

Innofactor Plc Interim Report October 24, 2023, at 9:00 Finnish time

## **Innofactor Plc's Interim Report for January 1–September 30, 2023 (IFRS)**

**Innofactor swam against the current in a challenging market and achieved its highest-ever third quarter net sales and EBITDA in spite of the order backlog decreasing**

July–September 2023 in brief:

- Net sales were approximately EUR 18.0 million (2022: 16.7), representing an increase of 8.0% (organic)
- The operating margin was approximately EUR 2.0 million (2022: 1.8), which shows an increase of 10.9%
- Operating profit was EUR 1.2 million (2022: 1.0), which shows an increase of 26.0%
- The order backlog at the end of the review period was EUR 71.4 million (2022: 77.3), representing a decrease of 7.6%

January–September 2023 in brief:

- Net sales were approximately EUR 58.3 million (2022: 50.6), representing an increase of 15.3%
  - Approximately EUR 55.7 million (10.0%) of the growth was organic, excluding the Invenco acquisition
- The operating margin was approximately EUR 6.2 million (2022: 5.2), which shows an increase of 19.7%
- Operating profit was EUR 3.9 million (2022: 2.9), which shows an increase of 32.5%

**Key figures of the group, IFRS**

	Jul 1–Sep 30, 2023	Jul 1–Sep 30, 2022	Change	Jan 1–Sep 30, 2023	Jan 1–Sep 30, 2022	Change
Net sales, EUR thousand	18,015	16,683	+8.0%	58,332	50,594	+15.3%
Growth of net sales	8.0%	21.5%		15.3%	3.6%	
Operating result before depreciation and amortization (EBITDA), EUR thousand	1,970	1,777	+10.9%	6,222	5,196	+19.7%
percentage of net sales	10.9%	10.7%		10.7%	10.3%	
Operating profit/loss (EBIT), EUR thousand*	1,209	959	+26.0%	3,904	2,946	+32.5%
percentage of net sales	6.7%	5.8%		6.7%	5.8%	
Earnings before taxes, EUR thousand*	1,428	759	+88.0%	3,551	2,500	+42.0%
percentage of net sales	7.9%	4.6%		6.1%	4.9%	
Earnings, EUR thousand*	1,064	599	+77.8%	2,560	1,992	+28.5%
percentage of net sales	5.9%	3.6%		4.4%	3.9%	
Order backlog	71,412	77,251	-7.6%	71,412	77,251	-7.6%
Net gearing*	48.6%	56.9%	-14.6%	48.6%	56.9%	-14.6%
Net gearing without IFRS 16	35.0%	41.8%	-16.3%	35.0%	41.8%	-16.3%
Equity ratio	46.3%	43.7%	+6.0%	46.3%	43.7%	+6.0%
Equity ratio without IFRS 16	49.5%	46.8%	+5.8%	49.5%	46.8%	+5.8%
Active personnel on average during the review period*	585	555	+5.4%	577	527	+9.5%
Active personnel at the end of the review period*	594	554	+7.2%	594	554	+7.2%
Earnings per share (EUR)	0.03	0.02	+77.8%	0.07	0.05	+28.5%

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

**Innofactor's future outlook for 2023**

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

**CEO Sami Ensio's review: Our strong order backlog and operational efficiency enabled growth and profitability in Q3 – we expect new sales to pick up in Q4**

Net sales in the third quarter of 2023 amounted to EUR 18.0 million, representing year-on-year growth of 8.0 percent. The operating margin (EBITDA) grew by 10.9 percent year-on-year and came to EUR 2.0 million (10.9 percent of net sales). Innofactor's net sales grew in Finland and Norway. EBITDA was positive in Finland but negative in other countries due to the challenging market situation.

Net sales for the first nine months of 2023 amounted to EUR 58.3 million, representing year-on-year growth of 15.3 percent. The operating margin (EBITDA) grew by 19.7 percent year-on-year and came to EUR 6.2 million (10.7 percent of net sales).

Price competition in the markets remained intense in the third quarter, although the weighted average prices of new contracts increased slightly from the preceding quarter. We anticipate prices will continue to rise in the fourth quarter, although we expect the situation to remain challenging until the end of the year. Carrying out loss-making business activities is not part of Innofactor's strategy, which is why new sales in Q3 were still below target and led to a decrease in the order backlog. The order backlog decreased from the preceding quarter and amounted to EUR 71.4 million at the end of the review period, representing a year-on-year decrease of 7.6 percent. Nevertheless, our strong existing order backlog, framework agreements and other purchases by existing customers enable Innofactor to operate profitably in the short term. We expect to be able to increase the volume of new sales in Q4.

Generative artificial intelligence (ChatGPT, Microsoft Azure Open AI and Microsoft Copilot) has received growing attention in the market. Generative AI presents our customers – and Innofactor – with significant opportunities for improving operational efficiency. Above all, it opens up significant new business opportunities for Innofactor, and we have quickly developed new offerings in response to these opportunities. We see Microsoft 365 Copilot as particularly significant. It will become available on November 1, 2023, and we expect it will enable us to grow our business in co-operation with our main partner Microsoft.

The Board of Directors appointed Antti Rokala, M.Sc. (Econ.) as Innofactor Group's new Chief Financial Officer (CFO). He will take up his post on January 2, 2024. At present, Rokala is working as Group CFO at the educational company YrkesAkademin in Stockholm. Rokala has previously worked in several financial management and leadership positions for the elevator company Schindler, such as Nordic CFO. Antti's experience in Sweden and the other Nordic countries will help Innofactor further develop our business. I want to take this opportunity to extend a warm welcome to Antti.

Based on feedback from shareholders and analysts, we have decided to expand our reporting starting from the financial statements for the year 2023 by reporting key figures separately for our four solution areas. The reportable solution areas are as follows: 1) Digital services, 2) Business

solutions, 3) Information and case management, and 4) Secure artificial intelligence, data and cloud platform. The following key figures will be reported for each solution area: net sales and the distribution of net sales, EBITDA, EBITDA margin, order backlog and the amount of product development. The key figures will be presented for the reporting period and the comparison period, and the percentage change for each key figure will be indicated.

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, employer promise, and long-term financial goals.

Our purpose: Innovating to make the world work better

Our mission: Driving the modern digital organization

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

Our strategic choices:

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

Our values:

- Accountability
- Empowerment
- Innovation
- Customer

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

Employer promise: Be the real you

Our long-term financial goals:

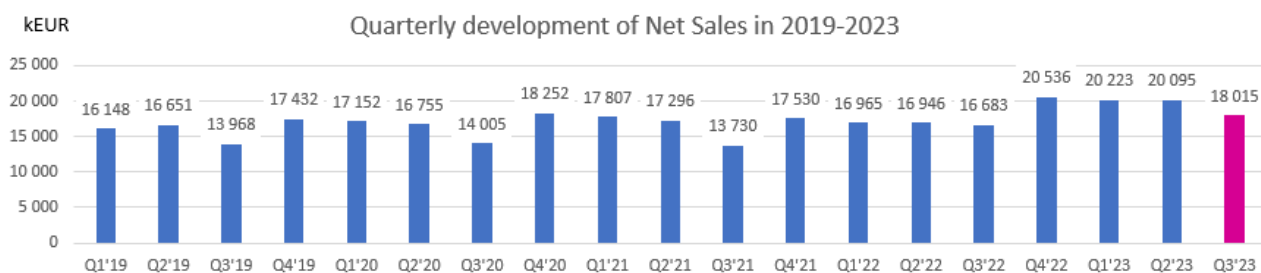
- To achieve annual growth of about 20 percent, the majority of which is intended to be achieved by organic growth
- To achieve about 20 percent EBITDA in relation to the net sales
- To keep the cash flow positive and secure good financial standing in all situations.

Innofactor’s net sales in January–September 2023 amounted to EUR 58.3 million (2022: 50.6), representing year-on-year growth of 15.3 percent. Approximately EUR 55.7 million (10.0%) of the growth was organic, excluding the net sales derived from the Invenco acquisition. We are lagging behind our strategic growth target. We aim to further improve our operational performance to drive growth. Our goal is also to increase the number of chargeable personnel, which is slightly easier than before in the prevailing market situation. During the review period, the number of personnel at Innofactor increased by 9.5 percent year-on-year. We also look for acquisition targets to enable inorganic growth.

The operating margin (EBITDA) was 10.7 percent of net sales (2022: 10.3%). EBITDA for the review period increased by 19.7 percent year-on-year. While profitability has improved, continued attention and efforts by the management are still needed in the coming years to reach the long-term target of approximately 20 percent. We aim to further enhance our operational performance to improve profitability.

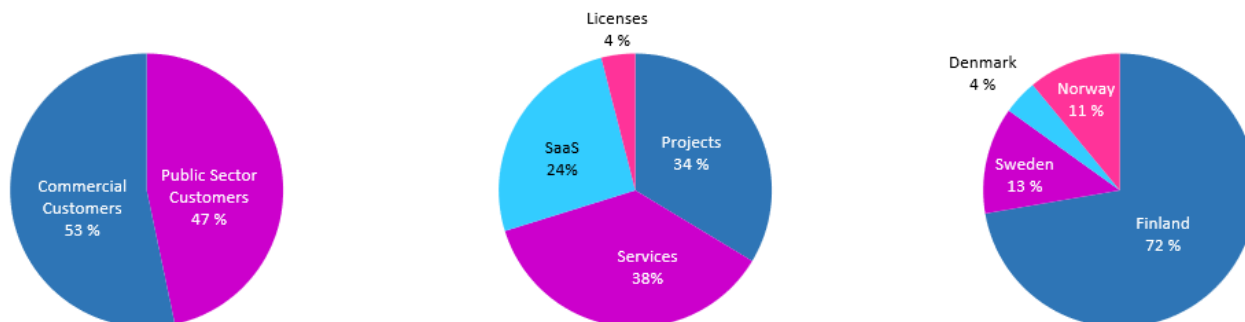
Innofactor’s operating cash flow for the review period January 1–September 30, 2023, amounted to EUR 3.5 million (2022: EUR 3.0 million) and the equity ratio at the end of the review period was 46.3 percent (2022: 43.7 percent). Innofactor’s strong operating cash flow supports the company’s strategic goal of profitable growth and securing a solid financial standing in all situations.

### Innofactor achieved its highest-ever third quarter net sales



Innofactor’s net sales for the period July 1–September 30, 2023, amounted to EUR 18,015 thousand (2022: 16,683), representing growth of 8.0 percent. Net sales per active employee amounted to approximately EUR 30.8 thousand (2022: 30.1), representing an increase of 2.3 percent.

Innofactor’s net sales for the period January 1–September 30, 2023, amounted to EUR 58,332 thousand (2022: 50,594), representing growth of 15.3 percent. Net sales per active employee amounted to approximately EUR 101.1 thousand (2022: 96.0), representing an increase of 5.3 percent.



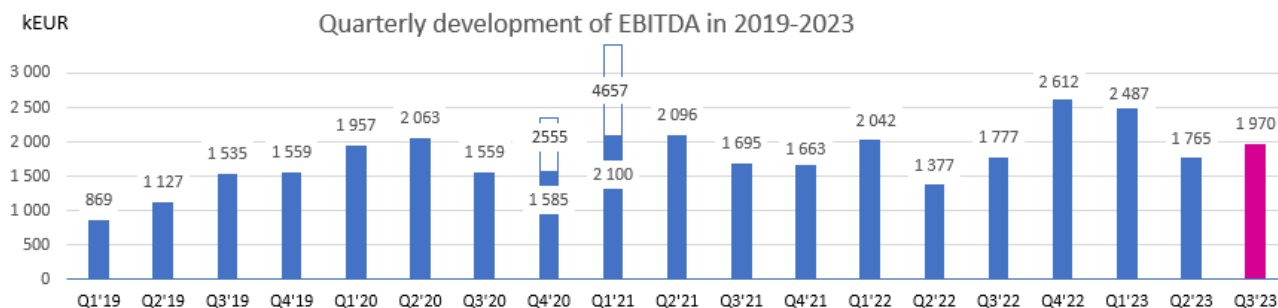
Innofactor’s business operations were focused on Finland, Sweden, Norway and Denmark. During the period January 1–September 30, 2023, approximately 72 percent of the net sales came from Finland, approximately 13 percent from Sweden, approximately 11 percent from Norway, and approximately 4 percent from Denmark. Net sales grew in the third quarter in Finland and Norway, and decreased in Sweden and Denmark.

During the period January 1–September 30, 2023, approximately 53 percent of the net sales came from commercial customers (including third-sector customers) and approximately 47 percent came from public sector customers.

Innofactor’s net sales for the review period of January 1–September 30, 2023, were derived from the following sources:

- Licenses: 4 percent, including all non-recurring fees received for software
- SaaS: 24 percent, including recurring income from SaaS, cloud and hosting services and from software maintenance
- Services: 38 percent, including specialist work based on recurring service contracts, such as smaller customer-specific changes and the further development of IT systems
- Projects: 34 percent from IT system delivery projects and consulting

Innofactor’s 10 largest clients accounted for approximately 29 percent of the net sales for the review period January 1–September 30, 2023.

**Innofactor achieved its highest-ever third quarter EBITDA**


Innofactor's operating margin (EBITDA) for the period July 1–September 30, 2023, was EUR 1,970 thousand (2022: 1,777), which shows an increase of 10.9 percent. EBITDA represented 10.9 percent of net sales (2022: 10.7%). Innofactor's operating margin was positive in Finland and negative in Sweden, Norway and Denmark.

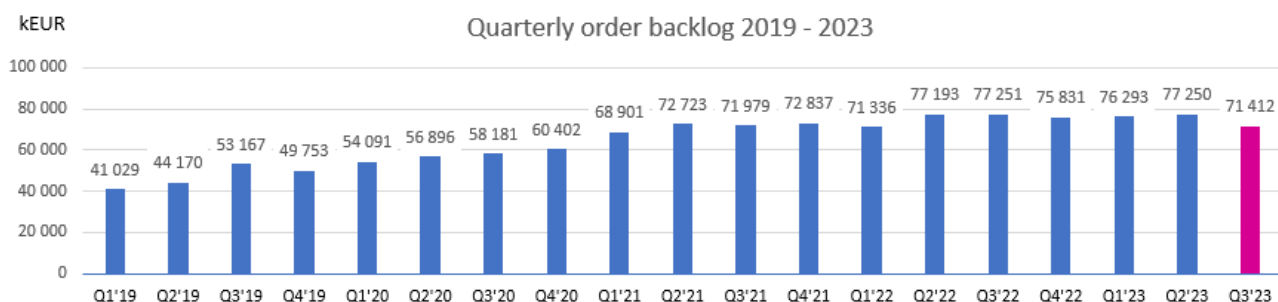
Innofactor's operating margin (EBITDA) for the period January 1–September 30, 2023, was EUR 6,222 thousand (2022: 5,196), representing growth of 19.7 percent. EBITDA represented 10.7 percent of net sales (2022: 10.3%). Innofactor's operating margin was positive in Finland and Denmark, and negative in Sweden and Norway.

Innofactor's operating profit for the period July 1–September 30, 2023, amounted to EUR 1,209 thousand (2022: 959), representing an increase of 26.0 percent. Operating profit was 6.7 percent of net sales (2022: 5.8%).

Innofactor's operating profit for the period January 1–September 30, 2023, amounted to EUR 3,904 thousand (2022: 2,946), representing growth of 32.5 percent. Operating profit was 6.7 percent of net sales (2022: 5.8%).

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 operating profit, the primary measure for profitability should be the operating margin (EBITDA), because it is not affected by the said depreciation.

**Innofactor’s order backlog decreased due to the challenging market situation, but remains at a strong level**



Innofactor’s order backlog at the end of the review period was EUR 71,412 thousand (2022: 77,251), representing a decrease of 7.6 percent. Innofactor did not receive new large orders that would warrant a stock exchange release during the third quarter due to the challenging market situation.

**Operating cash flow remained strong during the review period**

Innofactor’s balance sheet total at the end of the review period was EUR 55,927 thousand (2022: 56,917). The Group’s liquid assets totaled EUR 1,611 thousand (2022: 174), consisting entirely of cash funds.

Operating cash flow for the review period January 1–September 30, 2023, came to EUR 3,533 thousand (2022: 2,972). Cash flow from investing activities was EUR -748 thousand (2022: -3,455, which includes the Invenco Oy acquisition).

The equity ratio at the end of the review period was 46.3 percent (2022: 43.7%) and net gearing was 48.6 percent (2022: 56.9%).

At the end of the review period, the company had EUR 7,542 thousand in current interest-bearing liabilities to financial institutions (2022: 4,737) and EUR 2,738 thousand in non-current interest-bearing liabilities to financial institutions (2022: 5,456). The total amount of interest-bearing liabilities to financial institutions was EUR 10,280 thousand (2022: 10,193). The company had IFRS 16 lease liabilities (leases for the duration of fixed-term leases) of EUR 3,382 thousand (2022: 3,643) of which EUR 2,091 thousand in current leases (2022: 1,703) and EUR 1,291 thousand in non-current leases (2022: 1,940). The total amount of interest-bearing liabilities was EUR 13,662 thousand (2022: 13,836).

The return on investment for the period January 1–September 30, 2023, increased year-on-year and was 13.0 percent (2022: 8.8%). The return on equity for the period January 1–September 30, 2023, increased year-on-year and was 12.5 percent (2022: 7.9%).



The non-current assets on Innofactor’s balance sheet at the end of the review period totaled EUR 36,403 thousand.

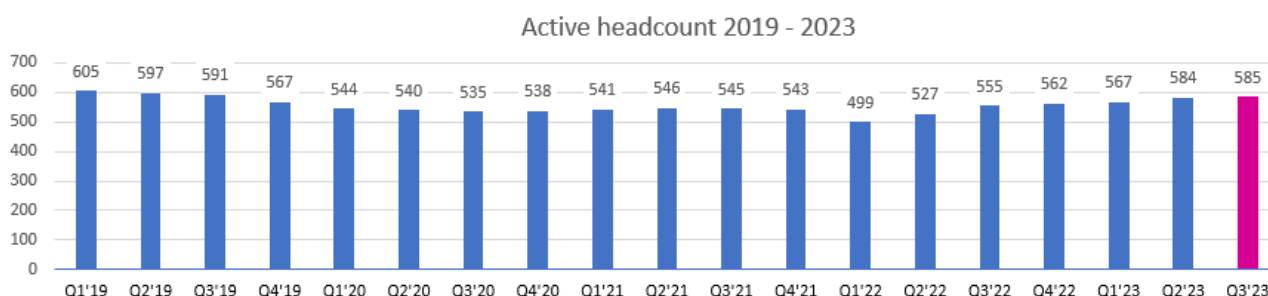
Innofactor’s gross investments in tangible and intangible assets during the review period January 1–September 30, 2023, came to EUR 633 thousand (2022: 656), consisting of normal additional and replacement investments required by growth.

**Innofactor’s research and product development investments increased slightly**

During the review period, the focus of product development was on the renewal of existing products and services as well as 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–September 30, 2023, amounted to approximately EUR 3,582 thousand (2022: 2,975), representing 6.1 percent of net sales (2022: 5.9%).

**Innofactor’s number of employees increased year-on-year**



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

The average number of active personnel during the period January 1–September 30, 2023, was 585 (2022: 555), representing an increase of 5.4 percent. At the end of the review period, the number of active personnel was 594 (2022: 554), representing an increase of 7.2 percent.

At the end of the review period, the average age of the personnel was 42.1 years (2022: 42.6). Women accounted for 27 percent (2022: 26%) and men for 73 percent (2022: 74%) of the personnel.

### Other events in the review period

On September 11, 2023, Innofactor issued a stock exchange release after Protector Forsikring ASA informed Innofactor Plc that its holdings of Innofactor's shares and voting rights exceeded the 5% disclosure limit on September 8, 2023.

On August 28, 2023, Innofactor issued a stock exchange release announcing that the Board of Directors had appointed Antti Rokala as Innofactor Group's Chief Financial Officer (CFO) and that he will take up his post on January 2, 2024. At present, Rokala is working as Group CFO at the educational company YrkesAkademin in Stockholm. Rokala has previously worked in several financial management and leadership positions for the elevator company Schindler, such as Nordic CFO. As CFO, will become a member of Innofactor's Executive Board and report to CEO Sami Ensio.

On July 20, 2023, Innofactor issued a stock exchange release announcing that, at its meeting on July 19, 2023, the Board of Directors of Innofactor Plc had decided to commence the acquisition of the company's own shares for the purpose of developing the company's capital structure. The company will acquire a maximum of 600,000 shares, which corresponds to approximately 1.7% of the total number of shares. The maximum amount to be used for the acquisition of shares is EUR 1,000,000. The decision was made on the basis of the authorization given by Innofactor Plc's Annual General Meeting on March 31, 2023, to acquire a maximum of 3,600,000 shares. The repurchase of shares will commence on July 24, 2023, at the earliest and will end at the latest on March 22, 2024, or at an earlier Annual General Meeting. Innofactor Plc has a total of 36,343,691 shares. The company held no treasury shares on the date of the stock exchange release, July 20, 2023. The company's own shares will be acquired at the current market price in public trading arranged by NASDAQ Helsinki Ltd using the company's unrestricted equity.

### Share and shareholders

At the end of the review period, Innofactor Plc's share capital was EUR 2,100,000.00 and the total number of shares was 36,343,691. Innofactor Plc has one series of shares. Each share confers one vote.

During the period July 1–September 30, 2023, the highest price of the company's share was EUR 1.22 (2022: EUR 1.23), the lowest price was EUR 1.06 (2022: 0.83) and the average price was EUR 1.15 (2022: EUR 0.97).

During the period January 1–September 30, 2023, the highest price of the company's share was EUR 1.34 (2022: 1.54), the lowest price was EUR 1.05 (2022: 0.83), and the average price was EUR 1.19 (2022: 1.21).

The closing price for the review period on September 30, 2023, was EUR 1.14 (2022: EUR 0.86).

In public trading during the period July 1–September 30, 2023, a total of 1,615,444 shares were traded (2022: 3,031,993), which corresponds to 3.9 percent (2022: 8.3%) of the average number of shares in the said period. During the period July 1–September 30, 2023, the average number of shares was 36,343,691 (2022: 37,388,225). The share trading volume decreased by 53.6 percent compared to the corresponding period in 2022.

In public trading during the period January 1–September 30, 2023, a total of 6,251,577 shares were traded (2022: 11,542,508), which corresponds to 14.2 percent (2022: 31.5%) of the average number of shares in the said period. During the period January 1–September 30, 2023, the average number of shares was 36,834,223 (2022: 37,388,225). The share trading volume decreased by 54.6 percent compared to the corresponding period in 2022.

The market value of the share capital at the closing price of EUR 1.14, on September 30, 2023, was EUR 41,991 thousand (2022: 32,004), representing growth of 31.2 percent.

On September 30, 2023, the company had a total of 11,733 shareholders (2022: 11,974), including nominee-registered shares.

On September 30, 2023, the company held 249,856 treasury shares.

### **Decisions of the Annual General Meeting**

On March 31, 2023, the Annual General Meeting decided, in accordance with the proposal of the Board of Directors, that a repayment of capital of EUR 0.06 per share be paid for the financial year 2022. The repayment of capital was paid to shareholders who, on the record date of the capital repayment on April 5, 2023, were recorded in the company’s shareholders’ register held by Euroclear Finland Oy. The repayment of capital was paid on April 14, 2023.

The Annual General Meeting of March 31, 2023, decided that the Board of Directors shall have four members. Mr. Sami Ensio, Ms. Anna Lindén, Mr. Risto Linturi, and Mr. Heikki Nikku were re-elected as members to the Board of Directors. At the organizing meeting held after the General Meeting, the Board of Directors elected Anna Lindén as the Chairman of the Board.

The General Meeting approved the proposal to appoint Ernst & Young Oy, an auditing firm authorized by the Central Chamber of Commerce, 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, 2024, to decide on a share issue and granting of special rights entitling to shares, concerning a maximum of 3,600,000 new shares (decided by the Annual General Meeting of March 31, 2023); the authorization has not been used.
- Until June 30, 2024, to decide on the acquisition of a maximum of 3,600,000 treasury shares (decided by the General Meeting of March 31, 2023); the Board of Directors

decided on July 19, 2023, to commence the repurchase of the company's shares. The company will repurchase a maximum of 600,000 shares. A total of 249,856 shares were acquired under the authorization during the review period. At the end of the review period, the company held a total of 249,856 treasury shares.

- Until the next Annual General Meeting, to distribute assets to shareholders as repayment of capital totaling a maximum of EUR 2,459,293, which allows the distribution of assets up to a maximum of EUR 0.06 per share; the authorization has not been used.

### Management of the company

Innofactor Plc complies with the recommendations of the Corporate Governance Code 2022 for Finnish listed companies, published by the Securities Market Association.

Innofactor has drawn up a separate Corporate Governance Statement for the financial period of 2022.

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

### Related party transactions

At the end of the review period, the company's managers considered to be related parties had EUR 44 thousand in liabilities from the company's personnel issues to the company. The loan period is five years, and the loan is repaid in fixed monthly installments. There are also two-year loans that are repaid in four equal instalments every six months. The interest rate for the loan is 12-month Euribor 360. However, the interest rate is always a minimum of 0%. The accrued interest is paid to the company monthly.

### 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.

The price competition that began in the market in the second quarter remained intense and, in our assessment, the weighted average prices of new contracts stayed at a low level in the third quarter, particularly in the case of public sector customers, in spite of a slight increase from the preceding quarter. We expect the average prices of new contracts in the public sector and large tenders to continue to rise and return to a commercially sensible level in the fourth quarter of 2023.

Generative artificial intelligence (ChatGPT, Microsoft Azure Open AI and Microsoft Copilot) has received significant attention in the market, and this has happened exceptionally quickly. Generative AI presents our customers – and Innofactor – with significant opportunities for improving operational efficiency. Above all, it opens up significant new business opportunities, and we have quickly developed new offerings in response to these opportunities, for example, regarding ensuring the privacy of customers' data when introducing generative AI. We have also shifted our sales focus more to the private sector, where more commercially sustainable price levels can be found.

We estimate that market growth in the Nordic countries will be weaker in 2023 than in the previous year.

There have been no other significant changes in market outlook and business environment during the review period, nor are other significant changes foreseen.

### **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.

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

Generative AI (ChatGPT, Microsoft Azure Open AI and Microsoft Copilot) has received significant attention in the market, and this has happened exceptionally quickly, resulting in changes in the market starting from the second quarter of 2023. Generative AI presents our customers with significant opportunities for improving operational efficiency. At the same time, it presents significant business opportunities for Innofactor. The risk is that we could be unable to react sufficiently quickly to the technology transformation brought about by generative AI. We have established a separate AI Task Force to address this issue. We have quickly developed our own generative AI offering for our customers. We have also increased our co-operation with our main partner Microsoft and launched projects aimed at improving the efficiency of our operations. This

is expected to have positive impacts particularly on the profitability of our own products and productized services.

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

The price competition that began in the market in the second quarter remained intense and, in our assessment, the weighted average prices of new contracts stayed at a low level in the third quarter, particularly in the case of public sector customers, in spite of a slight increase from the preceding quarter. Carrying out loss-making business activities is not part of Innofactor's strategy, and we have refrained from offering our services at prices below our costs. Consequently, we were unable to win any large tenders in the second and third quarters. The risk is that, if the situation were to be prolonged, it could jeopardize Innofactor's growth targets. We have shifted our sales focus more to the private sector and generative AI solutions, where more commercially sustainable price levels can be found. During the second half of the year, we will focus on improving efficiency in all of our operating countries, and we have drawn up a separate action plan for this. We expect the average prices of new contracts in the public sector and large tenders to return to a commercially sensible level in the fourth quarter of 2023.

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

Many of Innofactor's competitors have scaled down their recruitment and, in some cases, even reduced the number of personnel. This resulted in a significant improvement in the availability of personnel starting from the second quarter of 2023, particularly with regard to more experienced professionals, and employee turnover declined, reducing the risk related to the availability of skilled personnel. Innofactor expects this situation to continue at least until the end of 2023. However, in the long term, we expect a return to the previous situation, as we expect the market

will recover, and the industry still does not have adequate numbers of qualified personnel in the Nordic countries.

There have been no other 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**

Innofactor had no significant events after the review period.

Espoo, October 24, 2023

INNOFACTOR PLC  
Board of Directors

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### **Briefings concerning the Interim Report for January 1–September 30, 2023**

Innofactor will publish the Interim Report for January–September 2023 on Tuesday, October 24, 2023, at approximately 9:00 Finnish time.

A video conference in English concerning the interim report will be held for media, investors and analysts on the same day at 10:30 Finnish time. The report will be presented by CEO Sami Ensio.

Please register for the briefing in advance by sending an e-mail to [ir@innofactor.com](mailto:ir@innofactor.com).

The presentation materials will be available on Innofactor's website after the briefing.

Distribution:  
NASDAQ Helsinki  
Main media  
[www.innofactor.fi](http://www.innofactor.fi)

**Financial statement summary and notes January 1–September 30, 2023 (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 2022. However, as of January 1, 2023, 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 2022. 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, such as 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.

**Translation differences**

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

The figures in this interim report have not been audited.



**Comprehensive consolidated profit  
and loss statement, IFRS**

<b>EUR thousand</b>	<b>Jul 1–Sep 30, 2023</b>	<b>Jul 1–Sep 30, 2022</b>	<b>Jan 1–Sep 30, 2023</b>	<b>Jan 1–Sep 30, 2022</b>
Net sales	18,015	16,683	58,332	50,594
Other operating income	41	9	89	43
Materials and services (–)	-3,566	-2,900	-10,096	-7,636
Employee benefit expenses (–)	-11,101	-10,265	-37,017	-32,616
Depreciation (–)	-761	-817	-2,318	-2,250
Other operating expenses (–)	-1,419	-1,751	-5,086	-5,189
<b>Operating profit/loss</b>	<b>1,209</b>	<b>959</b>	<b>3,904</b>	<b>2,946</b>
Financial income	91	14	116	32
Financial expenses (–)	128	-214	-469	-478
<b>Profit/loss before taxes</b>	<b>1,428</b>	<b>759</b>	<b>3,551</b>	<b>2,500</b>
Income taxes	-363	-160	-991	-508
<b>Profit/loss for the financial period</b>	<b>1,064</b>	<b>599</b>	<b>2,560</b>	<b>1,992</b>
<b>Distribution of the result</b>				
<b>To shareholders of the parent company</b>	<b>1,064</b>	<b>599</b>	<b>2,560</b>	<b>1,992</b>
<b>To non-controlling interests</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Other comprehensive income				
Items that may be later recognized				
in profit or loss:				
Translation differences	117	-71	-244	-418
<b>Total comprehensive income</b>	<b>1,181</b>	<b>528</b>	<b>2,316</b>	<b>1,574</b>
<b>Distribution of the comprehensive income</b>				
<b>To shareholders of the parent company</b>	<b>1,181</b>	<b>528</b>	<b>2,316</b>	<b>1,574</b>
<b>To non-controlling interests</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Earnings per share calculated from the profit attributable to equity holders of the parent:				
basic earnings per share (EUR)	0.0291	0.0164	0.0700	0.0544
diluted earnings per share (EUR)	0.0291	0.0164	0.0700	0.0544

**Consolidated balance sheet, IFRS**
**ASSETS**

EUR thousand	Sep 30, 2023	Sep 30, 2022	Dec 31, 2022
<b>Non-current assets</b>			
Tangible assets	1,182	1,025	1,076
Right-of-use assets	3,265	3,545	4,843
Goodwill	26,603	30,139	26,831
Other intangible assets	2,138	2,399	2,398
Shares and holdings	98	5	5
Receivables	86	153	77
Deferred tax assets	3,030	4,445	4,090
<b>Non-current assets</b>	<b>36,403</b>	<b>41,711</b>	<b>39,319</b>
<b>Current assets</b>			
Trade and other receivables	17,913	15,033	14,540
Cash and cash equivalents	1,611	174	1,956
<b>Current assets</b>	<b>19,524</b>	<b>15,207</b>	<b>16,495</b>
<b>TOTAL ASSETS</b>	<b>55,927</b>	<b>56,917</b>	<b>55,815</b>

**SHAREHOLDERS' EQUITY AND LIABILITIES**

<b>EUR thousand</b>	<b>Sep 30, 2023</b>	<b>Sep 30, 2022</b>	<b>Dec 31, 2022</b>
Share capital	2,100	2,100	2,100
Share premium reserve	72	72	72
Other reserves (+/-)	59	59	59
Fund for invested unrestricted equity	15,069	17,247	17,247
Retained earnings	9,776	7,488	7,669
Own shares	-160	-1,204	-447
Translation differences	-2,146	-1,769	-1,902
<b>Equity attributable to the shareholders of the parent company</b>	<b>24,771</b>	<b>23,993</b>	<b>24,799</b>
Non-controlling interest	0	0	0
<b>Total shareholders' equity</b>	<b>24,771</b>	<b>23,993</b>	<b>24,799</b>
<b>Non-current liabilities</b>			
Loans from financial institutions	2,738	5,456	4,517
Lease liabilities	1,291	1,940	2,832
Deferred tax liabilities	1,816	1,862	1,851
Other non-current liabilities	0	3,185	0
<b>Total non-current liabilities</b>	<b>5,845</b>	<b>12,443</b>	<b>9,200</b>
<b>Current liabilities</b>			
Loans from financial institutions	7,542	4,737	4,886
Lease liabilities	2,091	1,703	2,115
Trade and other payables	15,678	14,041	14,815
<b>Current liabilities total</b>	<b>25,311</b>	<b>20,482</b>	<b>21,816</b>
<b>Total liabilities</b>	<b>31,156</b>	<b>32,924</b>	<b>31,016</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>55,927</b>	<b>56,917</b>	<b>55,815</b>

**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 shareholders' equity
<b>Shareholders' equity Jan 1, 2023</b>	2 100	72	59	17 247	-1 592	8 815	-1 902	24 799
Comprehensive income								
Result for the financial period						2 560		2 560
Changes to previous years						-6		-6
Exchange differences							-244	-244
<b>Total comprehensive income</b>						2 554	-244	2 309
Repayment of capital								-2 177
Purchase of own shares					-160			-160
<b>Shareholders' equity Jun 30, 2023</b>	2 100	72	59	15 069	-1 752	11 369	-2 146	24 771
<b>Shareholders' equity Jan 1, 2022</b>	2 100	72	59	20 174	-1 146	5 496	-1 351	25 404
Comprehensive income								
Result for the financial period						1 992		1 992
Exchange differences							-418	-418
<b>Total comprehensive income</b>						1 992	-418	1 574
Repayment of capital				-2 927				-2 927
Purchase of own shares					-58			-58
<b>Shareholders' equity Jun 30, 2022</b>	2 100	72	59	17 247	-1 204	7 488	-1 769	23 993

**Consolidated cash flow statement, IFRS**

<b>EUR thousand</b>	<b>Jan 1–Sep 30, 2023</b>	<b>Jan 1–Sep 30, 2022</b>
<b>Cash flow from operating activities</b>		
Profit before taxes	3,551	2,946
Adjustments:		
Depreciation	2,318	2,250
Other transactions with no related cash flow	249	90
<b>Operating profit before change in working capital</b>	<b>6,118</b>	<b>5,286</b>
Change in trade and other receivables (+/–)	-3,361	-594
Change in trade and other payables (+/–)	863	-1,404
<b>Change in working capital</b>	<b>-2,498</b>	<b>-1,998</b>
<b>Cash flow from operating activities before financing and income taxes paid</b>	<b>3,620</b>	<b>3,288</b>
Interest received	35	4
Interest paid (–)	-121	-320
Taxes paid	0	0
<b>Net cash flow from operating activities</b>	<b>3,533</b>	<b>2,972</b>
<b>Investment cash flow</b>		
Acquisition of subsidiaries	200	-2,825
Purchase of shares in associated companies	-93	0
Investments in intangible and tangible assets (–)	-633	-656
Receivables from sales	0	0
Loan receivables repaid	-22	26
<b>Net cash flow from investments</b>	<b>-548</b>	<b>-3,455</b>
<b>Cash flow from financing</b>		
Loans withdrawn	0	4,530
Loans paid	878	-1,296
Lease liability payments	-1,707	-1,556
Payment of dividend and capital repayment	-2,177	-2,927
Purchase of own shares	-660	-58
Transfer of own shares	336	0
<b>Net cash flow from financing</b>	<b>-3,330</b>	<b>-1,307</b>
<b>Change in cash and cash equivalents (+/–)</b>	<b>-344</b>	<b>-1,789</b>
Cash and cash equivalents, opening balance	1,956	1,963
Cash and cash equivalents, closing balance	1,611	174

**Consolidated profit and loss statement by quarter, IFRS**

EUR thousand	Jan 1– Mar 31, 2023	Apr 1– Jun 30, 2023	Jul 1–Sep 30, 2023	Jan 1–Mar 31, 2022	Apr 1–Jun 30, 2022	Jul 1–Sep 30, 2022	Oct 1–Dec 31, 2022
<b>Net sales</b>	<b>20,223</b>	<b>20,095</b>	<b>18,015</b>	<b>16,965</b>	<b>16,946</b>	<b>16,683</b>	<b>20,536</b>
Other operating income	19	28	41	22	12	9	247
Materials (–)	-3,275	-3,256	-3,566	-2,172	-2,564	-2,900	-3,126
Employee benefit expenses (–)	-12,776	-13,140	-11,101	-11,225	-11,125	-10,265	-13,028
Depreciation (–)	-775	-781	-761	-723	-710	-817	-808
Other operating expenses (–)	-1,704	-1,962	-1,419	-1,547	-1,891	-1,751	-2,016
<b>Operating profit/loss</b>	<b>1,712</b>	<b>984</b>	<b>1,209</b>	<b>1,319</b>	<b>668</b>	<b>959</b>	<b>1,805</b>
Financial income	10	16	91	30	-12	14	14
Financial expenses (–)	-411	-187	128	-247	-17	-214	-141
<b>Profit/loss before taxes</b>	<b>1,311</b>	<b>813</b>	<b>1,428</b>	<b>1,102</b>	<b>639</b>	<b>759</b>	<b>1,678</b>
Income taxes	-274	-354	-363	-256	-92	-160	-350
<b>Profit/loss for the financial period</b>	<b>1,036</b>	<b>459</b>	<b>1,064</b>	<b>846</b>	<b>547</b>	<b>599</b>	<b>1,328</b>
EBITDA	2,487	1,765	1,970	2,042	1,377	1,777	2,612

## 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	Sep 30, 2023	Sep 30, 2022	Dec 31, 2022
Trade and other receivables	17,913	15,033	14,540
Cash and cash equivalents	1,611	174	1,956
<b>Total</b>	<b>19,524</b>	<b>15,207</b>	<b>16,495</b>
Loans from financial institutions	10,280	10,193	9,402
Lease liabilities	3,382	3,643	4,947
Trade and other payables:			
Received advances	2,471	2,023	504
Trade payables	2,164	1,262	1,715
Other liabilities	3,131	3,083	4,951
Accrued expenses	7,913	7,673	7,646
Interest rate swap agreements, not in hedge accounting *			
<b>Total</b>	<b>29,340</b>	<b>27,877</b>	<b>29,164</b>

**The Group's commitments and contingent liabilities**

EUR thousand	Sep 30, 2023	Sep 30, 2022
<b>Collateral given for own commitments</b>		
Lease collateral	125	156
Mortgages on company assets	16,650	16,950
Bank guarantees	326	309
<b>Other own liabilities</b>		
Lease liabilities		
Current lease liabilities	48	128
Lease liabilities maturing in 1–5 years	70	112
<b>Total</b>	<b>118</b>	<b>240</b>
<b>Other own liabilities total</b>	<b>118</b>	<b>240</b>



**Largest shareholders**

According to the share register maintained by Euroclear Finland Oy, the share ownership of the 20 largest Innofactor Plc shareholders at the end of the review period, on September 30, 2023, was as follows:

Name	Number of shares	% of share capital
1. Ensio Sami (under control of)	7,925,397	21.81%
<i>Sami Ensio</i>	5,751,637	15.83%
<i>Minor under guardianship</i>	724,588	1.99%
<i>Iiris Ensio</i>	724,586	1.99%
<i>Minor under guardianship</i>	724,586	1.99%
Ilmarinen Mutual Pension Insurance Company	1,800,000	4.95%
2. R. Linturi Oyj (under control of)	1,256,411	3.46%
<i>R. Linturi Oyj</i>	489,107	1.35%
<i>Linturi Kaija Anneli</i>	430,000	1.18%
<i>Linturi Risto Erkki Olavi</i>	337,304	0.93%
3. Mäki Antti-Jussi	500,000	1.38%
4. Hellen Stefan Andreas	486,000	1.34%
5. Laiho Rami Tapani	485,983	1.34%
6. Ingman Finance Oy Ab	450,000	1.24%
7. Muukkonen Teemu Heikki	410,357	1.13%
8. Tilman Tuomo Tapani	385,538	1.06%
9. Mandatum Life Insurance Company Limited	253,366	0.70%
10. Kannisto Jaakko Mikael	226,533	0.62%
11. Kukkonen Heikki-Harri	213,606	0.59%
12. Järvenpää Janne-Olli	213,079	0.59%
13. Varsio Jussi Ilari	190,000	0.52%
14. Laiho Jari Olavi	174,900	0.48%
15. Mäkinen Antti Vilho Juhani	168,000	0.46%
16. Ärje Matias Juhanoika	155,800	0.43%
17. Saarnio Mikko Markus	138,000	0.38%
18. Heikkinen Janne Mikael	136,543	0.38%
19. Pesonen Tuomo Sakari	126,000	0.35%
	<b>Total</b>	<b>43.19%</b>

**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