

Innofactor Plc Financial Statement February 18, 2021, at 9:00 Finnish time

Innofactor Plc Financial Statement 2020 (IFRS)

Despite COVID-19 and an individual project write-down made in 2019, Innofactor achieved the highest net sales, EBITDA, and order backlog of its history in 2020

January–December 2020 in brief:

- The net sales were approximately EUR 66.2 million (2019: 64.2), which shows an increase of 3.1%
- The operating margin was approximately EUR 7.2 million (2019: 5.1), which shows an increase of 40.8%
 - In the last quarter of the year, the operating margin was subject to a final write-down and cost item of approximately EUR 1.0 million in total of a project conducted in Sweden in 2019, without which the operating margin would have been approximately EUR 8.1 million
- The operating profit was EUR 2.5 million (2019: 0.8), which shows an increase of 214.4%
 - The operating profit was subject to a corresponding adjustment as the operating margin, without which the operating profit would have been approximately EUR 3.5 million

October–December 2020 in brief:

- The net sales were approximately EUR 18.3 million (2019: 17.4), which shows an increase of 4.7%
- The operating margin was approximately EUR 1.6 million (2019: 1.6), which shows an increase of 1.7%
 - In the last quarter of the year, the operating margin was subject to a final write-down and cost item of approximately EUR 1.0 million in total of a project conducted in Sweden in 2019, without which the operating margin would have been approximately EUR 2.6 million
- The operating profit was EUR 0.4 million (2019: 0.5), which shows a decrease of 16.0%
 - The operating profit was subject to a corresponding adjustment as the operating margin, without which the operating profit would have been approximately EUR 1.4 million
- The order backlog at the end of the review period was EUR 60.4 million (2019: 49.8), which shows an increase of 21.4%

- Innofactor did not receive any orders exceeding the limit for requiring a stock exchange release in the fourth quarter as some decisions were delayed until the turn of the year; these are reported in the section "Events after the review period"
- The order backlog increased due to orders received during the third quarter, which were recognized in the order backlog during the fourth quarter; more details under "Innofactor's order backlog increased further to a new record-high level, although there were no significant large orders during the fourth quarter of 2020"

Key figures of the group, IFRS

	Oct 1–Dec. 31, 2020	Oct 1–Dec 31, 2019	Change	Jan 1–Dec 31, 2020	Jan 1–Dec 31, 2019	Change
Net sales, EUR thousand	18,252	17,432	4.7%	66,164	64,198	3.1%
Growth of net sales	4.7%	9.7%		3.1%	1.7%	
Operating result before depreciation and amortization (EBITDA), EUR thousand*	1,585	1,559	1.7%	7,164	5,089	40.8%
percentage of net sales*	8.7%	8.9%		10.8%	7.9%	
Operating profit/loss (EBIT), EUR thousand*	404	480	-16.0%	2,501	795	214.4%
percentage of net sales*	2.2%	2.8%		3.8%	1.2%	
Earnings before taxes, EUR thousand*	951	271	251.1%	2,050	12	17,234.5%
percentage of net sales*	5.2%	1.6%		3.1%	0.0%	
Earnings, EUR thousand*	257	371	-30.8%	1,761	417	322.7%
percentage of net sales*	1.4%	2.1%		2.7%	0.6%	
Order backlog	60,402	49,753	21.4%	60,402	49,753	21.4%
Net gearing*	65.6%	71.8%		65.6%	71.8%	
Net gearing without IFRS 16	48.8%	49.9%		48.8%	49.9%	
Equity ratio	42.2%	40.2%		42.2%	40.2%	
Equity ratio without IFRS 16	41.4%	44.0%		41.4%	44.0%	
Active personnel on average during the review period****	543	538	0.9%	544	534	1.9%
Active personnel at the end of the review period****	541	538	0.6%	541	538	0.6%
Earnings per share (EUR)	0.0069	0.0099	-30.8%	0.0471	0.0113	316.1%

*) The handling of lease liabilities in accordance with IFRS 16 had a positive effect of EUR 493 thousand (2020: 411) on the operating margin (EBITDA) in October 1–December 31, 2020, and an effect of EUR 1,994 thousand (2019: 1,676) on the operating margin (EBITDA) in January 1–December 31, 2020.

**) In accordance with IFRS 3, the operating result in October 1–December 31, 2020, includes EUR 473 thousand (2019: 507) and in January 1–December 31, 2020, EUR 1,894 thousand (2019: 2,030) in amortization related to acquisitions, consisting of allocations of the purchase price to intangible assets.

***) Exchange rate changes related to the Group's internal debts (due to the changes of exchange rate of the Swedish krona and Norwegian krone in relation to euro) results in an exchange rate gain of EUR 211 thousand in accordance with IFRS in January 1–December 31, 2020, but this loss does not affect the cash flow, only the result for the financial period, the Group's balance sheet and the equity ratio. In October 1–December 31, 2020, an exchange rate gain of EUR 685 thousand occurred.

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

Innofactor's future outlook for 2021

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

CEO Sami Ensio's review: After the year of COVID-19, we are expecting stronger organic growth in 2021

The net sales in 2020 were a record-high EUR 66.2 million, which shows an increase of 3.1 percent compared to the previous year. The operating margin (EBITDA) improved by EUR 2.1 million from the previous year and was also a record-high figure, EUR 7.2 million (10.8 percent of the net sales). In the last quarter of the year, the operating margin was subject to a final write-down and cost item of approximately EUR 1.0 million in total of a project conducted in Sweden in 2019, without which the operating margin would have been approximately EUR 8.1 million (12.3 percent of the net sales).

The net sales in the fourth quarter of 2020 were EUR 18.3 million, which shows an increase of 4.7 percent compared to the previous year. The net sales increased in Finland but continued to decrease in the other countries compared to the previous year, even though business in other countries did pick up towards the end of 2020. The net sales per employee grew 1.2% from the previous year. The operating margin (EBITDA) remained roughly on a par with the previous year, amounting to EUR 1.6 million (8.7 percent of the net sales). Without the adjustment described above, the operating margin would have been approximately EUR 2.6 million (14.0 percent of the net sales).

The order backlog grew to a new historic high, EUR 60.4 million, at the end of the quarter (2019: 49.8), which shows an increase of 21% compared to the same time in the previous year.

In 2020, we deepened our co-operation with customers further. We received a record-high number of new orders during the year, which strengthened the order backlog, such as a financial management system for a Finnish trading company, Health Village-related ICT specialist services for the Helsinki and Uusimaa Hospital District (HUS), follow-up development phase of the enterprise resource planning and documentation management system (HAIPA) of administrative and special courts for the Legal Register Centre, ICT consulting services for the Norwegian municipality of Ullensaker, administrative case management solution for the Social Insurance Institution of Finland, bankruptcy and reorganization proceedings system (KOSTI) for the Legal Register Centre, application management system services for Microsoft Office 365 and Microsoft SharePoint environments for VTT Technical Research Centre of Finland, digitization of the quotation process for a large Finnish globally operating manufacturing company, follow-up development of membership management solution for a Swedish trade union, primary IT specialist service framework agreement on the maintenance and development of information systems for the Finnish Transport and Communications Agency Traficom, consulting and maintenance services for Senate Properties, case management system for Tampereen korkeakoulusäätiö, and several other significant projects in Finland, Sweden, Denmark, and Norway. In addition to the above, on January 21, 2021, we announced that the Tax Administration had selected Innofactor in a public procurement competition as the primary provider of IT specialist services in the area of Azure programming, with a total value of EUR 15–25 million,

which is the biggest individual order ever for Innofactor. I would like to thank our customers and partners for the trust you have shown in Innofactor.

Our 20th anniversary, 2020, continued the positive development that began in 2019 with regard to the improvement of profitability. During the year, we succeeded in sales, as reported above, and our order backlog increased to a new record-high figure, we got public attention for our achievements and were even able to celebrate, with COVID-19 safety in mind. It was a great year for Innofactor as a whole, despite COVID-19. We believe that we will be able to further accelerate our organic growth rate in 2021, which will also be supported by the improving business circumstances in the second half of 2020 outside of Finland compared to the second and third quarters.

The key factor that influenced Innofactor's business in 2020 was COVID-19. The coronavirus caused challenges in Sweden, Norway and Denmark especially during the second and third quarters, which led to a decrease in customers' purchases in these countries. As a result, net sales fell short of plans. However, profitability improved even faster than planned, which was mainly due to lower travel and other operating expenses due to the pandemic. In the Nordic countries, Innofactor received a total of approximately EUR 0.7 million in support from the states due to COVID-19 in 2020. As a whole, we reached record-high net sales, operating margin and order backlog in our anniversary year 2020.

In the long term, we believe that the digital step the society is taking due to the COVID-19 pandemic 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 possible that some of our customers will transfer some of their operations back to the Nordic countries in order to be closer to their customers. This would have a favorable effect as regards the business model of Innofactor's chosen strategy based on Nordic specialists. We also believe that Microsoft's position has strengthened during the COVID-19 pandemic. We believe in our chances of increasing our market share.

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

Personally, I am particularly happy that we can pay out dividends to our shareholders for 2020 in accordance with our revised dividend policy. We would like to thank all of our customers, partners, employees, and investors for the year 2020!

Strategy and its realization in the review period

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

Our purpose: Innovating to make the world work better

Our mission: Driving the modern digital organization

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

Our strategic choices:

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

Our values:

- Accountability
- Empowerment
- Innovation
- Customer

Our working principle: Our principle is to put people first in everything we do. We want to create solutions that make people's 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, of which majority is intended to be achieved by organic growth
- To achieve about 20 percent EBITDA in relation to the net sales
- To keep the cash flow positive and secure good financial standing in all situations.

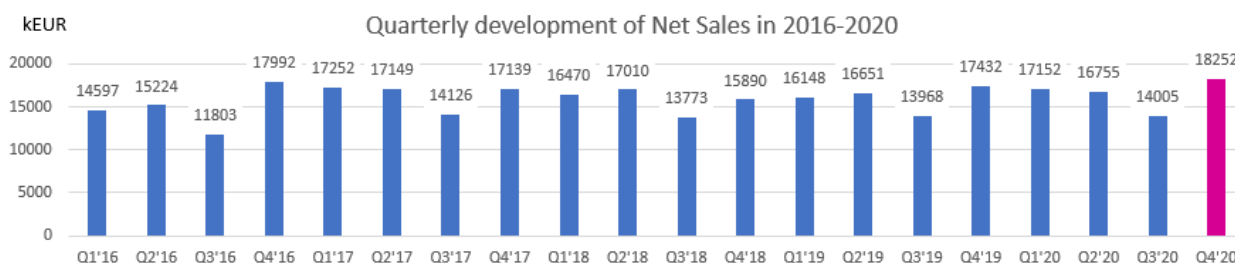
Innofactor’s net sales in the review period of January 1–December 31, 2020, were EUR 66.2 million (2019: 64.2), which shows an increase of 3.1 percent compared to the previous year. The net sales grew 4.7% in the last quarter of 2020. The net sales grew in Finland, but decreased in other countries. The strategic goal of getting the net sales to grow is also supported by the favorably developed order backlog of EUR 60.4 million (2019: 49.8). In 2021, Innofactor will pay special attention to management of growth, sales, expertise and resourcing, in connection with which we have revised our organization, among other measures. A Chief Innovation and Talent Officer will start as a new role in April 2021.

The operating margin (EBITDA) grew in the review period of January 1–December 31, 2020, from EUR 5.1 million in the same period the previous year to EUR 7.2 million (10.8 percent of the net sales). As regards profitability, Innofactor was able to further improve its performance

substantially. However, a significant amount of management effort and work are still needed in order to reach the long-term goal of approximately 20 percent. The required actions are clear and known, so we believe that reaching this goal is entirely possible.

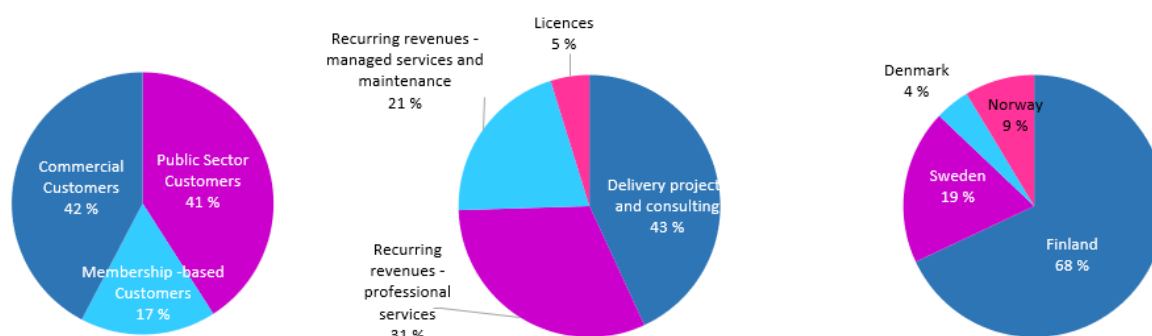
Innofactor’s operating cash flow in the review period of January 1–December 31, 2020, was EUR 5.0 million (2019: EUR 6.2 million) and the equity ratio at the end of the review period was 42.2 percent (2019: 40.2%). The strong operating cash flow supports Innofactor’s strategic goal of profitable growth and securing solid financial standing in all situations.

Innofactor’s net sales and net sales per employee increased from the comparison period



Innofactor’s net sales in October 1–December 31, 2020, were EUR 18,252 thousand (2019: 17,432), which shows an increase of 4.7 percent. It is a historical quarterly record for Innofactor. The net sales per active employee were approximately EUR 33.6 thousand (2019: 32.4), which shows an increase of 3.7 percent.

Innofactor’s net sales in January 1–December 31, 2020, were EUR 66,164 thousand (2019: 64,198), which shows an increase of 3.1 percent. The net sales per active employee were approximately EUR 121.6 thousand (2019: 120.2), which shows an increase of 1.2 percent. We focus on continuing to increase the net sales per active employee in 2021 as well.



Innofactor's business operations were focused on Finland, Sweden, Denmark, and Norway. In January 1–December 31, 2020, approximately 68 percent of the net sales came from Finland, approximately 19 percent from Sweden, approximately 9 percent from Norway, and

approximately 4 percent from Denmark. The net sales grew in Finland, but decreased in other countries. During the fourth quarter of 2020, the net sales grew in Finland and decreased in other countries.

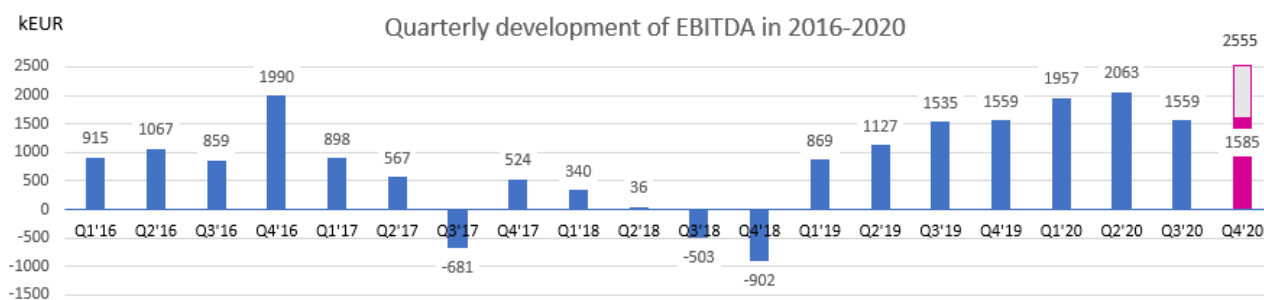
Of the net sales in January 1–December 31, 2020, approximately 42 percent came from commercial clients, approximately 41 percent from public sector clients, and approximately 17 percent from third sector clients.

Innofactor's net sales in the review period of January 1–December 31, 2020, came from the following sources:

- approximately 5 percent from licenses, of which the share of licensing income to third parties was approximately 3.4 percent of the net sales
- approximately 31 percent from services based on recurring service contracts, such as SaaS, cloud and hosting services, and from software maintenance
- approximately 21 percent from specialist work based on recurring service contracts, such as smaller customer-specific changes and further development of IT systems
- approximately 43 percent from IT system delivery projects and consulting

Innofactor's 10 largest clients accounted for approximately 30 percent of the net sales during the review period January 1–December 31, 2020.

Innofactor's operating margin was higher than in the comparison period



Innofactor's operating margin (EBITDA) in October 1–December 31, 2020, was EUR 1,585 thousand (2019: 1,559), which shows an increase of 1.7 percent. EBITDA accounted for 8.7 percent of the net sales (2019: 8.9%). In the last quarter of the year 2020, the operating margin was subject to a final write-down and cost item of approximately EUR 970 thousand in total of a project conducted in Sweden in 2019, without which the operating margin would have been approximately EUR 2,555 thousand (14.0 percent of the net sales). The write-down and cost item was due to a changed information, which was received in the last quarter of 2020 and is thus affecting only the result of the year 2020.

Innofactor's operating margin (EBITDA) in January 1–December 31, 2020 was EUR 7,164 thousand (2019: 5,089), which shows an increase of 40.8 percent. EBITDA accounted for 10.8 percent of the net sales (2019: 7.9%). Without the adjustment in the fourth quarter, the operating margin would have been approximately EUR 8,134 thousand (12.3 percent of the net sales).

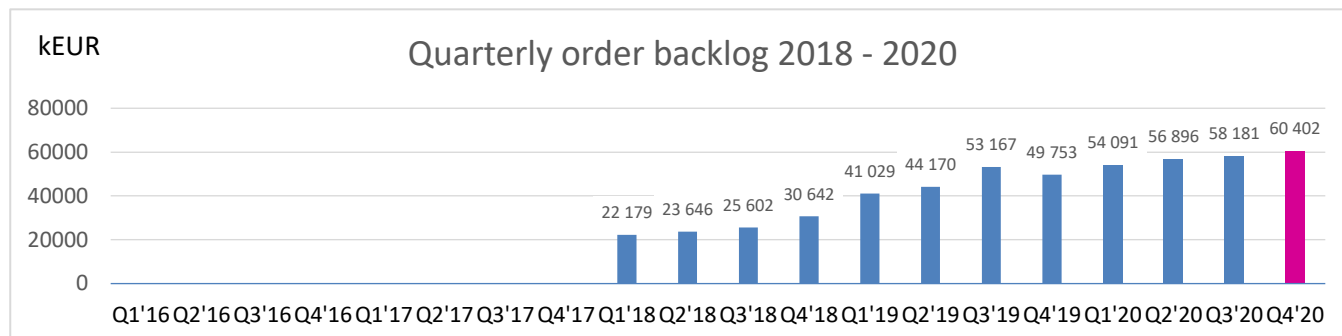
Innofactor's operating profit in October 1–December 31, 2020, was EUR 404 thousand (2019: 480), which shows a decrease of 15.8 percent. Operating profit accounted for 2.2 percent of the net sales (2019: 2.8%). The operating profit was subject to a corresponding adjustment as the operating margin, without which the operating profit would have been approximately EUR 1,374 thousand (7.5 percent of the net sales).

Innofactor's operating profit in January 1–December 31, 2020, was EUR 2,501 thousand (2019: 795), which shows an increase of 214.4 percent. Operating profit accounted for 3.8 percent of the net sales (2019: 1.2%). Without the adjustment in the fourth quarter, the operating profit would have been approximately EUR 3,472 thousand (5.2 percent of the net sales).

Acquisitions have been a central part of Innofactor's strategy. Depreciations of intangible rights resulting from acquisitions vary greatly depending on how valuable the customer contracts and technology of the acquired company are estimated to be and also in what kind of schedule the resulting intangible rights will be depreciated. For this reason, the company's view is that instead of the operating profit, the primary measure for profitability should be the operating margin (EBITDA), because it is not affected by the said depreciation.

In accordance with IFRS 3, the operating result for October 1–December 31, 2020, includes EUR 473 thousand (2019: 507) and for January 1–December 31, 2020 EUR 1,894 thousand (2019: 2,030) in depreciation related to acquisitions, consisting of allocations of the purchase price to intangible assets. Adjusted for the said depreciation, Innofactor's operative business profit for the review period of October 1–December 31, 2020 would have been EUR 736 thousand (2019: 988), decreasing by 25.5 percent. In January 1–December 31, 2020, Innofactor's operating profit would have been EUR 4,254 thousand (2019: 2,825), improving by 50.5 percent.

Innofactor's order backlog grew further to a record-high level, although there were no significant large orders during the fourth quarter of 2020



Innofactor's order backlog at the end of the review period was EUR 60,402 thousand (2019: 49,753), which shows an increase of 21.4%. Even though no new significant orders were announced during the fourth quarter, several orders received during the previous quarter were recognized in the order backlog, such as:

- Consulting and maintenance services for Senate Properties, approximately EUR 1.0 million
- Document management system for the Finnish Transport and Communications Agency Traficom, approximately EUR 1.0 million
- Case management system for Tampereen korkeakoulusäätiö, approximately EUR 0.7 million

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

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

The operating cash flow in January 1–December 31, 2020, was EUR 5,010 thousand (2019: 6,209). The investment cash flow was EUR -89 thousand (2019: -606).

The equity ratio at the end of the review period was 42.2 percent (2019: 40.2%) and net gearing was 65.6 percent (2019: 71.8%).

At the end of the review period, the company had EUR 2,540 thousand in current interest bearing liabilities to financial institutions (2019: 8,334) and EUR 8,890 thousand in non-current interest bearing liabilities to financial institutions (2019: 3,684). The company had lease liabilities in accordance with the IFRS 16 standard (leases for the duration of fixed-term leases) for EUR 3,956 thousand (2019: 4,835) of which EUR 1,738 thousand in current leases (2019: 1,566) and EUR 2,218 thousand in non-current leases (2019: 3,269). The total amount of interest bearing liabilities was EUR 15,386 thousand (2019: 16,853).

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

The non-current assets in Innofactor's balance sheet at the end of the review period were EUR 39,616 thousand in total.

Innofactor's gross investments in tangible and intangible assets in the review period of January 1–December 31, 2020, were EUR 311 thousand (2019: 619), consisting of normal additional and replacement investments required by growth.

Innofactor's research and product development investments increased from 2019

In the product development during the review period, focus was on renewing existing products and services and continuous further development in order to support the growth of product-based business.

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

The number of personnel in Innofactor grew slightly from the comparison period

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

The average number of active personnel in October 1–December 31, 2020, was 543 persons (2019: 538), which shows an increase of 0.9 percent. The average number of active personnel in January 1–December 31, 2020, was 544 persons (2019: 534), which shows an increase of 1.9 percent. At the end of the review period, the number of active personnel was 541 (2019: 538), which shows an increase of 0.6 percent.

At the end of the review period, the average age among personnel was 41.4 years (2019: 41.6). Women accounted for 27 percent (2019: 26%) of the personnel. Men accounted for 73 percent (2019: 74%) of the personnel.

Other events in the review period

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

On February 12, 2020, Innofactor announced in a stock exchange release that the Hospital District of Helsinki and Uusimaa (HUS) has selected Innofactor as the provider of ICT services related to the Health Village for a maximum amount of EUR 2,000,000. The services are estimated to be provided in 2020–2021.

On February 13, 2020, Innofactor announced in a stock exchange release that the Legal Register Centre selected Innofactor as the provider of the further development stage of the HAIPA project, which is the ERP and document management system for administrative courts and special courts. The procurement consists of the specialist work related to the project as well as the implementation in the different agencies and possibly maintenance for the system. The contract period is estimated to start in March 2020 and will last until the end of 2020. Additionally, the customer reserves the right to two options for 2021 and 2022, which will be agreed on separately. The estimated total value (excluding VAT) stated by the customer in the procurement decision is EUR 2,157,000.

On February 13, 2020, Innofactor announced in a stock exchange release that the Ullensaker municipality in Norway selected Innofactor as the provider of ICT consultancy services. The services consist of a comprehensive public cloud solution including the cloud infrastructure, identity and access, cloud security and modern employee experience. The consultancy services include architectural and system development, maintenance and other services for an estimated total amount of NOK 10,000,000 (approximately EUR 1,000,000), which are estimated to be provided during years 2020 and 2021. The customer also reserves an option of extending the service for two more years.

On March 4, 2020, Innofactor announced in a stock exchange release that the Social Insurance Institution of Finland selected Innofactor as the provider of an administrative case management solution. The procurement includes the case management solution and its delivery, support services, and specialist work ordered separately. The system delivery and the related integrations are planned to be implemented during 2020–2021. The contract will be valid for four years to begin with, and after that, it will be valid until further notice. The estimated total value of the procurement during the contract period is approximately EUR 1,050,000.

On March 24, 2020, Innofactor announced in a stock exchange release that the Legal Register Centre selected Innofactor as the provider of the bankruptcy and reorganization proceedings system (KOSTI). The procurement consists of the following for the KOSTI system: delivery and implementation projects, maintenance and support services, and specialist services for further development. The system delivery is planned to be implemented in stages during 2020–2021. The predicted total value (excluding VAT) stated by the Legal Register Center in the procurement decision is EUR 2,247,000. The agreement will be valid until further notice.

On April 27, 2020, Innofactor announced in a stock exchange release that VTT Technical Research Centre of Finland Ltd has selected Innofactor in a public procurement competition as the provider of application management services for Microsoft Office 365 and Microsoft SharePoint

environments. The procurement consists of application management tasks and services related to maintenance and development of an O365 cloud environment and on-premise SharePoint 2019 environment. The length of the agreement period is three years. Additionally, the customer reserves an option for continuing the agreement for two (2) years, one year at a time. The procurement's estimated total value (excluding VAT) for the agreement period is EUR 2,500,000.

On June 10, 2020, Innofactor announced in a stock exchange release that Innofactor and a large Finnish globally operating manufacturing industry company have signed a contract for the digitalization of a quotation process. According to the contract, Innofactor will design and implement, using agile methods, a cloud-based solution for managing the quotation process and handling and storing related information and documents. The solution is implemented using Microsoft Azure PaaS cloud services. The value of the contract (excluding VAT) is approximately EUR 1,700,000. The project will be implemented during 2020 and 2021.

On June 15, 2020, Innofactor announced in a stock exchange release that a Swedish trade union has decided to continue the collaboration with Innofactor for the further development of their membership management solution, focusing on leads, ticket management, and course management. The system is based on the Microsoft Dynamics 365 software and Innofactor's Membership Management System MMS. The project delivery is planned to start in July 2020 and end in June 2021. The value (excluding VAT) of the project is approximately EUR 1,000,000.

On June 16, 2020, Innofactor announced in a stock exchange release that the Employment Fund has selected Innofactor in a public procurement competition as its primary framework agreement supplier of maintenance and development of information systems. The procurement comprises IT specialist services and software for maintenance and development of the information systems. The specialist services can be utilized for maintenance, development and support as needed. Work can be agreed on as individual tasks, projects or continuous services. The deliveries may include software and software components. The framework agreement will be valid until further notice with a maximum duration of four years. According to the priority principle, Innofactor is also granted a contract regarding the delivery of an application maintenance and development team in addition to the framework agreement. Innofactor estimates the value of the framework agreement to be between EUR 3 and 5 million during the four-year contract period.

On July 10, 2020, Innofactor announced in a stock exchange release that the Finnish Transport and Communications Agency Traficom has selected Innofactor in a public procurement competition as the provider of a document management system. The procurement consists of a document management solution and maintenance and consulting support for the solution. The goal of the solution is a common, centralized and secure document management with clear and effective information processing. The aim is to unify the document management in the agency and enhance the findability and availability of the information. The system to be provided by Innofactor will be based on Innofactor's Dynasty product family. The estimated total value (excluding VAT) stated by the customer in the procurement decision for the next four years is EUR 950,000.

On September 1, 2020, Innofactor announced in a stock exchange release that Innofactor Plc's Board of Directors has confirmed the company's updated dividend distribution policy on August 31, 2020 as a part of the yearly strategy process. According to the renewed policy, the aim of the Board of Directors is to pay a dividend regularly each year. The goal is to pay about half of the result for the financial period in dividends, taking into account the company's financial position, possible corporate reorganizations and other development needs.

On September 8, 2020, Innofactor announced in a stock exchange release that Senate Properties has selected Innofactor as the provider of consulting and maintenance services in a dynamic purchasing system. The procurement consists of consulting, development, support and maintenance services for a Microsoft Dynamics 365 CRM solution and a ClickDimensions marketing automation solution. The contract will first be valid until June 30, 2023, after which it will be valid until June 30, 2025, unless the customer issues a notice of the termination of the contract period before the end of the primary contract period. Innofactor estimates the total value of the procurement to be approximately EUR 1,000,000.

On September 29, 2020, Innofactor announced in a stock exchange release that Tampereen korkeakoulusäätiö selected Innofactor in a public procurement competition to provide a case management system as SaaS. The procurement consists of user rights to the case management and information management system of the Innofactor Dynasty product family, the delivery of the systems, and support and maintenance. The solution comprises of case management, document management, information management, meeting management, contract management, decision management, and the functions/modules for signing. The total value of the procurement (excluding VAT), stated by Tampereen korkeakoulusäätiö in the procurement decision, is EUR 696,420.

On October 15, Innofactor published a flagging announcement pursuant to Chapter 9, Section 5 of the Finnish Securities Markets Act, stating that Rimonne Baltic OÜ has crossed above the 5% disclosure limit on Innofactor shares and voting rights on October 15, 2020. According to Rimonne OÜ's statement, its share of the shares and voting rights after exceeding the disclosure limit is 5.01% (1,872,000 shares).

Share and shareowners

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

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

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

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

In public trading in January 1–December 31, 2020, a total of 20,099,421 shares were traded (2019: 10,919,321 shares), which corresponds to 53.8 percent (2019: 29.7%) of the average number of shares in the said period. In January 1–December 31, 2020, there were 37,388,225 shares on the average (2019: 36,608,307). The share trading increased by 84.1 percent compared to the corresponding period in 2019.

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

On December 31, 2020, the company had a total of 11,456 shareowners (2019: 11,115), including administrative registers.

The Board of Directors has been given the following authorizations:

- Until June 30, 2021, to decide on a share issue and granting of special rights entitling to shares, concerning a maximum of 3,600,000 new shares (decided by the General Meeting of March 31, 2020); the authorization has not been used.
- Until June 30, 2021, to decide on a transfer of a maximum of 3,600,000 treasury shares (decided by the General Meeting of March 31, 2020); the authorization has not been used.

Own shares

The General Meeting of March 31, 2020, authorized the Board of Directors to decide on acquiring of a maximum of 3,600,000 of company's own shares in one or several parts with the company's unrestricted equity. The authorization entitles the Board to deviate from the shareholders' proportional shareholdings (directed acquisition). Own shares may be acquired at the purchase price formed for them in public trading at the day of purchase or at another market price. The number of treasury shares at a time may be, at the maximum, one tenth of the total number of shares in the company. Shares may be purchased to be used in company acquisitions or implementing other arrangements relating to the company's business operations, improving the company's capital or financing structure, as a part of the company's incentive system, or otherwise to be handed over or voided. In connection with the share repurchase, ordinary derivative, stock lending and other agreements may be made in the market in accordance with the laws and

regulations. The authorization includes the right of the Board of Directors to decide on all other matters related to the acquisition of shares. The authorization will be valid until June 30, 2021. This authorization replaces the Board's earlier authorizations concerning share repurchase.

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

Management of the company

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

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

The General Meeting approved the proposal to appoint Ernst & Young Oy, an auditing firm authorized by the Central Chamber of Commerce, as the auditor for the company, with Juha Hilmola as the main responsible auditor.

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

Innofactor Plc's entire Corporate Governance and statements are available at:
www.innofactor.com/invest-in-us/corporate-governance/

Related party transactions

The company's managers considered to be related parties have EUR 107 thousand of liabilities from the company's personnel issues to the company. The term of the loan is five years, and the loan is repaid monthly in equal instalments. The interest rate is the 12-month Euribor 360 interest rate. However, the interest is at the minimum 0%. The accrued interest is paid monthly to the company. The company does not have any other major related party transactions.

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

Main forces affecting market changes and main trends of innovation are, for example, augmented and virtual reality, Internet of Things (IoT), artificial intelligence, robotics, blockchains, and quantum computing. Factors enabling these include transfer of software into the cloud, data

analytics, social media, and mobility. Prevention of the climate change sets new requirements for both societies and organizations, but it also creates new business opportunities and speeds up innovation. The purchase habits of customers have changed as these business changes are taking place. Our customers expect their IT partner to focus more on business benefits instead of technology benefits. They want to get solutions that are ready for use without a need to make major customer-specific changes. Additionally, customers increasingly expect to purchase continuous services instead of large one-off projects.

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

In the long term, we believe that the digital step the society is taking due to the COVID-19 pandemic 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 possible that some of our customers will transfer some of their operations back to the Nordic countries in order to be closer to their customers. This would have a favorable effect as regards the business model of Innofactor's chosen strategy based on Nordic specialists. We also believe that Microsoft's position has strengthened during the COVID-19 pandemic. We believe in our chances of increasing our market share in the Nordic countries.

The competition in Microsoft-based solutions in the Nordic countries is fragmented. The first competitor group consists of large companies operating in all Nordic countries. These competitors sell a wide variety of IT solutions that corporations and organizations need, and they offer several competing technologies of which the Microsoft technology is one. The second competitor group consists of mid-sized companies that focus on a narrower solution area in the Nordic level and also offer several different technologies. The third competitor group consists of mid-sized companies operating mainly in a specific country and typically offering a wide variety of solutions using several competing technologies. The third competitor group consists of small companies operating only in their own country and focusing on a clearly defined solution area, technology and field of business.

Microsoft's fragmented partner network consisting of small and mid-sized companies offers us interesting possibilities for acquisitions. In acquisitions, we will probably focus on mid-sized companies operating in one country. With these, we will aim at expanding the coverage of our offering in a specific country and also possibly acquiring more cloud-based product and service business. Good reputation, fast and profitable growth, successful acquisitions, and entrepreneurial spirit will make us an attractive partner for reorganizations in the field.

Short term risks and uncertainty factors

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

Risks related to operations

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

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

Increase in personnel costs: The main part of Innofactor's costs consists of salaries and other personnel costs (in 2020, about 68% of the all costs, including depreciations). Currently, all of Innofactor's own employees work in the Nordic countries, whereas some competitors rely heavily on workforce in countries with cheap labor. If the personnel costs continue rising in the Nordic countries at the same rate as before, it will create a risk for Innofactor, if the prices paid for IT services will not rise correspondingly. Innofactor is monitoring the situation constantly and strives to affect the moderate development of personnel costs via interest groups. It also aims at increasing the share of work done by subcontractors and abroad, when it makes sense from the point of view of business operations, for example, in large product development projects.

Profitability of projects: A large part of Innofactor's net sales comes from project business. Profitable implementation of Innofactor's delivery projects requires that project calculation and planning before submitting a tender are done successfully as regards the amount of work and the delivery schedule, and also that the deliveries can be made in a cost-effective manner. It is possible that Innofactor fails at correctly estimating the profitability of a project and, thus, the delivery could cause losses to the company. Correspondingly, it is possible that projects may have to be sold cheaper because of competition, which leads to lower profit margins. Innofactor pays special attention to the profitability of project business and has included it as a central part of the remuneration system. The relative share of project business has decreased and it will be further decreased, which reduces the risks associated 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, small startup companies increase competition in certain deliveries. The price competition in the field is expected to remain tough. If the competition becomes tougher, it may have an adverse effect on Innofactor's business, operating result and financial position. Innofactor continuously strives to improve its competitiveness. Regarding this, the company has published its long term financial goals.

Research and product development: In Innofactor's operation, research and product development play a central role. In 2020, approximately 5.5% of the net sales was used for it. Each research and product development project carries the risk that the end results are not as successful financially as planned and that the investment in the project does not pay itself back. By constantly updating its offering and organizing its operations, Innofactor aims at minimizing the risks inherent in research and product development.

Changes in the technology and field of business: Fast development is characteristic for Innofactor's field of business. There can be quick changes in the customers' requirements and choices concerning software technology. Important changes under way include, for example, the transfer of software into cloud technologies, digitalization, artificial intelligence, blockchain, and Internet of Things (IoT). If Innofactor cannot react to these changes, it may have an adverse effect on Innofactor's business, operating result and financial position. Innofactor strives to actively invest in new technologies and central areas of know-how.

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

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

Pandemic risk: An epidemic spreading into a global pandemic could hinder Innofactor's business operations. If there were no significant pandemic in Innofactor's operating area in the Nordic countries, the detriment would be limited mostly to a decrease in the availability of tools, especially computers, which are needed in Innofactor's business operations. Should there be a significant pandemic also in Innofactor's operating area in the Nordic countries, it could mean

introducing remote work, either for a part of or the entire personnel as well as a temporary decrease in customers' purchases and delays in some customer deliveries.

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

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

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

Uncertainties related to acquisitions: The growth has partly been based on acquisitions. With acquisitions, there are uncertainties about finding suitable companies to acquire and in making the acquisitions at the desired price level and schedule. If acquisitions cannot be made as planned, the growth goal may be jeopardized. In acquisitions, Innofactor focuses on high-level know-how and good processes.

Risks related to acquisitions: Each acquisition, after it has been made, carries some risks, which include the success of the integration, the stability of the key personnel, formation of the business value, and possible related needs for depreciations. Innofactor's strategy is primarily based on integrating the acquired companies in a fast schedule as part of the whole in the country in question. Innofactor invests in the integration process.

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

Financial risks

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

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

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

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

Interest risk: An interest risk 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.

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

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

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

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

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

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

Acquisitions and changes in the Group structure

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

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

During the first quarter, Innofactor increased its holding in Arc Technology Oy by 26.94 percent to a total of 45.13 percent. Starting from the Q2/2020 interim report, Arc Technology Oy was reported as a subsidiary, because Innofactor has had control over the company since April 2020. Innofactor's holding in the company increased to 100% on December 30, 2020. For 2020, Arc Technology Oy increased Innofactor's net sales by approximately EUR 0.8 million. Arc Technology Oy was renamed as Innofactor HRM Oy as of January 1, 2021 (entered in the Trade Register on February 12, 2021).

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

Events after the review period

On January 21, Innofactor announced in a stock exchange release that the Finnish Tax Administration has selected Innofactor in a public procurement competition as the primary provider of IT specialist services in the area of Azure programming. On the basis of the volume stated by the customer in connection with the procurement, the total value in this area is approximately EUR 15–25 million. The duration of the framework agreement is 6 years, and assignments started during the framework agreement period may continue 4 years after the expiration of the framework agreement.

On January 29, 2021, Innofactor announced in a stock exchange release that Innofactor and a Norwegian financial services company have signed an agreement concerning the migration and implementation of services to Microsoft Azure. The solution will be built on the Innofactor Virtual

Data Center solution. The value of the agreement (excluding VAT) is approximately EUR 500,000 and the services will be delivered during the year 2021.

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

Board of Directors' proposal on the distribution of profits

Innofactor is a growing company and intends to use its operating profit on actions promoting growth, for example, on realizing mergers. On August 31, 2020, Innofactor confirmed the company's updated dividend distribution policy as part of the annual strategy process. According to the revised policy, the aim of the Board of Directors is to pay a dividend regularly each year. The goal is to pay about half of the result for the financial period in dividends, taking into account the company's financial position, possible corporate reorganizations, and other development needs. For 2020, the Group's result for the financial period was EUR 1,761,496.06. In making the proposal on the dividend, the Board of Directors takes into account the company's financial situation, profitability and near-term outlook.

At the end of the financial period of 2020, the distributable assets of the Group's parent company were EUR 29,910,687.

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

In addition, the Board of Directors proposes that the General Meeting authorizes the company's Board of Directors to decide on a potential extra dividend and repayment of capital of maximum EUR 1,639,529 (EUR 0.04 per share taking into account the share issue authorization proposed to the Board of Directors).

Espoo, February 18, 2021

INNOFACTOR PLC

Board of Directors

Additional information:
CEO Sami Ensio, Innofactor Plc

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Briefings concerning the financial statement of January 1–December 31, 2020

Innofactor Plc will publish its 2020 Financial Statements Bulletin and Interim Report October–December 2020 (Q4) on Thursday, February 18, 2021, at approximately 9:00 am Finnish time.

A video conference call for media, investors and analysts will be held in Finnish on the same day beginning at 10:00. An equivalent video conference call in English takes place at 12:00 Finnish time. The report will be presented by CEO Sami Ensio and CFO Markku Puolanne.

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

Presentation materials will be available on Innofactor website after the conferences.

Financial releases in 2021

The annual report for 2020 will be published on the company's website on Tuesday, March 9, 2021.

The Annual General Meeting will be held on Tuesday, March 30, 2021, at 8:30 Finnish time.

The schedule for financial releases in 2021 is as follows:

- Interim report January–March 2021 (Q1) on Tuesday, April 27, 2021
- Half-Yearly Report January–June 2021 (Q2) on Thursday, July 22, 2021
- Interim report January–September 2021 (Q3) on Tuesday, October 26, 2021

Distribution:
NASDAQ Helsinki
Main media
www.innofactor.com

Financial statement summary and appendixes January 1–December 31, 2020 (IFRS)**Accounting policies**

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

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

The financial statement adheres to the same accounting policies and calculation methods as the last annual financial statement 2019. However, as of January 1, 2020, the Group has introduced the new or renewed IFRS standards and IFRIC interpretations published by IASB and mentioned in the accounting policies section of the financial report 2019. The principles for calculating the key figures and the calculation formulas have not been changed, and they have been presented in an appendix to this report.

In addition to the IFRS key figures, Innofactor publishes certain alternative key figures in order to present the financial development of the actual business operations and to improve comparisons between different periods. Acquisitions are a central part of Innofactor's strategy. Depreciations of intangible rights resulting from acquisitions vary greatly depending on how valuable the customer contracts and technology of the acquired company are estimated to be and also in what kind of schedule the resulting intangible rights will be depreciated. For this reason, the company's view is that instead of the operating profit, the primary measure for profitability should be the operating margin (EBITDA), because it is not affected by the said depreciation. In addition to the operating margin, the company also publishes the following figures adjusted for the above-mentioned depreciations: the operative business result, operative business result before taxes, operative result, and operative result per share. Depreciation related to acquisitions, adjusted from the above-mentioned key figures, in the period of January 1–December 31, 2020, amounted EUR 1,894 thousand (2019: 2,030).

Other alternative key figures used by Innofactor are equity ratio, net gearing, return on investment, return on equity, and net sales per person. The formulas for calculating the other alternative key figures are presented at the end of this report.

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

The figures in the financial statement have not been audited.

Comprehensive consolidated profit and loss statement, IFRS

EUR thousand	Oct 1–Dec 31, 2020	Oct 1–Dec 31, 2019	Jan 1–Dec 31, 2020	Jan 1–Dec 31, 2019
Net sales	18,252	17,432	66,164	64,198
Other operating income	87	15	282	44
Materials (–)	-1,703	-1,720	-6,214	-6,073
Employee benefit expenses (–)	-11,895	-11,377	-43,551	-43,802
Depreciation (–)	-1,181	-1,078	-4,663	-4,294
Other operating expenses (–)	-3,156	-2,791	-9,518	-9,278
Operating profit/loss	404	480	2,501	795
Financial income	766	10	1,329	23
Financial expenses (–)	-219	-219	-1,780	-807
Profit/loss before taxes	951	271	2,050	12
Income taxes	-694	101	-288	406
Profit/loss for the financial period	257	372	1,761	418
Distribution of the result				
To shareholders of the parent company	257	372	1,761	418
To owners with no control	0	0	0	0
Other comprehensive income				
Items that may be later recognized				
in profit or loss:				
Exchange differences	-319	281	-462	52
Total comprehensive income	-62	654	1,299	470
Distribution of the comprehensive income				
To shareholders of the parent company	-62	654	1,299	470
To owners with no control	0	0	0	0

Consolidated Balance Sheet, IFRS
ASSETS

EUR thousand	Dec 31, 2020	Dec 31, 2019
Non-current assets		
Tangible assets	4,338	5,290
Goodwill	26,531	26,003
Other intangible assets	2,084	3,745
Shares and holdings	5	79
Receivables	245	629
Deferred tax assets	6,413	5,602
Non-current assets	39,616	41,347
Current assets		
Trade and other receivables	13,925	13,409
Cash and cash equivalents	3,066	963
Current assets	16,991	14,373
TOTAL ASSETS	56,607	55,720

Shareholders' Equity and Liabilities

EUR thousand	Dec 31, 2020	Dec 31, 2019
Share capital	2,100	2,100
Share premium reserve	72	72
Other reserves (+/-)	59	59
Fund for invested unrestricted equity	20,921	20,921
Retained earnings	292	-1,008
Equity attributable to the shareholders of the parent company	23,444	22,145
Share of the owners with no control	0	0
Total shareholders' equity	23,444	22,145
Non-current liabilities		
Loans from financial institutions	8,890	3,684
Lease liabilities	2,218	3,269
Deferred tax liabilities	1,824	813
Long-term liabilities total	12,933	7,767
Current liabilities		
Loans from financial institutions	2,540	8,334
Lease liabilities	1,738	1,566
Trade and other payables	15,953	15,909
Current liabilities total	20,230	25,808
Total liabilities	33,163	33,575
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	56,607	55,720

Consolidated Profit and Loss Statement by Quarter, IFRS

EUR thousand	Jan 1– Mar 31, 2020	Apr 1– Jun 30, 2020	Jul 1– Sep 30, 2020	Oct 1– Dec 31, 2020	Jan 1– Mar 31, 2019	Apr 1– Jun 30, 2019	Jul 1– Sep 30, 2019	Oct 1– Dec 31, 2019
Net sales	17,152	16,755	14,005	18,252	16,148	16,651	13,968	17,432
Other operating income	5	73	117	87	10	33	-13	15
Materials (–)	-1,463	-1,664	-1,384	-1,703	-1,478	-1,499	-1,376	-1,720
Employee benefits/expenses (–)	-11,395	-11,229	-9,032	-11,895	-11,597	-11,634	-9,194	-11,377
Depreciation (–)	-1,141	-1,179	-1,162	-1,181	-959	-975	-1,283	-1,078
Other operating expenses (–)	-2,342	-1,873	-2,147	-3,156	-2,213	-2,424	-1,850	-2,791
Operating profit/loss	816	884	397	404	-90	153	252	480
Financial income	92	273	198	766	4	5	5	10
Financial expenses (–)	-1,032	39	-569	-219	-111	-262	-215	-219
Profit/loss before taxes	-123	1,196	26	951	-197	-104	42	271
Income taxes	327	78	0	-694	109	106	90	101
Profit/loss for the financial period	204	1,274	27	257	-88	2	132	371
 EBITDA	 1,957	 2,063	 1,559	 1,585	 868	 1,127	 1,535	 1,559

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

EUR thousand	Share capital	Share premium reserve	Reserve fund	Fund for invested unrestricted equity	Own shares	Retained earnings	Exchange differences	Total shareholders' equity of the parent company	Share of the owners with no control	Total shareholders' equity
Shareholders' equity Jan 1, 2020	2,100	72	59	20,921	0	-22	-985	22,145		22,145
Comprehensive income										
Result for the financial period						1,761		1,761	0	1,761
Exchange differences							-462	-462		-462
Total comprehensive income				0		1,761	-462	1,299	0	1,299
Shareholders' equity Dec 31, 2020	2,100	72	59	20,921	0	1,739	-1,447	23,444	0	23,444

EUR thousand	Share capital	Share premium reserve	Reserve fund	Fund for invested unrestricted equity	Own shares	Retained earnings	Exchange differences	Total shareholders' equity	Share of the owners with no control	Total shareholders' equity
Shareholders' equity Jan 1, 2019	2,100	72	59	20,321	0	-212	-1,038	21,303	0	21,303
Comprehensive income										
Result for the financial period						418		418		418
Personnel share issue				600		101		701		701
Other adjustments						-329		0		-329
Exchange differences							52	52		52
Total comprehensive income				600		190	52	843	0	843
Shareholders' equity Dec 31, 2019	2,100	72	59	20,921	0	-21	-985	22,145	0	22,145

**Consolidated Cash Flow Statement,
IFRS**

EUR thousand	Jan 1–Dec 31, 2020	Jan 1–Dec 31, 2019
Cash flow from operating activities		
Operating profit	2,501	795
Adjustments:	0	0
Depreciation *)	4,663	4,294
Other transactions with no related cash flow:	-683	0
Operating profit before a change in working capital	6,481	5,089
Change in trade and other receivables (+/–)	-9	-407
Change in trade and other payables (+/–)	-813	1,945
Other adjustments	0	221
Change in working capital	-822	1,758
Cash flow from operating activities before financing and income taxes paid	5,659	6,847
Interests received	43	23
Interests paid (–)	-682	-662
Taxes paid	-10	0
Net cash flow from operating activities	5,010	6,209
Investment cash flow		
Acquisition of subsidiaries	-97	-49
Investments in intangible and tangible assets (–)	-311	-619
Loan receivables paid back	319	63
Shares and holdings	0	0
Net cash flow from investments	-89	-606
Cash flow from financing		
Loans withdrawn	3,000	165
Loans paid	-3,972	-3,566
Lease liability payments *)	-1,853	-1,618
Payments received from share issue	0	120
Net cash flow from financing	-2,825	-4,898
Change in cash and cash equivalents (+/–)	2,096	705
Cash and cash equivalents, opening balance	963	258
Cash and cash equivalents, closing balance	3,059	963

Group's commitments and contingent liabilities

EUR thousand	Dec 31, 2020	Dec 31, 2019
Collateral given for own commitments		
Lease collateral	156	246
Mortgages on company assets	17,017	16,535
Bank guarantees	296	303
Other own liabilities		
Lease liabilities		
Current lease liabilities	15	26
Lease liabilities maturing in 1–5 years	8	14
Total	23	40
Lease liabilities*		
Current lease liabilities	0	0
Lease liabilities maturing in 1–5 years	0	0
Total	0	0
Other own liabilities total	23	40

Largest shareholders

According to the share register maintained by Euroclear Finland Oy, the share ownership of the 20 largest Innofactor Plc shareowners at the end of the review period on December 31, 2020, was as follows.

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

Formulas for calculating the key figures

Operating margin (EBITDA):

Operating profit/loss - Depreciations

Order backlog:

Received license and project orders - realized net sales related to the order + net sales from recurring agreements for the next 12 months (does not include expected purchase activity not based on agreement, so called Run Rate)

Net sales/employee:

Net sales

Active personnel on average during the review period

Percentage of return on equity:

Profit/loss for the financial period

Shareholders' equity

Percentage of return on investment:

Profit or loss before taxes + Interest and other financial expenses

Shareholders' equity + Interest bearing financial liabilities

Net gearing:

Interest bearing liabilities - Cash funds

Shareholders' equity

Equity ratio, (%):

Shareholders' equity

Balance sheet total - Received advances

Result/share:

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

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

Shareholders' Equity/Share:

Equity attributable to the shareholders of the parent company

Undiluted number of shares on the date of the financial statement