was EUR 0.83 (2021: 1.24), and the average price was EUR 1.17 (2021: 1.61).

The closing price for 2022 on December 31, 2022, was EUR 1.05 (2021: 1.52).

In public trading in 2022, a total of 14,193,868 shares were traded (2021: 32,546,031), which corresponds to 38.0 percent (2021: 87.0%) of the average number of shares in the said period. In 2022, there were 37,388,225 shares on the average (2021: 37,388,225). The share trading volume decreased by 56.4 percent compared to the corresponding period in 2021.

The market value of the share capital at the closing price of EUR 1.05 on December 31, 2022, was EUR 39,332,413 (2021: 56,643,161), representing a decrease of 30.6 percent.

On December 31, 2022, the company had a total of 11,798 shareholders (2021: 12,343), including nominee-registered shares.

On December 31, 2022, the company held 1,180,121 treasury shares.

The Board of Directors has the following authorizations:

- ▶ Until June 30, 2023, to decide on a share issue and granting of special rights entitling to shares, concerning a maximum of 3,600,000 new shares (decided by the Annual General Meeting of March 31, 2022); the authorization has not been used.
- ▶ Until June 30, 2023, to decide on the acquisition of a maximum of 3,600,000 treasury shares (decided by the General Meeting of March 31, 2022); the Board of Directors decided on September 27, 2022, to commence the repurchase of the company's shares. The company will repurchase a maximum of 800,000 shares. The authorization was used to repurchase 488,711 shares by the end of 2022. At the end of 2022, the company held a total of 1,180,121 treasury shares.

Own Shares

The General Meeting of March 31, 2022, authorized the Board of Directors to decide on acquiring 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 on 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, 2023. This authorization replaces the Board's earlier authorizations concerning share repurchase.

On September 27, 2022, the Board of Directors decided to commence the repurchasing of the company's own shares. The repurchasing program was incomplete at the end of 2022, by which time 488,711 shares had been repurchased and were held by the company. The average purchase price of the shares was EUR 0.950. The shares were acquired at the current market price in public trading arranged by Nasdaq Helsinki Ltd.

At the end of 2022, the company held 1,180,121 treasury shares (3.16% of all shares).

Shareholdings of the Management

Shareholdings of the Board of Directors on December 31, 2022:

- ▶ Under control of Sami Ensio, 7,895,773 shares, 21.12%
 - ▶ *Sami Ensio*, 5,722,013 shares, 15.30%
 - ▶ *under control*, 724,588 shares, 1.94%
 - ▶ *minor under guardianship*, 724,586 shares, 1.94%
 - ▶ *minor under guardianship*, 724,586 shares, 1.94%
- ▶ Anna Lindén, 98,413 shares, 0.26%
- ▶ Under control of Risto Linturi, 1,256,411 shares, 3.36%
- ▶ Heikki Nikku, 29,769 shares, 0.08%

Shareholdings of the CEO on December 31, 2022

- ▶ Under control of Sami Ensio, 7,895,773 shares, 21.12%
 - ▶ *Sami Ensio*, 5,722,013 shares, 15.30%
 - ▶ *under control*, 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 on December 31, 2022

- ▶ Jørn Ellefsen, 80,500 shares, 0.22%
- ▶ Janne Heikkinen, 123,044 shares, 0.33%
- ▶ Anni Pokkinen, 21,000 shares, 0.06%
- ▶ Markku Puolanne, 30,000 shares, 0.08%
- ▶ Vesa Syrjäkari, 60,000 shares, 0.16%
- ▶ Martin Söderlind, 10,000 shares, 0.03%

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, 2022, was as follows.

Name	Number of shares	% of share capital
1. Ensio Sami	7,895,773	21.12%
<i>Sami Ensio</i>	5,722,013	15.30%
<i>Minor under guardianship</i>	724,588	1.94%
<i>Iiris Ensio</i>	724,586	1.94%
<i>Minor under guardianship</i>	724,586	1.94%
2. Ilmarinen Mutual Pension Insurance Company	1,800,000	4.81%
3. Linturi Kaija and Risto	1,256,411	3.36%
<i>R. Linturi Oyj</i>	489,107	1.31%
<i>Linturi Kaija Anneli</i>	430,000	1.15%
<i>Linturi Risto Erkki Olavi</i>	337,304	0.90%
4. Laiho Rami Tapani	875,406	2.34%
5. Ärje Matias Juhanpoika	854,253	2.28%
6. Mäki Antti-Jussi	613,725	1.64%
7. Tilman Tuomo Tapani	538,538	1.44%
8. Hellen Stefan Andreas	486,000	1.30%
9. Ingman Finance Oy Ab	450,000	1.20%
10. Muukkonen Teemu Heikki	410,357	1.10%
11. Järvenpää Janne-Olli	266,397	0.71%
12. Mandatum Life Insurance Company Limited	247,104	0.66%
13. Kukkonen Heikki-Harri	218,606	0.58%
14. Puolakka Petri Yrjö Emil	202,511	0.54%
15. Laiho Jari Olavi	200,371	0.54%
16. Kannisto Jaakko Mikael	193,281	0.52%
17. Varsio Jussi Ilari	190,000	0.51%
18. Mäkinen Antti Vilho Juhani	168,000	0.45%
19. Saarnio Mikko Markus	138,000	0.37%
20. Muurinen Hannu Olavi	125,750	0.34%
Total	17,130,483	45.81%

Board of Directors and the Company's Management

Board of Directors

In 2022, the members of Innofactor Plc's Board of Directors were:

- ▶ Sami Ensio
- ▶ Anna Lindén (Chairman of the Board of Directors)
- ▶ Risto Linturi
- ▶ Heikki Nikku

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 were 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 were 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 acts as the CEO of the Innofactor Plc's Finnish group companies. In Sweden, Denmark, and Norway, the local Country Managers act as the CEOs of the operative companies.

Executive Board

In 2022, 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 (until September 19, 2022)
- ▶ Janne Heikkinen, Executive Vice President, Products and Services
- ▶ Anni Pokkinen, Chief People Officer (from September 27, 2022)
- ▶ Markku Puolanne, CFO
- ▶ Vesa Syrjäkari, EVP, Business Development and Operational Excellence
- ▶ Martin Söderlind, Chief Innovation and Talent Officer until September 19, 2022, and Country Manager for Sweden thereafter

Loans of Related Parties

The company's managers considered to be related parties have EUR 70 thousand in liabilities from the company's personnel issues to the company. The loan period is five years, and the loan is repaid in fixed monthly installments. The interest rate is the 12-month Euribor 360 interest rate. However, the interest rate is always a minimum of 0%. The accrued interest is paid monthly to the company. Innofactor PLC has a total of EUR 19,3 million loan receivables from its subsidiaries. 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. According to the dividend policy, Innofactor aims to pay a dividend regularly each year. The target is to pay about half of the result for the financial period in dividends, taking into account the company's financial position, possible corporate reorganizations, and other development needs. For 2022, the Group's result for the financial period was EUR 3,319,797.20. In making the proposal on the dividend, the Board of Directors takes into account the company's financial situation, profitability and near-term outlook.

At the end of the financial year 2022, the distributable assets of the Group's parent company amounted to EUR 23,493,847.82.

The Board of Directors proposes that Innofactor Plc distribute EUR 0.06 per share as a repayment of capital.

The Board of Directors further proposes that the Annual General Meeting authorize the Board to decide on a repayment of capital amounting to a maximum of EUR 2,459,293 (EUR 0.06 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	2022	2021
Net sales	3	71,130	66,364
Other operating income	3	290	2,681
Materials and services		-10,762	-8,874
Employee benefits/expenses	6	-45,644	-43,453
Depreciation	5	-3,057	-3,592
Other operating expenses	4	-7,205	-6,607
Operating profit		4,751	6,519
Financial income	8	46	359
Financial expenses	9	-619	-1,148
Profit before taxes		4,178	5,730
Income taxes	10	-858	-1,226
Profit/loss for the period		3,320	4,504
Other comprehensive income			
Items that may be later recognized in profit or loss:			
Exchange differences		-551	97
Total comprehensive income		2,769	4,601
Distribution of the profit and comprehensive income			
To shareholders of the parent company		2,769	4,601
Earnings per share calculated from the profit attributable to equity holders of the parent:			
basic earnings per share (EUR)	11	0.09	0.12
diluted earnings per share (EUR)	11	0.09	0.12

Consolidated Balance Sheet, IFRS

EUR thousand	Note	Dec 31, 2022	Dec 31, 2021
ASSETS			
Non-current assets			
Tangible assets	12	1,076	535
Right-of-use assets	12	4,843	3,166
Goodwill	13	26,831	26,393
Other intangible assets	13	2,398	633
Shares and holdings		5	5
Non-current assets		77	129
Deferred tax assets	14	4,090	4,830
		39,319	35,691
Current assets			
Trade and other receivables	15, 19	14,540	13,403
Cash and cash equivalents	18	1,956	1,963
		16,495	15,366
TOTAL ASSETS		55,815	51,057

Consolidated Balance Sheet, IFRS

EUR thousand	Note	Dec 31, 2022	Dec 31, 2021
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity attributable to the shareholders of the parent company			
Share capital	17	2,100	2,100
Share premium reserve	17	72	72
Reserve fund	17	59	59
Fund for invested unrestricted equity	17	17,247	20,174
Retained earnings		7,669	5,496
Own shares		-447	-1,146
Translation differences		-1,902	-1,351
Total shareholders' equity		24,799	25,404
Non-current liabilities			
Loans from financial institutions	18, 22	4,517	4,683
Lease liabilities	21	2,832	1,658
Deferred tax liabilities	14	1,851	1,487
		9,200	7,828
Current liabilities			
Loans from financial institutions	18, 22	4,886	1,873
Lease liabilities	21	2,115	1,603
Trade and other payables	19	14,815	14,349
		21,816	17,825
Total liabilities		31,016	25,653
Total shareholders' equity and liabilities		55,815	51,057

Consolidated cash flow statement, IFRS

EUR thousand	Note	2022	2021
Cash flow from operating activities			
Profit before taxes		4,178	5,730
Adjustments:			
Depreciation	5	3,057	3,592
Other transactions with no related cash flow		42	-108
Changes in working capital:			
Change in non-interest-bearing current receivables		-102	479
Change in non-interest-bearing current liabilities		-630	-1,204
Interest paid		-40	-353
Interest received		198	719
Taxes paid		0	0
Net cash flow from operating activities		6,704	8,855
Investment cash flow			
Acquisition of subsidiaries		-2,825	0
Investments in intangible and tangible assets		-872	-402
Receivables from sales		0	-400
Change in loan receivables		103	159
Net cash flow from investments		-3,593	-643
Cash flow from financing			
Loans withdrawn		4,679	0
Loans paid		-2,236	-4,873
Lease liability payments		-2,187	-1,801
Payment of dividend and capital repayment		-2,927	-1,496
Purchase of own shares		-447	-1,146
Net cash flow from financing		-3,118	-9,316
Change in cash and cash equivalents		-7	-1,104
Cash and cash equivalents, opening balance		1,963	3,066
Cash and cash equivalents, closing balance		1,956	1,963

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	Total shareholders' equity
Shareholders' equity Jan 1, 2022		2,100	72	59	20,174	-1,146	5,495	-1,351	25,404
Comprehensive income									
Result for the financial period							3,320		3,320
Other comprehensive income:									
Translation differences								-551	-551
Total comprehensive income							3,320	-551	2,769
Dividend distribution									0
Repayment of capital					-2,927				-2,927
Purchase of own shares						-447			-447
Shareholders' equity Dec 31, 2022		2,100	72	59	17,247	-1,592	8,816	-1,901	24,799

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	Total shareholders' equity
Shareholders' equity Jan 1, 2021		2,100	72	59	20,921	0	1,739	-1,447	23,444
Comprehensive income									
Result for the financial period							4,504		4,504
Other comprehensive income:									
Translation differences								97	97
Total comprehensive income							4,504	97	4,601
Dividend distribution							-748		-748
Repayment of capital					-748				-748
Purchase of own shares						-1,146			-1,146
Shareholders' equity Dec 31, 2021		2,100	72	59	20,174	-1,146	5,495	-1,351	25,404

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 or at the head office at Keilaranta 9, 02150 Espoo, Finland. Innofactor Plc's Board of Directors has approved these financial statements for publication in its meeting on March 8, 2023. 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, 2022. 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, 2022, 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 IAS 16: Property, Plant and Equipment – Proceeds before Intended Use
- ▶ Amendments to IFRS 3: Business Combinations – Reference to the Conceptual Framework

Changes That Will Take Effect During the Financial Period 2023 or Later

In addition to the standards and interpretations presented in the financial statements for 2022, 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, 2023. 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 IAS 1: Presentation of Financial Statements – Classification of Liabilities as Current or Non-current
- ▶ Amendments to IAS 1: Presentation of Financial Statements and IFRS Practice Statement 2: Making Materiality Judgements – Disclosure of Accounting Policies
- ▶ Amendments to IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates
- ▶ Amendments to IAS 12: Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- ▶ Amendments to IFRS 10: Consolidated Financial Statements and IAS 28: Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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 amendments 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. 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 2–10 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 2022 and 2021, 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. 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. Right-of-use assets are amortized over the shorter of the lease term or economic useful life of the asset.

Impairment

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 2022 and 2021.

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.

Projects

Projects include planning, implementation, project management and commissioning services related to software and solutions to be implemented for the

customer. 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.

SaaS

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.

Financial Items

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 SPPI 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 due to be paid 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.

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.

Translation Differences

In the consolidated financial statements, exchange rate differences arising from the equity of foreign subsidiaries and loans comparable with foreign net investments are recognized in translation differences through the Group's other comprehensive income items. In the second quarter of the financial year 2022, the Group's management classified certain intra-group loans as loans comparable with net investments and the exchange rate differences arising from these loans are recognized in translation differences.

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.

Determination of the Measurement of Goodwill

The management makes significant estimates and judgment-based decisions when assessing the development of the Group's net sales and expense, the applicable tax rates and the effects of changes in market conditions on the Group's profit performance. Cash flow projections are based on the Group's actual result and the management's best estimates of future financial performance. Cash flow forecasts include the budgeted amount for the next financial year and the forecasted amounts for the three subsequent years. The growth rates are based on the management's estimate of growth in the coming years.

Partial recognition of revenue

Revenue and expenses from projects recognized over time are recognized using the percentage of completion method when the outcome of the project can be estimated reliably. Recognition is based on estimates of the expected revenue and expenses from the project, as well as the reliable measurement and assessment of the progress of the project. If the estimate of the outcome of a project changes, the recognized project revenue and profit/margin are correspondingly changed in the period in which the change is discovered and can be estimated reliably. Loss-making contracts are recognized as expenses without delay.

3. Net Sales

EUR thousand	2022	2021
Projects	25,654	27,262
Services	26,069	21,693
SaaS	16,807	15,040
Licenses	2,599	2,369
Total	71,130	66,364

Projects include in 2022 EUR 2.5 million (EUR 3.6 million in 2021) of revenue is recognized from projects based on percentage of completion. From those projects EUR 2.1 million (EUR 2.6 million in 2021) of revenue is recognized from projects that are incomplete.

The items that were included in the contract liability in the previous financial statements were recognized in full as revenue in the reporting period.

On January 1–December 31, 2022, approximately 66% of the net sales came from Finland, approximately 16% from Sweden, approximately 6% from Denmark, and approximately 12% from Norway.

The warranty period for system deliveries is 6–12 months and work under warranty is, as a rule, carried out during maintenance.

Unfulfilled Long-Term Customer Contracts

EUR thousand	2022	2021
Total transaction price for partially or entirely unfulfilled long-term customer contracts	75,831	72,837

Estimated time of recognition

Estimated recognition within the next year	42,451	40,042
Estimated recognition later	33,380	32,795
Total	75,831	72,837

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, 2022, this was EUR 19,200 thousand and on December 31, 2021, it was EUR 17,939 thousand.

Net Sales by Customer Location

EUR thousand	2022	2021
Finland	46,942	44,718
Rest of Europe	24,188	21,446
Rest of the world	0	0
Total net sales	71,130	66,164

Other operating income

EUR thousand	2022	2021
Divestments	0	2,557
Compensation for damages awarded on the basis of legal proceedings	231	0
Government Grants	0	78
Rent	43	32
Other	15	14
Total other operating income	290	2,681

4. Other Operating Expenses

EUR thousand	2022	2021
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The following table shows four of the most significant items included in other operating expenses:

Voluntary indirect employee costs	1,276	1,385
ICT expenses	987	1,044
Marketing expenses	744	561
Expenses for business premises	583	651
Total	3,590	3,641

Other unspecified operating expenses	3,615	2,966
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Other operating expenses, total	7,205	6,607
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Remuneration of the Auditors

EUR thousand	2022	2021
Auditing	130	122
Other services	3	10
Total	134	132

5. Depreciation and Impairment

EUR thousand	2022	2021
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Depreciation by asset group		
Intangible Assets	568	1,457
Total	568	1,457

Tangible assets		
Real estate	2,044	1,806
Machinery and equipment	446	330
Total	2,489	2,135
Total depreciation	3,057	3,592

6. Employee Benefits/Expenses

EUR thousand	2022	2021
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Wages and salaries	37,003	34,760
Pension expenses – defined contribution plans	5,517	5,339
Other indirect employee costs	3,123	3,353
Total	45,644	43,453

Group personnel	2022	2021
Average in the financial period	536	516
At the end of the financial period	564	500

Information on management benefits is presented in Note 23. Related party transactions.

7. Research and Development Costs

In 2022, the research and development costs recognized as expenses totaled EUR 4,153 thousand (EUR 3,504 thousand in 2021). The Group did not capitalize any research and development costs during the financial period 2022.

8. Financial Income

EUR thousand	2022	2021
Interest income	1	2
Other financial income *	45	357
Financial income, total	46	359

* In the second quarter of the financial year 2022, the Group's management classified certain intra-group loans as loans comparable with net investments and the exchange rate differences arising from these loans are recognized in translation differences. In 2021, other financial income included EUR 232 thousand in unrealized exchange rate gains that are primarily intra-Group items.

9. Financial Expenses

Items recognized in profit or loss

EUR thousand	2022	2021
Interest and other financial expenses *	464	1,043
Interest expenses for right-of-use assets	154	106
Financial expenses, total	619	1,148

* In the second quarter of the financial year 2022, the Group's management classified certain intra-group loans as loans comparable with net investments and the exchange rate differences arising from these loans are recognized in translation differences. In 2021, other interest and financial income included EUR 542 thousand in unrealized exchange rate losses that are primarily intra-Group items.

10. Income Taxes

EUR thousand	2022	2021
Tax based on the taxable income of the financial period	0	0
Other taxes	-3	-3
Deferred tax related to the creation or cancellation of temporary differences	-855	-1,223
Total	-858	-1,226

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	2022	2021
Earnings before taxes	4,178	5,730
Taxes calculated at the domestic tax rate	-836	-1,146
Non-deductible expenses	-16	-45
Tax-free income	42	52
Difference in foreign tax rate	0	3
Change in deferred taxes		
Group transfers recognized in profit or loss for which no deferred tax assets or liabilities have been recognized	-19	
Other	5	-90
Taxes in the profit and loss statement	-858	-1,226

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.

	2022	2021
Profit for the year attributable to shareholders of the parent company (EUR)	3,319,797	4,503,785
Weighted average of the number of shares during the financial period	36,546,578	37,289,660
Basic earnings per share (EUR/share) *	0.09	0.12

* There is no dilution effect in the Group.

12. Tangible assets

EUR thousand	Machinery and equipment	Buildings and structures	Total
Acquisition cost, Jan 1, 2022	5,277	8,194	13,471
Additions in 2022	978	3,720	4,698
Deductions in 2022		0	0
Acquisition costs, Dec 31, 2022	6,255	11,914	18,169
Accumulated depreciation, amortization and impairment, Jan 1, 2022	-4,740	-5,045	-9,785
Depreciation related to deductions/exchange differences of tangible assetst	7	17	24
Depreciation in 2022	-446	-2,044	-2,489
Carrying amount, Jan 1, 2022	537	3,164	3,701
Carrying amount, Dec 31, 2022	1,076	4,843	5,919
Acquisition cost, Jan 1, 2021	4,900	7,088	11,987
Additions in 2021	386	1,106	1,492
Deductions in 2021	-8	0	-8
Acquisition costs, Dec 31, 2021	5,277	8,194	13,471
Accumulated depreciation, amortization and impairment, Jan 1, 2021	-4,411	-3,239	-7,650
Depreciation related to deductions/exchange differences of tangible assets	0	15	15
Depreciation in 2021	-330	-1,806	-2,135
Carrying amount, Jan 1, 2021	489	3,850	4,338
Carrying amount, Dec 31, 2021	537	3,164	3,701

EUR thousand	Jan 1, 2022	Dec 31, 2022
Tangible assets	535	1,076
Right-of-use assets	3,166	4,843
Total	3,701	5,919

EUR thousand	Jan 1, 2021	Dec 31, 2021
Tangible assets	472	535
Right-of-use assets	3,865	3,166
Total	4,338	3,701

Right-of-use assets

EUR thousand	Machinery and equipment	Buildings and structures	Total
Acquisition cost, Jan 1, 2022	1	3,164	3,166
Additions in 2022		3,720	3,720
Depreciation in 2022	-1	-2,043	-2,044
Carrying amount, Dec 31, 2022	0	4,843	4,843
Acquisition cost, Jan 1, 2021	16	3,850	3,866
Additions in 2021		1,106	1,106
Depreciation in 2021	-14	-1,793	-1,807
Carrying amount, Dec 31, 2021	1	3,164	3,166

Lease liabilities are described in Note 20.

13. Intangible Assets

EUR thousand	Goodwill	Other intangible assets	Total
Acquisition cost, Jan 1, 2022	27,609	16,446	44,055
Additions in 2022	951	2,339	3,290
Change in value from exchange rate changes	-512	-7	-519
Acquisition cost, Dec 31, 2022	28,047	18,779	46,826
Accumulated depreciation, amortization and impairment, Jan 1, 2022	-1,216	-15,813	-17,029
Depreciation in 2022	0	-568	-568
Accumulated depreciation, amortization and impairment, Dec 31, 2022	-1,216	-16,381	-17,597
Carrying amount, Jan 1, 2022	26,393	633	27,026
Carrying amount, Dec 31, 2022	26,831	2,398	29,229
Acquisition cost, Jan 1, 2021	27,743	16,438	44,180
Additions in 2021			0
Change in value from exchange rate changes	-134	8	-126
Acquisition cost, Dec 31, 2021	27,609	16,446	44,055
Accumulated depreciation, amortization and impairment, Jan 1, 2021	-1,216	-14,357	-15,573
Depreciation in 2021	0	-1,457	-1,457
Accumulated depreciation, amortization and impairment, Dec 31, 2021	-1,216	-15,813	-17,029
Carrying amount, Jan 1, 2021	26,531	2,084	28,616
Carrying amount, Dec 31, 2021	26,393	633	27,026

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 14.0% (11.7% in 2021). The discount rate after taxes is 11.4% (9.5% in 2021).
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 30 million. No impairment losses were recognized in 2022 and 2021.

According to the sensitivity analysis that the Group carried out on goodwill, a decrease of 17% in the net sales compared to the estimated net sales of 2023–2025 or a decrease of 19% in profitability compared with the estimate for 2023–2025 would indicate a need for impairment. On the basis of the sensitivity analysis, an 11.8% increase in the discount rate would cause a need for impairment.

Recognition of Goodwill

EUR thousand	2022	2021
IT service business	26,831	26,393
Goodwill	26,831	26,393

14. Deferred Tax Assets and Liabilities

Changes in deferred taxes in 2022:

EUR thousand	Dec 31, 2021	Recognized in profit or loss	Exchange differences	Reversal of net deferred tax assets and liabilities	Dec 31, 2022
Deferred tax assets					
From Group combinations *	4,830	-911	-31	201	4,090
Total	4,830	-911	-31	201	4,090
Deferred tax liabilities					
Measurement of intangible assets and tangible assets at market value in business combinations					
	1,487	-55	0	420	1,852
Total	1,487	-55	0	420	1,852

* Of the deferred tax assets, approximately EUR 3,854 thousand consist of historical, confirmed losses.

** The increase in deferred tax assets and liabilities is related to the acquisition of Invenco Oy and Invenco Software Oy in June 2022.

At the end of 2022, 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 3.2 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. The figures do not include the losses to be used in the taxation for 2022, 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, Denmark and Norway based on the forecast of taxable income in these calculations.

15. Trade and Other Receivables

EUR thousand	2022	2021
Trade and other receivables		
Trade receivables	10,708	8,040
Receivables from customers for long-term projects	1,971	2,934
Loan receivables	79	98
Accrued income	1,768	1,939
Other receivables	14	393
Total	14,540	13,403

Credit loss provision for receivables

EUR thousand	2022	2022	2021
	After credit loss entry	Before credit loss entry	
Breakdown of trade receivables by age			
Not past due	9,462	10	9,472
Past due			
Past due 1–90 days	1,073	2	1,075
Past due over 90 days	173	62	235
Total	10,708	74	10,782

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 18.

Assets Based on Customer Contracts

EUR thousand	2022	2021
Receivables based on project contracts	1,971	2,934
Total	1,971	2,934

EUR thousand	2022	2021
Liabilities based on project contracts	504	1,353
Total	504	1,353

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.

16. Cash and Cash Equivalents

EUR thousand	2022	2021
Bank accounts	1,956	1,963
Total	1,956	1,963

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	2022	2021
Outstanding shares, Jan 1	36,626,225	37,388,225
Share issue	0	0
Own shares held by the company	1,180,121	762,000
Outstanding shares, Dec 31	36,208,104	36,626,225

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 and Capital Repayment

In 2022, a capital repayment of EUR 0.08 per share was distributed. The Board of Directors has proposed that Innofactor Plc distribute a capital repayment of EUR 0.06 per share for the financial period 2022.

The Board of Directors further proposes that the Annual General Meeting authorize the Board to decide on a repayment of capital amounting to a maximum of EUR 2,459,293 (EUR 0.06 per share, taking into account the share issue authorization proposed to the Board of Directors).

Own Shares

The General Meeting of March 31, 2022, authorized the Board of Directors to decide on acquiring 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 on 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, 2023. This authorization replaces the Board's earlier authorizations concerning share repurchase.

At the end of the review period, the company held 1,180,121 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 9.4 million (EUR 6.6 million on December 31, 2021). 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 3.2 percent (3.1% in 2021). Interest rate hedging has been applied to more than half of the Group's loans.

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 +/- 30 thousand (2021: EUR +/- 91 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.

The sensitivity analysis of the exchange rate risk shows the effect on the result at the end of 2022, if the exchange rate compared to euro would change 10 percent. The sensitivity analysis of the exchange risk according to IFRS 7 would have resulted in a change of EUR -0.1/+0.2 million to the result before taxes at the end of 2022.

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. 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.

Maturity distribution of financial liabilities

EUR thousand				
Balance sheet value	0-6 months	6 months-1 year	over 1 year	2-4 years
Dec 31, 2022				
Loans from financial institutions				
9,402	1,770	3,116	2,707	1,809
Trade and other payables				
14,815	12,593	2,222	0	0
Dec 31, 2021				
Loans from financial institutions				
6,557	937	937	1,873	2,810
Trade and other payables				
14,349	12,368	1,981	0	0

Lease liabilities are described in Note 20.

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	2022	2021
Interest-bearing loans from financial institutions	9,402	6,557
Lease liabilities	4,947	3,261
Cash and cash equivalents	1,956	1,963
Total shareholders' equity	24,799	25,404
Net Gearing	50.0%	30.9%

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 9.4 million in interest bearing debts to financial institutions, which have been taken out to finance acquisitions and working capital. Of the debts, approximately EUR 4.5 million is non-current and approximately EUR 4.9 million is 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 4.9 million, of which EUR 2.1 million was current and EUR 2.8 million non-current. The total of interest-bearing liabilities was EUR 14.3 million.

Innofactor has committed to the following covenants: Equity ratio calculated every six months is at least of 40%, and interest bearing liabilities calculated every six months divided by the 12-month operating margin (EBITDA) is a maximum of 2.5, and certain other normal conditions for loans.

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

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, 2022	Dec 31, 2021
Trade and other receivables	15	14,540	13,403
Cash and cash equivalents	16	1,956	1,963
Total		16,495	15,366
Loans from financial institutions		9,402	6,557
Lease liabilities		4,947	3,261
Total		14,349	9,818
Trade and other payables:			
Trade payables		1,715	1,341
Other liabilities		4,951	4,884
Total		6,665	6,225

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. Lease Liabilities

Maturity

EUR thousand	Total	Less than 1 year	1–5 years	Over 5 years
Dec 31, 2022				
Lease liabilities (IFRS 16)	4,947	2,115	2,832	0
Other lease liabilities	130	49	81	
Total	5,077	2,164	2,913	0

Balance Sheet

EUR thousand	2022	2021
Non-current lease liabilities	2,832	1,658
Current lease liabilities	2,115	1,603
Total	4,947	3,261

Comprehensive Consolidated Profit and Loss Statement, IFRS

EUR thousand	2022	2021
Deduction of other expenses (lease liabilities)	2,187	1,907
Addition of right-of-use asset deductions	-2,044	-1,806
Addition of operating profit	143	101
Addition of financial expenses	-152	-106
Result for the financial period	-9	-5

Current lease liabilities have been recognized	168	178
Low value lease liabilities have been recognized	26	71

The cash flow effect of the company's lease agreements was EUR -2,187 thousand in 2022 (EUR -2,155 thousand in 2021).

Interest on lease liabilities is shown in Note 9. Financial Expenses.

Right-of-use assets are presented in Note 12. Tangible assets

21. Contingent Liabilities and Assets and Acquisition Commitments

Collateral

EUR thousand	2022	2021
Collateral given for own commitments		
Lease collateral	125	126
Mortgages on company assets	17,750	16,350
Mortgages on company assets have been given as collateral for the credit limit and a loan.		
Bank guarantees	327	309
Bank guarantees have been given as collateral for lease agreements.		

22. Statement of Changes in Interest Bearing Debts

EUR thousand	Non-current	Current	Total
Liabilities Jan 1, 2022	6,342	3,476	9,818
Loans withdrawn	2,500	2,219	4,719
Loans paid		-1,874	-1,874
Changes with no related cash flow:			
Changes between			
non-current and current	-2,667	2,667	0
Change in lease liabilities *	1,173	512	1,686
Liabilities Dec 31, 2022	7,349	7,000	14,349

* IFRS 16 lease liabilities (Note 20)

EUR thousand	Non-current	Current	Total
Liabilities Jan 1, 2021	11,108	4,278	15,386
Loans withdrawn	0	0	0
Loans paid	-2,000	-2,873	-4,873
Changes with no related cash flow:			
Changes between			
non-current and current	-2,206	2,206	0
Change in lease liabilities *	-560	-135	-695
Velat 31.12.2021	6,342	3,476	9,818

* IFRS 16 lease liabilities (Note 20)

23. Related Party Disclosures

Innofactor's related parties consist of subsidiaries, the management (Board of Directors, CEO and the Executive Board), their close family members and companies, associated companies and joint ventures controlled by them or their close family members.

The company's financial administration maintains a list of the company's related parties. The company's financial administration defines Innofactor's related parties, when the status as a related party is not due to the IAS related party definition concerning persons.

The company sends an annual query to the company's key management persons, as defined in IAS 24, about the natural and legal persons which are their related parties.

Persons discharging managerial duties in the company, who are considered related parties, owe EUR 70 thousand to the company (EUR 96 thousand in 2021) as a result of personnel share issues. As a rule, the loan period is five years, and the loan is repaid in fixed monthly installments. There are also two-year loans that are repaid in four equal instalments every six months. The interest rate on the loans is the 12-month Euribor 360. However, the interest rate is always a minimum of 0%. The accrued interest is paid monthly to the company.

The company does not have any other major related party transactions.

Management's Employment Benefits

EUR thousand	2022	2021
Salaries and fees paid to the CEO and Group management during the financial period, including benefits in kind, as follows:		
CEO (including Board fees)	338	363
Other Group management	1,463	1,263
Total	1,801	1,626

Management's Employment Benefits

EUR thousand	2022	2021
Short-term employee benefits	1,801	1,626
Post-employment benefits	0	0
Other long-term benefits	0	0
Benefits paid upon termination	0	0
Share-based payments	0	0
Total	1,801	1,626

Management's Employment Benefits

EUR thousand		2022	2021
Board members and deputy members			
Lindén Anna	Chairman of the Board of Directors	48	48
Ensio Sami	Member of the Board of Directors	24	24
Linturi Risto	Member of the Board of Directors	24	24
Heikki Nikku	Member of the Board of Directors	24	24
Total		120	140

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.

24. Group Companies

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

- ▶ Innofactor Plc, Finland (parent company)
- ▶ Innofactor Software Oy, Finland, 100%
- ▶ Innofactor HRM Oy, Finland, 100%
- ▶ Innofactor Invenco Oy, Finland, 100%
- ▶ Innofactor Invenco Software Oy, Finland, 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%

On June 30, 2022, Innofactor acquired the entire share capital of Invenco Ltd, which owned the entire share capital of Invenco Software Ltd.

Invenco is an expert organization specialized in corporate performance management, data warehousing and reporting, and its most important areas of expertise are data integration, data warehousing, Business Intelligence (BI) and analytical solutions. Invenco is a long-term Microsoft partner in data and analytics. Invenco has approximately 50 employees, of whom 35 are senior data professionals. The company had four offices in Finland: Vantaa, Oulu, Tampere and Kuopio.

Invenco Ltd's net sales for the financial period July 1, 2020–June 30, 2021 was approximately EUR 6.2 million and its operating margin (EBITDA) was about EUR 0.3 million, representing approximately 5 percent of net sales. Innofactor's objective going forward is to grow Invenco's net sales and improve its profitability through synergies, among other things.

The purchase price (Enterprise Value, EV) consists of a fixed purchase price of EUR 3.0 million and an additional purchase price tied to three years' net sales growth, which will amount to EUR 3.75 million at a maximum. According to the current estimate, the additional purchase price will not become payable. The transaction will be financed with Innofactor's cash funds and bank financing.

Invenco Ltd currently operates as a subsidiary of Innofactor Plc under the name Innofactor Invenco Ltd, and Invenco Software Ltd operates as a subsidiary of Innofactor Invenco Ltd under the name Innofactor Invenco Software Ltd.

Acquisition Cost Calculation for Invenco Ltd

On June 20, 2022, Innofactor signed an agreement to acquire the entire share capital of Invenco Ltd. According to the agreement announced by the company on June 20, the acquisition price will be determined according to Invenco Ltd's operating margin for 2020–2022 and the additional purchase price will be determined by Invenco Ltd's net sales growth during the period 2023–2025.

The debt-free net purchase price (Enterprise Value, EV) is EUR 3.0 million at a minimum, and it was paid when the acquisition was completed on June 30, 2022, when Innofactor acquired ownership of all shares in Invenco Ltd. At the time of completing the transaction, the sellers were paid an initial purchase price of approximately EUR 2.5 million in cash. This was financed entirely by a new bank loan.

The remainder of the debt-free net purchase price, which may range from zero to EUR 3.75 million, will be paid annually over a period of three years. The debt-free net purchase price (Enterprise Value, EV) will be approximately EUR 6.75 at a maximum. According to the current estimate, the additional purchase price will not become payable.

Invenco Ltd's financial figures were consolidated into the Innofactor Group's balance sheet effective from June 30, 2022, and are, therefore, not included in the balance sheet of June 30, 2021. Invenco Ltd's name was changed to Innofactor Invenco Ltd, and Invenco's services are now provided under the Innofactor brand.

The IFRS acquisition cost is the estimated purchase price of the shares, which is EUR 2,425 thousand according to the acquisition cost calculation and presented in more detail in the following calculation.

	Fair values entered in consolidation (EUR thousand)
Tangible assets	142
Intangible assets	2,264
Right-of-use assets	317
Deferred tax assets	201
Non-current assets	14
Trade and other receivables	1,083
Cash and cash equivalents	160
Total assets	4,181
Lease liabilities	317
Other liabilities	1,971
Deferred tax liabilities	420
Total liabilities	2,707
Net assets	1,474
Acquisition cost	2,425
Goodwill	951
Purchase price paid in cash	2,425

The fair value of customer contracts and related customer relationships included in intangible assets (EUR 2,100 thousand) has been determined on the basis of the estimated duration of the customer relationships and the discounted net cash flows from existing customer contracts.

The acquisition generated goodwill of EUR 951 thousand. The goodwill is based on the expected synergies from the Invenco Ltd acquisition, leveraging the growth of the shared sales and marketing network, and expanding customer relationships in the Group.

25. Events After the Closing Date

Events After the Review Period

- ▶ On February 13, 2023, Innofactor announced in a stock exchange release that Innofactor and Metso Outotec Oyj have signed a contract for the further development work of digitizing the company's quotation process. Innofactor will continue the development work that began in 2020, aiming to design and implement, using agile methods, a cloud-based solution for managing the quotation process and handling and storing related information and documents. The solution is implemented using Microsoft Azure PaaS cloud services. The value of the agreement (excluding VAT) is at most EUR 0.70 million and the services will be delivered during the year 2023.
 - ▶ On February 16, 2023, Innofactor announced in a stock exchange release that Senate Properties has selected Innofactor with a procurement decision to continue the development and maintenance of an HR system. The system is based on the Innofactor Kide HR solution. Innofactor estimates the total value of the procurement at approximately EUR 0.8 million.
 - ▶ On February 17, 2023, Innofactor announced in a stock exchange release that the Board of Directors of Innofactor Plc has decided, based on the authorization granted to it by the Annual General Meeting, on a share-based incentive plan for all of Innofactor Group's personnel in order to commit the personnel to the company and its goals ("Personnel Share Issue"). In the Personnel Share Issue, a maximum total of 400,000 shares ("Personnel Shares") of the company will be issued to the Innofactor Group's personnel, deviating from the shareholders' pre-emptive subscription rights. At the time of making the decision Innofactor Plc had 37,388,225 shares. Innofactor Plc's shares which are in the company's possession will be used for the Personnel Share Issue. The subscription price for the Personnel Shares will be EUR 1.01 per share. The share subscription price is based on the trade volume weighted average price of the company's share on Nasdaq Helsinki Ltd for the previous month and on a discount of 10 percent thereof.
 - ▶ On March 1, 2023, Innofactor announced in a stock exchange release that Innofactor Plc has completed the share buy-back program. The repurchases of the shares began on September 29, 2022 and ended on February 28, 2023. During that period, Innofactor repurchased 800,000 of its own shares for an average price per share EUR 1.0550. The shares were acquired to the current market price in the public trading arranged by NASDAQ Helsinki Ltd. The purpose of the acquisition of the company's own shares is to develop the company's capital structure. Following the repurchases, Innofactor holds a total of 1,491,410 own shares.
- Innofactor had no other significant events after the end of the review period.

Parent Company Financial Statement, FAS

EUR

PARENT COMPANY PROFIT AND LOSS STATEMENT	Note	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
NET SALES	1	10,933,459	9,870,192
Other operating income	2	274,316	31,844
Materials and services			
Purchases during the financial period	3	-4,785,967	-4,162,571
Personnel expenses	4	-2,874,652	-2,596,458
Depreciation			
Planned depreciation	5	-133,143	-310,841
Other operating expenses	6	-3,375,867	-2,816,488
OPERATING RESULT		38,146	15,678
Financial income and expenses	7		
Interest and financial income		602,749	608,237
Interest and other financial expenses		-348,897	-354,792
Total financial income and expenses		253,852	253,445
RESULT BEFORE APPROPRIATIONS AND TAXES		291,997	269,123
Group contribution		-320,587	-400,878
EARNINGS BEFORE TAXES		-28,590	-131,755
RESULT FOR THE FINANCIAL PERIOD		-28,590	-131,755

Balance Sheet, FAS

EUR

ASSETS	Note	Dec 31, 2022	Dec 31, 2021
NON-CURRENT ASSETS			
Intangible assets			
Intangible rights	8	64,425	179 560
Tangible assets			
Machinery and equipment	8	32,776	16 809
Investments			
Shares in Group companies	9	36,496,610	32 198 940
TOTAL NON-CURRENT ASSETS		36,593,811	32 395 308
CURRENT ASSETS			
Receivables			
Non-current			
Loan receivables		52,571	128,517
Other receivables		24,568,285	26,119,556
Current			
Trade receivables		12,113,012	11,797,963
Loan receivables		76,327	73,178
Accrued income	11	987,039	814,343
Cash and bank receivables		0	1,587,548
TOTAL CURRENT ASSETS		37,797,233	40,521,104
ASSETS		74,391,044	72,916,412

EUR

LIABILITIES	Note	Dec 31, 2022	Dec 31, 2021
SHAREHOLDERS' EQUITY			
12			
Share capital		2,100,000	2 100 000
Revaluation fund		2,000,000	2 000 000
Fund for invested unrestricted equity		25,340,516	28 267 517
Profit from previous financial periods		-1,697,310	-1 118 840
Profit/loss for the financial period		-28,590	-131 755
Total shareholders' equity		27,714,616	31 116 921
LIABILITIES			
13			
Non-current			
Loans from financial institutions		4,476,667	4 683 333
Non-current total		4,476,667	4 683 333
Current			
Loans from financial institutions		5,073,683	1 873 333
Trade payables		1,029,753	659 988
Other liabilities		34,988,834	33 622 634
Accrued expenses	14	1,107,492	960 202
Current total		42,199,761	37,116,158
Total liabilities		46,676,428	41,799,491
LIABILITIES		74,391,044	72,916,412

Parent Company Cash Flow Statement

EUR	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
Cash flow from operating activities		
Operating profit/loss	38,146	15,678
Adjustments:		
Depreciation	133,143	310,841
Transactions with no related cash flow:	-367,827	-37,217
Change in working capital		
Change in trade and other receivables	-1,576,417	721,232
Change in trade and other payables	1,750,731	-5,635,176
Interest received	0	605,625
Paid interest and other financial expenses	-345,290	-314,963
Total operating activities cash flow	-367,514	-4,333,981
Investment cash flow		
Investments in subsidiary shares	-2,424,801	0
Investments in fixed assets	-33,975	0
Loan receivables repaid	72,797	159,479
Loans paid	0	726,043
Loans granted	1,734,098	0
Total investment cash flow	-651,880	885,523
Cash flow before financing	-1,019,394	-3,448,458
Financing cash flow		
Loans withdrawn	2,500,000	0
Loans paid	-1,875,000	-4,873,333
Group account debt withdrawn	2,180,619	9,682,655
Group account debt repaid	0	0
Purchase of own shares	-446,715	-1,145,714
Dividends paid	-2,927,058	-1,495,529
Total financing cash flow	-568,154	2,168,079
Change in cash and cash equivalents as per cash flow statement	-1,587,548	-1,280,379
Change in cash and cash equivalents	-1,587,548	-1,280,379
Cash and cash equivalents, opening balance	1,587,548	2,867,927
Cash and cash equivalents, closing balance	0	1,587,548

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 2022 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

Derivatives are measured at acquisition cost in accordance with Section 5.2 of the Accounting Act, or at fair value if the probable market price on the financial statements data is lower than the acquisition cost.

Notes to the Financial Statements (EUR)

1. Net sales (EUR) by market area	2022	2021
Finland	9,997,361	8,898,033
Rest of Europe	936,097	972,160
Total net sales	10,933,459	9,870,192

2. Other operating income	2022	2021
Lease revenue	42,959	31,844
Other operating income	231,357	0
Total other operating income	274,316	31,844

3. Materials and services	2022	2021
Purchases during the financial period	4,785,967	4,162,571
Total	4,785,967	4,162,571

4. Personnel expenses	2022	2021
Salaries and fees	2,426,382	2,162,399
Pension expenses	403,676	365,921
Other indirect employee costs	44,595	68,138
Total personnel expenses	2,874,652	2,596,458

Management salaries and fees

CEO and Board Member Sami Ensio	338,000	363,000
Board members and deputy members	95,000	100,000
Total	433,000	463,000

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	31	29
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5. Planned depreciation	2022	2021
On intangible rights	126,971	180,403
On goodwill	0	120,768
On machinery and equipment	6,172	9,670
Total	133,143	310,841

6. Other operating expenses	2022	2021
Leases and other expenses for premises	999,785	891,433
IT hardware, licenses and communications	1,283,717	1,133,742
Travel expenses	46,729	25,863
Training expenses	90,802	20,167
Entertainment expenses	24,450	5,212
Other operating expenses	930,385	740,070
	3,375,867	2,816,488

The Group's internal expenses	0	0
Other operating expenses, total	3,375,867	2,816,488

Remuneration of the Auditors

Auditing	62,250	60,095
Other services	5,500	6,855
Total	67,750	66,950
Fees in total	67,750	66,950

7. Financial income and expenses	2022	2021
Total interest and other financial income		
From Group companies	600,514	605,617
From others	2,234	2,619
Total interest and other financial income	602,749	608,237

Interest and other financial expenses		
To Group companies	-4,464	0
Interest expenses to others *	-344,433	-354,792
Total interest and other financial expenses	-348,897	-354,792

Total financial income and expenses	253,852	253,445
Group contributions received/granted	-320,587	-400,878

* In 2022, other interest and financial expenses included EUR 97 thousand in exchange rate losses (2021: EUR 40 thousand).

Balance Sheet Notes (EUR)

8. Intangible and tangible assets	Intangible	Goodwill	Tangible	Total
Acquisition cost, Jan 1, 2022	1,047,111	603,840	138,163	1,789,114
Additions	11,836	0	22,139	33,975
Acquisition cost, Dec 31, 2022	1,058,947	603,840	160,302	1,823,089
Accumulated depreciation, amortization and impairment, Jan 1, 2022	867,551	603,840	121,354	1,592,744
Depreciation for the financial period	126,971	0	6,172	133,143
Accumulated depreciation, Dec 31, 2022	994,521	603,840	127,526	1,725,887
Kirjanpitoarvo 31.12.2022	64,426	0	32,776	97,202

	Intangible	Goodwill	Tangible	Total
Acquisition cost, Jan 1, 2021	1,047,111	603,840	138,163	1,789,114
Additions	0	0	0	0
Acquisition cost, Dec 31, 2021	1,047,111	603,840	138,163	1,789,114
Accumulated depreciation, amortization and impairment, Jan 1, 2021	687,149	483,072	111,684	1,281,904
Depreciation for the financial period	180,402	120,768	9,670	310,840
Accumulated depreciation, Dec 31, 2021	867,551	603,840	121,354	1,592,744
Kirjanpitoarvo 31.12.2021	179,560	0	16,809	196,369

9. Investments		
Acquisition cost, Jan 1, 2022		32,198,940
Acquisition cost, Dec 31, 2022		36,496,610
Carrying amount, Dec 31, 2022		36,496,610

Acquisition cost, Jan 1, 2021		29,384,334
Acquisition cost, Dec 31, 2021		32,198,940
Carrying amount, Dec 31, 2021		32,198,940

10. Receivables	2022	2021
Non-current assets		
Loan receivables	52,571	128,517
Receivables from associated companies	0	0
Other receivables from Group companies	24,568,285	26,119,556
Non-current receivables total	24,620,855	26,248,073

Current receivables		
Trade receivables	2,994	0
Loan receivables	76,327	73,178
Trade receivables from Group companies	12,110,017	11,797,963
Current receivables total	12,189,338	11,871,140

Total receivables from Group companies	36,678,302	37,917,518
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11. Accrued income	2022	2021
Pre-paid licenses	472,012	783,267
Receivables related to legal proceedings	470,393	0
Periodical personnel expenses	2,544	22,354
Other	42,089	8,721
Accrued income in total	987,039	814,343

12. Shareholders' equity	2022	2021
Shareholders' equity, opening balance	2,100,000	2,100,000
Shareholders' equity, closing balance	2,100,000	2,100,000

Revaluation fund, opening balance	2,000,000	2,000,000
Revaluation fund, closing balance	2,000,000	2,000,000

Unrestricted shareholders' equity

Fund for invested unrestricted equity opening balance	28,267,517	29,015,281
Repayment of capital	-2,927,002	-747,765

Fund for invested unrestricted equity closing balance	25,340,515	28,267,517
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Profit from previous financial periods, opening balance	-1,250,595	774,638
Dividend payment	0	-747,765
Purchase of own shares	-446,714	-1,145,713

Profit from previous financial periods, closing balance	-1,697,309	-1,118,840
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Result for the financial period	-28,590	-131,755
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Total unrestricted shareholders' equity	23,614,616	27,016,921
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Total shareholders' equity	27,714,616	31,116,921
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Calculation of distributable funds	2022	2021
Result from previous financial periods	-1,697,309	-1,118,840
Result for the financial period	-28,590	-131,775
Fund for invested unrestricted equity	25,340,515	28,267,517
Total	23,614,616	27,016,921

13. Liabilities	2022	2021
Non-current liabilities		
Loans from financial institutions	4,476,667	4,683,333
Total non-current liabilities	4,476,667	4,683,333
Current liabilities		
Loans from financial institutions	5,073,683	1,873,333
Trade payables	1,029,753	659,988
Trade payables to Group companies	0	0
Trade payables in total	1,029,753	659,988
Other liabilities	1,973,466	1,887,734
Other payables to Group companies	33,015,368	31,734,900
Other liabilities in total	34,988,834	33,622,634
Accrued expenses	1,107,492	960,202
Liabilities to Group companies	33,015,368	31,734,900
Total current liabilities	42,199,761	37,116,158
Total liabilities	46,676,428	41,799,491

14. Accrued expenses	2022	2021
Periodical personnel expenses	508,223	445,402
Rent	106,526	106,526
Other	492,742	408,275
Accrued expenses in total	1,107,492	960,202

15. Commitments and contingent liabilities	2022	2021
Bank guarantees		
A bank guarantee has been given as collateral for a lease agreement.	273,975	256,331
Lease liabilities		
To be paid in the next financial period	0	0
To be paid later	0	0
Total	0	0
Lease liabilities		
To be paid in the next financial period	1,142,724	1,023,250
To be paid later	1,142,724	1,023,250
Total	2,285,449	2,046,499
Mortgages on company assets as collateral for loan		
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 2022, the distributable assets of Innofactor Plc amount to EUR 23,614,616. The Board of Directors proposes that Innofactor Plc distributes EUR 0.06 per share as a repayment of capital.

The Board of Directors further proposes that the Annual General Meeting authorize the Board to decide on a potential additional dividend or additional repayment of capital amounting to a maximum of EUR 2,459,293 (EUR 0.06 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.

On December 31, 2022, the company held 1,180,121 treasury shares.

Location of Accounting Records

Innofactor Plc, Keilaranta 9, 02150 Espoo

INNOFACTOR PLC

SIGNATURES TO THE FINANCIAL STATEMENTS AND ANNUAL REPORT

Espoo, March 8, 2023

Sami Ensio
CEO, Board Member

Anna Lindén
Chairman of the Board of Directors

Heikki Nikku
Board Member

Risto Linturi
Board Member

AUDITOR'S NOTE

A report on the audit has been issued today.

Helsinki, March 8, 2023

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 Plc (business identity code 0686163-7) for the year ended 31 December, 2022. 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 projects.
- ▶ gaining an understanding of the Percentage of Completion (PoC) revenue recognition process.
- ▶ examination of the fixed-price 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 2022, the value of goodwill amounted to 26.8 M€ representing 48 % of the total assets and 108 % 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 one 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, working capital 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
- ▶ change in working capital
- ▶ 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 2022, the group had deferred tax assets arising from the unused tax losses carry forward amounting to 3.9 M€ and from the consolidation entries 0,2 M€.

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.
- ▶ 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 four 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.

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 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 the 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, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 8.3.2023

Ernst & Young Oy
Authorized Public Accountant Firm

Juha Hilmola

Authorized Public Accountant

Additional Information

Key Figures per Share

	2022	2021
Earnings per share (EUR)	0.09	0.12
Highest price of the share (EUR)	1.54	2.07
Lowest price of the share (EUR)	0.83	1.24
Market value of the shares (EUR thousand)	39,332	56,643
Turnover of shares (pcs)	14,193,868	32,546,031
Turnover of shares (%)	38%	87%
Weighted average of the number of shares during the financial period	37,388,225	37,388,225
Own shares held by the company	1,180,121	762,000
Number of shares at the end of the financial period	37,388,225	37,388,225
Earnings per share (EUR)	0.09	0.12
Shareholders' equity per share (EUR)	0.66	0.68
Dividend per share and repayment of invested unrestricted equity, % of profit, total	66.1%	65.0%
Effective dividend yield, %	5.7%	5.3%
Price to earnings ratio	11.6	12.3

Shareholding

On December 31, 2022, Innofactor Plc had 11,798 shareholders including the administrative registers (9). The share of administratively registered shares was 9.51% of the total number of shares.

Distribution of shareholding at December 31, 2022

Shares	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of shares
1-100	6,056	51.33	180,933	0.48
101-1 000	3,522	29.85	1,589,507	4.25
1 001-10 000	1,903	16.13	6,068,552	16.23
10 001-100 000	280	2.37	6,768,402	18.10
over 100 000	37	0.31	22,780,831	60.93
Total	11,798	100.00	37,388,225	100.00

Largest shareholders by sector, December 31, 2022

	Number of shares	Percentages of shares
Households	27,649,496	74%
Nominee-registered	3,555,139	10%
Private sector	3,412,001	9%
Public entities	1,800,000	5%
Financial and insurance institutions	859,476	2%
Foreign shareholders	55,243	0%
Non-profit organizations	56,870	0%
All shares total	37,388,225	100%

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:

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

Dividend payout and return of capital, total of result, %

$$\frac{(\text{Dividend/share}) + (\text{return of capital/share})}{\text{Earnings / share}}$$

Effective dividend yield, %

$$\frac{(\text{Dividend} + \text{return of capital}) / \text{share}}{\text{Share price at balance sheet date}}$$

Price/earnings ratio (P/E)

$$\frac{\text{Share price at balance sheet date}}{\text{Earnings per share, basic}}$$



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