

Innofactor Plc Interim Report April 27, 2021, at 9:00 Finnish time

Innofactor Plc's Interim Report for January 1–March 31, 2021 (IFRS)

Innofactor sold the Prime business and reached the best first quarter net sales, operating margin and order backlog in its history – also without the additional operating margin of EUR 2.6 million brought by the transaction

January–March 2021 in brief:

- Innofactor sold its resource management software solution business, Innofactor Prime, in Finland to Total Specific Solutions at the end of March
- The net sales were approximately EUR 17.8 million (2020: 17.2), which shows an increase of 3.8%
- The operating margin was approximately EUR 4.7 million (2020: 2.0), which shows an increase of 138%
 - The operating margin includes a sales gain of approximately EUR 2.6 million from the sale of the Prime business, without which the operating margin would have been approximately EUR 2.1 million (2020: 2.0), which shows an increase of 7.3%
- The operating profit was EUR 3.8 million (2020: 0.8), which shows an increase of 366.8%
 - The operating profit includes a corresponding sales gain as the operating margin, without which the operating profit would have been approximately EUR 1.3 million (2020: 0.8), which shows an increase of 53%
- The order backlog at the end of the review period was EUR 68.9 million (2020: 54.1), which shows an increase of 27.4%
 - The order backlog does not include the order backlog of the divested Prime business
- Innofactor got several significant orders in the first quarter, for example,
 - Finnish Tax Administration's Azure programming, approximately EUR 15–25 million
 - Finnish Institute of Occupational Health's enterprise resource planning system, approximately EUR 1.6 million (not yet in the order backlog)
 - Metsähallitus' case management system, approximately EUR 0.7 million (not yet in the order backlog)
 - Cloud solution for a Norwegian financial services company, approximately EUR 0.5 million

Key figures of the group, IFRS

	Jan 1– March 31, 2021	Jan 1– March 31, 2020	Change
Net sales, EUR thousand	17,807	17,152	3.8%
Growth of net sales	3.8%	6.2%	
Operating result before depreciation and amortization (EBITDA), EUR thousand*	4,657	1,957	138.0%
percentage of net sales*	26.2%	11.4%	
Operating profit/loss (EBIT), EUR thousand**	3,809	816	366.8%
percentage of net sales**	21.4%	4.8%	
Earnings before taxes, EUR thousand***	3,357	-123	2,819.3%
percentage of net sales***	18.9%	-0.7%	
Earnings, EUR thousand***	2,637	204	1,194.2%
percentage of net sales***	14.8%	1.2%	
Order backlog	68,901	54,091	27.4%
Net gearing*	56.9%	60.6%	
Net gearing without IFRS 16	43.6%	37.3%	
Equity ratio	46.6%	43.5%	
Equity ratio without IFRS 16	44.0%	48.5%	
Active personnel on average during the review period****	537	541	-0.7%
Active personnel at the end of the review period****	536	542	-1.1%
Earnings per share (EUR)	0.0705	0.0054	1,194.2%

*) The handling of lease liabilities in accordance with IFRS 16 had a positive effect of EUR 479 (2020: 504) thousand in the operating margin (EBITDA) in January 1–March 31, 2020.

**) In accordance with IFRS 3, the operating result for January 1–March 31, 2020, includes EUR 139 thousand (2020: 473) in depreciations 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 changed rate of the Swedish krona and Norwegian krone in relation to euro) results in a exchange rate loss of EUR -282 (2020: -859) thousand in accordance with IFRS, 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.

****) 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: Despite the Prime divestment, we believe that we will achieve growth in 2021, supported by strong growth of the order backlog early in the year

The net sales in the first quarter of 2021 were EUR 17.8 million, which shows an increase of 3.8 percent compared to the previous year. During the first quarter, Finland accounted for all of the growth, but starting from the second quarter, we expect to also achieve growth outside Finland, where COVID-19 had a negative impact on net sales in 2020. The operating margin (EBITDA) grew 138.0 percent from the previous year and was EUR 4.7 million (26.2 percent of the net sales), and it was positive in all countries except for Sweden, where the first quarter was subject to costs associated with the reorganization of business operations. The operating margin includes a sales gain of approximately EUR 2.6 million from the sale of the Prime business, without which the operating margin would have been approximately EUR 2.1 million (11.8 percent of net sales and growth of 7.3 percent from the previous year). In the first quarter, the order backlog grew to a record-breaking amount and was EUR 68.9 million at the end of the quarter, which shows an increase of 27.4 percent compared to the corresponding time in the previous year.

Innofactor sold its resource management software solution business, Innofactor Prime, in Finland to Total Specific Solutions (TSS). The business operations were transferred as of April 1, 2021. Prime is a flexible and versatile software solution for parishes and public sector organizations. It allows the optimization and efficient management of organizations' resources and offers a comprehensive suite of diverse off-the-shelf and customized modules, such as invoicing, calendar management, graveyard management, enterprise resource planning system and electronic services. The transaction had a positive net impact of EUR 2.6 million on Innofactor's operating margin (EBITDA) for the first quarter and an estimated negative impact of EUR 2 million on the net sales for 2021 (Q2–Q4), but net sales on the whole are expected to continue to grow. Innofactor will continue to provide managed services relating to the Prime business to TTS.

We saw remarkable success in our sales during the first quarter. The Finnish Tax Administration selected Innofactor as the primary provider of IT specialist services in the area of Azure programming. The procurement consists of the project manager and ICT specialist resources to support the project management, defining, programming, management and service design of the Tax Administration's systems, and other technical know-how to support the Tax Administration's ICT. Based on the volume stated by the customer in connection with the procurement, the total value of the 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. This is the biggest individual deal in Innofactor's history. In addition, we secured deliveries of the Finnish Institute of Occupational Health's enterprise resource planning system, approximately EUR 1.6 million, Metsähallitus' case management system, approximately EUR 0.7 million, and a Norwegian financial services company's cloud solution, approximately EUR 0.5 million.

Innofactor appointed Martin Söderlind to the new Chief Innovation and Talent Officer role as of April 1, 2021. Martin is responsible for Innofactor's operations regarding offering and talent

development. Söderlind is a member of the Executive Board, reporting to the CEO, Sami Ensio, and working at Innofactor's Stockholm office. Martin Söderlind has more than 20 years of experience in leadership positions in the ICT industry and development of international business. Söderlind joins Innofactor from Nordcloud, where he was focusing on growing the businesses in Sweden, Denmark and Norway as COO Scandinavia. Before this, Söderlind held a number of leadership and business development positions within Telia Company. I would like to bid Martin a warm welcome. He will play a key role in the long-term success of Innofactor.

The COVID-19 pandemic is not expected to cause significant harm to Innofactor's business in 2021. 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.

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:

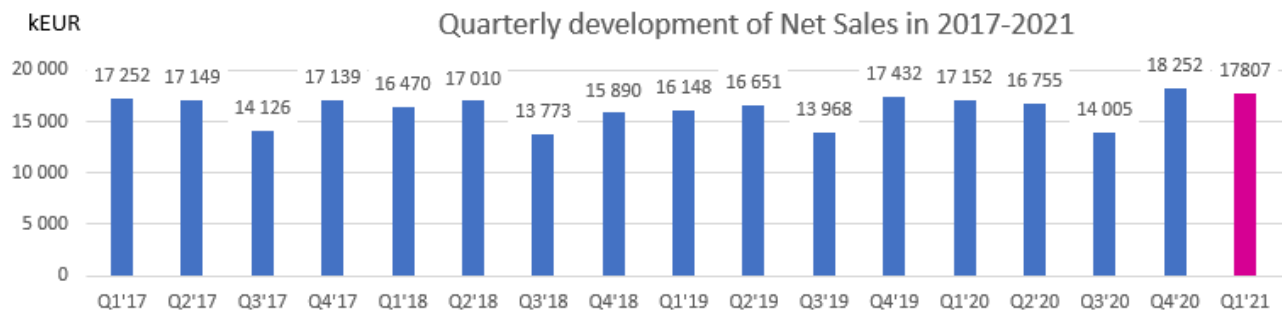
- To achieve annual growth of about 20 percent, of which majority is intended to be achieved by organic growth
- To achieve about 20 percent EBITDA in relation to the net sales
- To keep the cash flow positive and secure good financial standing in all situations.

Innofactor's net sales in the first quarter were EUR 17.8 million (2020: 17.2), which shows an increase of 3.8 percent compared to the previous year. During the first quarter, Finland accounted for all of the growth, but starting from the second quarter, we expect to also achieve growth outside Finland, where COVID-19 had a negative impact on net sales in 2020. The strategic goal of getting the net sales to grow is also supported by the record-breaking order backlog of EUR 68.9 million (2020: 54.1). 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. Martin Söderlind started in the new Chief Innovation and Talent Officer role in April 2021.

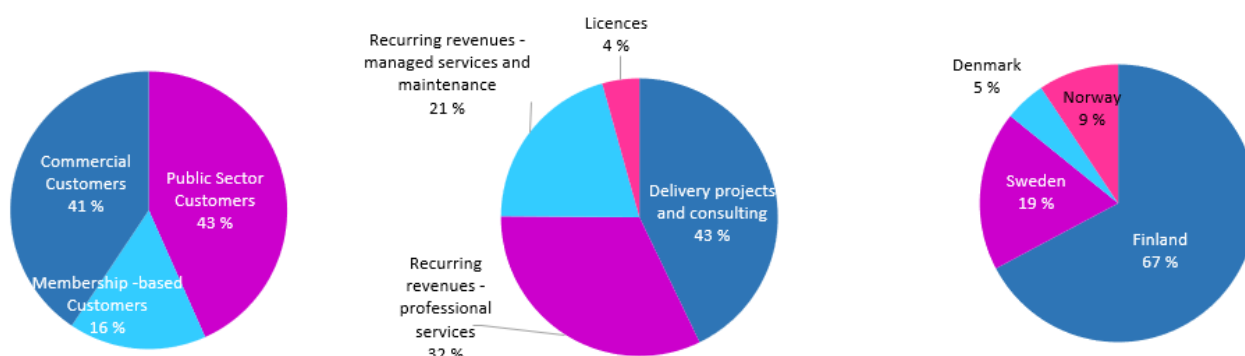
The operating margin (EBITDA) grew in the review period by 138.0 percent from the previous year and was EUR 4.7 million (26.2 percent of the net sales). Without the divestment of the Prime business, the operating margin would have grown by 7.3 percent in the review period and would have been EUR 2.1 million (11.8 percent of the net sales). As regards profitability (excluding the Prime divestment), Innofactor was able to improve its performance slightly, but some effort is still needed in order to reach the long-term goal of approximately 20 percent.

Innofactor's operating cash flow in the review period of January 1–March 31, 2021, was EUR 3.6 million (2020: EUR 3.1 million) and the equity ratio at the end of the review period was 46.6 percent (2020: 43.5 percent). The cash flow does not include the income from the Prime divestment, which will be recognized for the second quarter. 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 grew from the reference period, and growth is expected to continue



Innofactor’s net sales in January 1–March 31, 2021, were EUR 17,807 thousand (2020: 17,152), which shows an increase of 3.8 percent. The net sales per active employee were approximately EUR 33.2 thousand (2020: 31.7), which shows an increase of 4.6 percent. We focus on continuing to increase the net sales per active employee.



Innofactor's business operations were focused on Finland, Sweden, Denmark, and Norway. In January 1–March 31, 2021, approximately 67 percent of the net sales came from Finland, approximately 19 percent from Sweden, approximately 9 percent from Norway, and approximately 5 percent from Denmark. The net sales grew in Finland, but decreased in other countries compared to the corresponding period in 2020.

Of the net sales in January 1–March 31, 2021, approximately 41 percent came from commercial clients, approximately 43 percent from public sector clients, and approximately 16 percent from third sector clients.

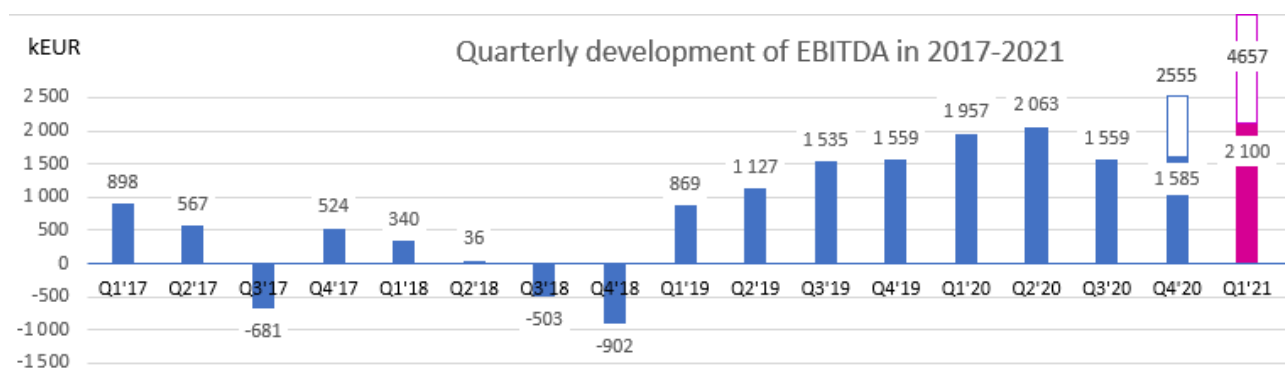
Innofactor's net sales in the review period of January 1–March 31, 2021, came from the following sources:

- approximately 43 percent from IT system delivery projects and consulting

- approximately 32 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 4 percent from licenses, of which the share of licensing income to third parties was approximately 4 percent of the net sales

Innofactor’s 10 largest clients accounted for approximately 31 percent of the net sales during the review period January 1–March 31, 2021.

Innofactor’s operating margin grew from the reference period – also excluding the additional operating margin from the divestment



Innofactor’s operating margin (EBITDA) in January 1–March 31, 2021, was EUR 4,657 thousand (2020: 1,957), which shows an increase of 138.0 percent. EBITDA accounted for 26.2 percent of the net sales (2020: 11.4%). The operating margin includes a sales gain of approximately EUR 2.6 million from the sale of the Prime business, without which the operating margin would have been approximately EUR 2,100 thousand (11.8% of the net sales, growth of 7.3%). Innofactor’s operating margin was positive in all countries except for Sweden, where the first quarter was subject to costs associated with the reorganization of business operations.

Innofactor’s operating profit in January 1–March 31, 2021, was EUR 3,809 thousand (2020: 816), which shows an increase of 366.8 percent. Operating profit accounted for 21.4 percent of the net sales (2020: 4.8%). Without the sales gain from the Prime transaction, operating profit would have been EUR 1,252 thousand (7.0% of the net sales).

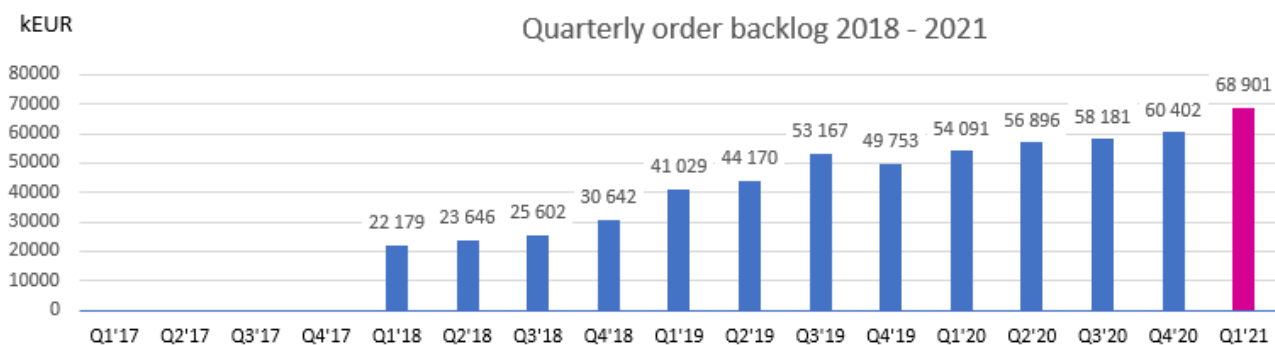
Acquisitions have been a central part of Innofactor’s strategy. Depreciations of intangible rights resulting from acquisitions vary greatly depending on how valuable the customer contracts and technology of the acquired company are estimated to be and also in what kind of schedule the resulting intangible 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 January 1–March 31, 2021, includes EUR 139 thousand (2020: 473) 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 January 1–March 31, 2021 would have been EUR 4,403 thousand (2020: 1,290), which shows an increase of 241.4 percent.

Innofactor’s order backlog grew again, making an all-time record

Innofactor's order backlog at the end of the review period was EUR 68,901 thousand (2020: 54,091), which shows an increase of 27.4 percent. The order backlog increased due to the Finnish Tax Administration’s Azure programming, approximately EUR 15–25 million, and cloud service for a Norwegian financial services company, approximately EUR 0.5 million.



Innofactor’s operating cash flow in the review period improved from the situation one year earlier

Innofactor's balance sheet total at the end of the review period was EUR 59,622 thousand (2020: 55,680). The Group's liquid assets totaled EUR 6,184 thousand (2020: 230), consisting totally of cash funds.

The operating cash flow in the review period of January 1–March 31, 2021 was EUR 3,631 thousand (2020: 3,142). The investment cash flow was EUR -53 thousand (2020: -118). The cash flow does not include the income from the Prime divestment, which will be recognized for the second quarter.

The equity ratio at the end of the review period was 46.6 percent (2020: 43.5%) and net gearing was 56.9 percent (2020: 60.6%).

At the end of the review period, the company had EUR 2,540 thousand in current interest bearing liabilities to financial institutions (2020: 5,826) and EUR 8,890 thousand in non-current interest bearing liabilities to financial institutions (2020: 3,619). The total amount of interest-bearing liabilities to financial institutions was EUR 11,430 thousand (2020: 9,444). The company had lease liabilities in accordance with IFRS 16 (leases for the duration of fixed-term leases) of EUR 3,503 thousand (2020: 5,345) of which EUR 1,621 thousand in current leases (2020: 1,840) and EUR 1,882 thousand in non-current leases (2020: 3,505). The total amount of interest bearing liabilities was EUR 14,933 thousand (2020: 14,789).

The return on investment in January 1–March 31, 2021, improved from the previous year and was 10.9 percent (2020: 2.7%). The return on equity in January 1–March 31, 2021, improved from the previous year and was 10.7 percent (2020: 0.9%).

The non-current assets in Innofactor's balance sheet at the end of the review period were EUR 38,034 thousand in total.

Innofactor's gross investments in tangible and intangible assets in the review period of January 1–March 31, 2021, were EUR 105 thousand (2020: 229), consisting of normal additional and replacement investments required by growth.

Innofactor's research and product development investments increased slightly from last year

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–March 31, 2021, were approximately EUR 1,041 thousand (2018: 845), which accounts for 5.8 percent of the net sales (2020: 4.9%).

Innofactor's number of personnel decreased slightly from last year

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 January 1–March 31, 2021, was 537 persons (2020: 541), which shows a decrease of 0.7 percent. At the end of review period, the number of active personnel was 536 (2020: 542), which shows a decrease of 1.1 percent.

At the end of the review period, the average age among personnel was 42.2 years (2020: 41.4). Women accounted for 27 percent (2020: 27%) of the personnel. Men accounted for 73 percent (2020: 73%) of the personnel.

Other events in the review period

On January 21, 2021, Innofactor announced in a stock exchange release that the Finnish Tax Administration selected Innofactor as the primary provider of IT specialist services in the area of Azure programming. The procurement consists of project manager and ICT specialist resources to support the project management, defining, programming, management and service design of the Tax Administration’s systems and other technical know-how to support the Tax Administration’s ICT. Based on 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.

On March 11, 2021, Innofactor announced in a stock exchange release that the Finnish Institute of Occupational Health had selected Innofactor as the provider for the renewal of the enterprise resource planning system. The procurement covers the delivery, implementation, and maintenance of the information system. The system is based on Microsoft Dynamics 365 for Finance & Supply Chain Management. Innofactor estimates the total value of the procurement to be approximately EUR 1,600,000.

On March 30, 2021, Innofactor announced in a stock exchange release that Metsähallitus had selected Innofactor’s as its case management system provider as SaaS. The procurement comprises of the delivery of the case management system, as well as support and maintenance 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 years after which it will be valid until further notice. The agreement value is approximately EUR 700,000.

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 January 1–March 31, 2021, the highest price of the company share was EUR 2.07 (2020: EUR 0.95), the lowest price was EUR 1.24 (2020: 0.51), and the average price was EUR 1.56 (2020: 0.73).

The closing price for the review period on March 31, 2021, was EUR 1.85 (2020: 0.66).

In public trading in January 1–March 31, 2021, a total of 10,096,022 shares were traded (2020: 5,409,684), which corresponds to 27.0 percent (2020: 14.5%) of the average number of shares in the said period. In January 1–March 31, 2021, there were 37,388,225 shares on the average (2020: 37,188,225). The share trading increased by 86.6 percent compared to the corresponding period in 2020.

The market value of the share capital at the closing price of EUR 1.85, on March 31, 2021, was EUR 69,168 thousand (2020: 25,601), which shows an increase of 181.2 percent.

On March 31, 2021, the company had a total of 11,979 shareholders (2020: 11,122), including nominee-registered shares.

Decisions of the Annual General Meeting

On March 30, 2021, the Annual General Meeting decided, in accordance with the proposal of the Board of Directors that for the financial period of 2020 a dividend of EUR 0.02 per share and repayment of capital of EUR 0.02 per share is paid. The dividend and repayment of capital were paid to shareholders who on the record date of the dividend payment and capital repayment on April 1, 2021 were recorded in the company's shareholders' register held by Euroclear Finland Oy. The dividend and repayment of capital were paid on April 12, 2021.

The Annual General Meeting of March 30, 2021, decided that the Board of Directors shall have four members. Mr. Sami Ensio, Ms. Anna Lindén and 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, as the auditor for the company, with Juha Hilmola as the main responsible auditor.

The Board of Directors has been given the following authorizations:

- Until June 30, 2022, 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 30, 2021); the authorization has not been used.
- Until June 30, 2022, to decide on a transfer of a maximum of 3,600,000 treasury shares (decided by the General Meeting of March 30, 2021); the authorization has not been used.
- Until the next Annual General Meeting, to distribute assets to shareholders as dividends or as repayment of capital totaling a maximum of EUR 1,639,529, which allows the distribution of assets up to a maximum of EUR 0,04 per share.

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.

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 on the company's web site at: www.innofactor.com/invest-in-us/corporate-governance/

Related party transactions

The company's managers considered to be related parties have EUR 100 thousand of 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 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

The market outlook and business environment are published in their entirety in the financial statement and in the Annual Report.

There have been no significant changes in market outlook and business environment during the review period nor can any other significant changes be seen.

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.

There have been no significant changes in Innofactor's short-term risks and uncertainty factors during the review period nor can any other significant changes be seen.

Acquisitions and changes in the Group structure

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

Events after the review period

On April 6, 2021, announced in a stock exchange release that the joint municipal authority for the county of Ostrobothnia has selected Innofactor in a public procurement competition as the supplier of a case and document management as SaaS. The procurement consists of the delivery of the case and document management solutions, as well as support and maintenance services. The system will be based on Innofactor's Dynasty 10 solution. The total value of the procurement (excluding VAT) stated by the joint municipal authority for the county of Ostrobothnia in the procurement decision for a period of four years is EUR 860,240.

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

Espoo, April 27, 2021

INNOFACTOR PLC

Board of Directors

Additional information:

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Briefings concerning the Interim Report January 1–March 31, 2021

Innofactor will publish the interim report for January–March 2021 on Tuesday, April 27, 2021, at around 9:00 Finnish time.

A video conference in Finnish concerning the interim report will be held for media, investors and analysts on the same day at 10:00 Finnish time. The corresponding video conference in English will be held at noon Finnish time. The report will be presented by CEO Sami Ensio and CFO Markku Puolanne.

Please register for the conferences beforehand by sending email to ir@innofactor.com. The link for participating will be sent to the registered persons on the previous day.

The presentations will be available on Innofactor's web site after the conferences.

Distribution:
NASDAQ Helsinki
Main media
www.innofactor.com

Financial statement summary and appendixes January 1–March 31, 2021 (IFRS)**Accounting policies**

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

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

The interim report adheres to the same accounting policies and calculation methods as the last annual financial statement 2020. 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 2020. 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 depreciations. In addition to the operating margin, the company also publishes the operative business results adjusted for the above-mentioned depreciations. Depreciations related to acquisitions, adjusted from the above-mentioned key figures, in the period January 1–March 31, 2021, were EUR 139 thousand (2020: 473).

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 this interim report have not been audited.

Comprehensive consolidated profit and loss statement, IFRS

EUR thousand	Jan 1– March 31, 2021	Jan 1– March 31, 2020
Net sales	17,807	17,152
Other operating income	2,569	5
Materials (–)	-2,233	-1,463
Employee benefit expenses (–)	-12,008	-11,395
Depreciation (–)	-848	-1,141
Other operating expenses (–)	-1,477	-2,342
Operating profit/loss	3,809	816
Financial income	13	92
Financial expenses (–)	-465	-1,032
Profit/loss before taxes	3,357	-123
Income taxes	-721	327
Profit/loss for the financial period	2,637	204
Distribution of the result		
To shareholders of the parent company	2,637	204
To owners with no control	0	0
Other comprehensive income		
Items that may be later recognized in profit or loss:		
Exchange differences	136	312
Total comprehensive income	2,773	516
Distribution of the comprehensive income		
To shareholders of the parent company	2,773	516
To owners with no control	0	0

Earnings per share calculated from the profit attributable to equity holders of the parent:

basic earnings per share (EUR)	0.0705	0.0054
diluted earnings per share (EUR)	0.0705	0.0054

Consolidated Balance Sheet, IFRS
ASSETS

EUR thousand	March 31, 2021	March 31, 2020	Dec 31, 2020
Non-current assets			
Tangible assets	3,903	5,730	4,338
Goodwill	26,430	26,003	26,531
Other intangible assets	1,802	3,109	2,084
Shares and holdings	5	78	5
Receivables	245	629	245
Deferred tax assets	5,649	5,602	6,413
Non-current assets	38,034	41,151	39,616
Current assets			
Trade and other receivables	15,404	13,620	13,925
Cash and cash equivalents	6,184	910	3,066
Current assets	21,588	14,529	16,991
TOTAL ASSETS	59,622	55,680	56,607

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR thousand	March 31, 2021	March 31, 2020	Dec 31, 2020
Share capital	2,100	2,100	2,100
Share premium reserve	72	72	72
Other reserves (+/-)	59	59	59
Fund for invested unrestricted equity	20,921	20,921	20,921
Retained earnings	3,079	-245	292
Total shareholders' equity	26,232	22,907	23,444
Non-current liabilities			
Loans from financial institutions	8,890	3,619	8,890
Lease liabilities	1,882	3,505	2,218
Deferred tax liabilities	1,796	711	1,824
Long-term liabilities total	12,567	7,834	12,933
Current liabilities			
Loans from financial institutions	2,540	5,826	2,540
Lease liabilities	1,621	1,840	1,738
Trade and other payables	16,662	17,273	15,953
Current liabilities total	20,823	24,938	20,230
Total liabilities	33,390	32,773	33,163
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	59,622	55,680	56,607

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 difference	Total	Non-controlling interest	Total shareholders' equity
Shareholders' equity Jan 1, 2021	2 100	72	59	20 921	0	1 739	-1 447	23 444		23 444
Comprehensive income										
Result for the financial period						2 637		2 637	0	2 637
Other comprehensive income:										
Exchange differences							136	136		136
Total comprehensive income						2 637	136	2 773	0	2 773
Shareholders' equity Mar 31, 2021	2 100	72	59	20 921	0	4 376	-1 311	26 217	0	26 217
Shareholders' equity Jan 1, 2020	2 100	72	59	20 921	0	-21	-985	22 145		22 145
Comprehensive income										
Result for the financial period						204		204	0	204
Other comprehensive income:										
Exchange differences							312	312		312
Total comprehensive income						450	312	762	0	762
Shareholders' equity Mar 31, 2020	2 100	72	59	20 921	0	429	-673	22 908	0	22 908

Consolidated Cash Flow Statement, IFRS

EUR thousand	Jan 1–March 31, 2021	Jan 1–March 31, 2020
Cash flow from operating activities		
Operating profit	3,809	816
Adjustments:		
Depreciation	848	1,141
Other transactions with no related cash flow:	-42	0
Operating profit before a change in working capital	4,616	1,957
Change in trade and other receivables (+/-)	-1,531	-321
Change in trade and other payables (+/-)	675	1,691
Other adjustments	0	-104
Change in working capital	-856	1,266
Cash flow from operating activities before financing and income taxes paid	3,760	3,223
Interest received	-23	92
Interests paid (-)	-113	-173
Net cash flow from operating activities	3,624	3,142
Investment cash flow		
Acquisition of subsidiaries	0	0
Investments in intangible and tangible assets (-)	-105	-229
Loan receivables paid back	52	111
Shares and holdings	0	0
Net cash flow from investments	-53	-118
Cash flow from financing		
Loans withdrawn	0	12
Loans paid	0	-2,585
Lease liability payments	-453	-504
Payments received from share issue	0	0
Net cash flow from financing	-453	-3,078
Change in cash and cash equivalents (+/-)	3,118	-54
Cash and cash equivalents, opening balance	3,066	963
Cash and cash equivalents, closing balance	6,184	910

Consolidated Profit and Loss Statement by Quarter, IFRS

EUR thousand	Jan 1– Mar 31, 2021	Apr 1– Jun 30, 2021	Jul 1– Sep 30, 2021	Oct 1– Dec 31, 2021	Jan 1– Mar 31, 2020	Apr 1– Jun 30, 2020	Jul 1– Sep 30, 2020	Oct 1– Dec 31, 2020
Net sales	17,807				17,152	16,755	14,005	18,252
Other operating income	2,569				5	73	117	87
Materials (–)	-2,233				-1,463	-1,664	-1,384	-1,703
Employee benefit expenses (–)	-12,008				-11,395	-11,229	-9,032	-11,895
Depreciation (–)	-848				-1,141	-1,179	-1,162	-1,181
Other operating expenses (–)	-1,477				-2,342	-1,873	-2,147	-3,156
Operating profit/loss	3,809				816	884	397	404
Financial income	13				92	273	198	766
Financial expenses (–)	-465				-1,032	39	-569	-219
Profit/loss before taxes	3,357				-123	1,196	26	951
Income taxes	-721				327	78	0	-694
Profit/loss for the financial period	2,637				204	1,274	27	257
EBITDA	4,657				1,957	2,063	1,559	1,585

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	March 31, 2021	March 31, 2020	Dec 31, 2020
Trade and other receivables	15,725	13,620	13,925
Cash and cash equivalents	6,184	910	3,066
Total	21,909	14,529	16,991
Loans from financial institutions	7,269	11,286	11,430
Lease liabilities	3,503	3,503	3,956
Total	10,772	14,789	15,386
Trade and other payables:			
Received advances	3,389	3,057	1,078
Trade payables	1,627	1,807	1,559
Other liabilities	3,384	4,557	4,766
Accrued expenses	8,262	7,853	8,550
Interest rate swap agreements, not in hedge accounting			
Total	16,662	17,273	15,953

Group's commitments and contingent liabilities

EUR thousand	March 31, 2021	March 31, 2020
Collateral given for own commitments		
Lease collateral	159	233
Mortgages on company assets	17,000	16,491
Bank guarantees	296	253
Other own liabilities		
Lease liabilities		
Current lease liabilities	15	15
Lease liabilities maturing in 1–5 years	5	12
Total	20	27
Lease liabilities		
Current lease liabilities	0	0
Lease liabilities maturing in 1–5 years	0	0
Total	0	0
Other own liabilities total	20	27

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

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 March 31, 2021, 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%
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	1,158,694	3.10%
5. Hallikainen Jyrki	1,129,821	3.02%
6. Ärje Matias Juhanpoika	882,065	2.36%
7. Mäki Antti-Jussi	745,020	1.99%
8. Tilman Tuomo Tapani	703,397	1.88%
9. Hellen Stefan Andreas	486,000	1.30%
10. Ingman Finance Oy Ab	450,000	1.20%
11. Muukkonen Teemu Heikki	446,841	1.20%
12. Järvenpää Janne-Olli	305,211	0.82%
13. Kukkonen Heikki-Harri	274,106	0.73%
14. Rausanne Oy	270,000	0.72%
15. Laiho Jari Olavi	230,000	0.62%
16. Puolakka Petri Yrjö Emil	202,511	0.54%
17. Mäkinen Antti Vilho Juhani	164,000	0.44%
18. Heikki Tervonen Oy	153,000	0.41%
19. Kannisto Jaakko Mikael	148,503	0.40%
20. Mandatum Life Insurance Company Limited	128,089	0.34%
Total	18,813,906	50.32%

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