



INNOFACTOR

Annual Report 2021



Innofactor Plc Annual Report January 1 to December 31, 2021

Innofactor in Brief

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

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

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

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

Our net sales in 2021 amounted to EUR 66.4 million, which shows an increase of 0.3 percent from the previous year in spite of the divestment of the Prime business on April 1, 2021, which reduced net sales by approximately EUR 2.6 million. Our operating margin (EBITDA) was EUR 10.1 million, corresponding to 15.2 percent of net sales. The long-term goals specified in our strategy are to achieve annual growth of about 20 percent, primarily through organic growth, an operating margin (EBITDA) of about 20 percent in relation to net sales, as well as to maintain positive cash flow and ensure a solid financial standing in all situations.

Innofactor Plc share is listed on the main list of Nasdaq Helsinki Ltd. Innofactor has approximately 12,000 shareholders.

#ModernDigitalOrganization | #HybridWork | #PeopleFirst | #CreatingSmiles

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

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Innofactor Achieved the Highest-Ever Net Sales, EBITDA, and Order Backlog

Innofactor revised its strategy, offering and organization in 2021 to enable even stronger organic growth in the future. Innofactor divested the Prime business, which increased the operating margin in 2021, but decreased the net sales.

The Innofactor Group's net sales in 2021 were EUR 66,364 thousand (EUR 66,164 thousand in 2020), showing an increase of 0.3 percent. Operating profit before depreciation and amortization (EBITDA) was EUR 10,111 thousand (EUR 7,164 thousand in 2020), representing growth of EUR 41.1 percent. The share of EBITDA of net sales was 15.2 percent (10.8 percent in 2020). The order backlog at the end of the review period was EUR 72,837 thousand (EUR 60,402 thousand in 2020), showing an increase of 20.6 percent.

Innofactor revised its strategy in 2021 to provide even stronger support for growth. In our strategy work, we defined the areas in which we see the strongest growth potential regarding our business and Microsoft's solution offering. Innofactor redefined its offering according to the growth areas in question. The new offering is built around six spearheads: Digital Services, Business Solutions, Information and Case Management, Cloud Infrastructure, Data and Analytics, and Cybersecurity. The organizational structure in Finland was changed accordingly, effective from October 1, 2021. As part of the sharpening of its offering, Innofactor divested the Prime business on

April 1, 2021. The Prime business was mainly targeted at parishes in Finland.

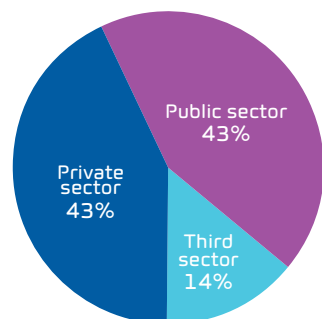
The transition to the new organizational structure led to an unfortunate deterioration of net sales and profitability in the Finnish business during the second half of the year. The COVID-19 pandemic and organizational changes together led to Innofactor's highest-ever rate of employee turnover in the third quarter, which had a negative effect on net sales for the remainder of the year. Employee turnover returned to normal in the fourth quarter and the number of personnel began to grow again thanks to successful recruitment.

Norway and Denmark returned to the path of profitable growth in 2021. While net sales in Sweden again declined slightly, the year-on-year decrease in EBITDA was halved in 2021. In the final quarter of 2021, EBITDA was positive by a clear margin in all of Innofactor's operating countries. Innofactor's strong profitability in 2021 was also attributable to the sales gain of EUR 2.6 million recognized on the divestment of the Prime business, as well as lower travel expenses and other operating expenses due to the COVID-19 pandemic. On the whole, Innofactor reached

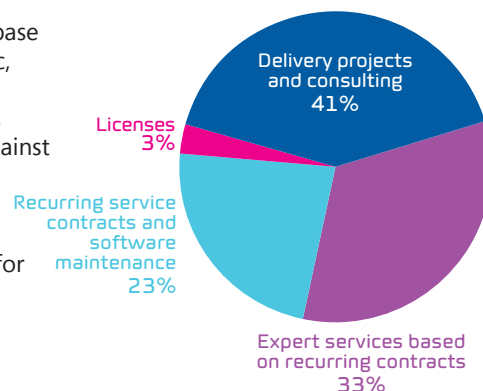
record-high net sales, EBITDA and order backlog in 2021.

We appointed Martin Söderlind to the new role of Chief Innovation and Talent Officer, complementing Innofactor's Executive Board. Based at our Stockholm office, Söderlind took up his post on April 1, 2021. He is in charge of developing Innofactor's offering and the competence of our personnel. The Finnish leadership team was joined on August 9, 2021, by Jarno Limnell, Professor of Practice at Aalto University, as the head of the new Cybersecurity Solutions unit, and on September 23, 2021, by Riikka Hägg in the position of Head of HR. Internal transfers effective on October 1, 2021, also saw Stella Diesen and Marko Lybeck join the Finnish leadership team as the heads of the new Data and Analytics unit and the new Cloud Infrastructure unit, respectively.

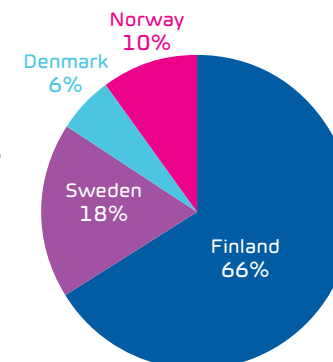
To support its growth targets, Innofactor opened a new office in Jyväskylä, Finland at the beginning of November 2021. Having a sufficient number of offices in the Nordic countries is important for promoting the achievement of Innofactor's growth targets. We will again consider opening new offices in 2022.



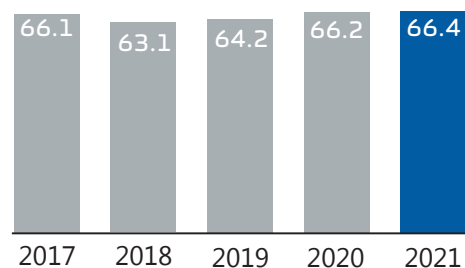
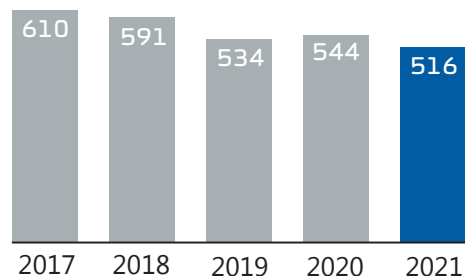
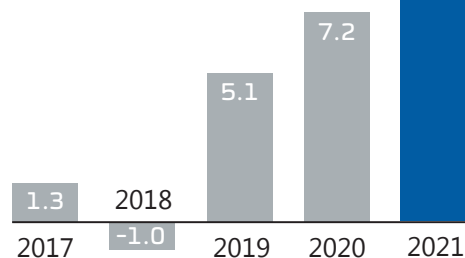
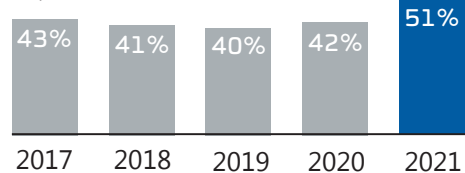
- ▶ A strong customer base in the private, public, and membership-based organizations provides stability against economic cycles
- ▶ The 10 largest customers account for approximately 28% of net sales



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



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

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

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|------------|------------|------------|------------|------------|
| Net sales, EUR thousand | 66,364 | 66,164 | 64,198 | 63,144 | 66,088 |
| Operating profit before depreciation and amortization (EBITDA), EUR thousand | 10,111 | 7,164 | 5,089 | -1,029 | 1,308 |
| percentage of net sales | 15.2% | 10.8% | 7.9% | -1.6% | 2.0% |
| Operating profit (EBIT), EUR thousand | 6,519 | 2,501 | 795 | -3,872 | -1,461 |
| percentage of net sales | 9.8% | 3.8% | 1.2% | -6.1% | -2.2% |
| Earnings before taxes, EUR thousand | 5,730 | 2,050 | 12 | -3,811 | -1,579 |
| percentage of net sales | 8.6% | 3.1% | 0.0% | -6.0% | -2.4% |
| Earnings, EUR thousand | 4,504 | 1,761 | 418 | -3,462 | -2,007 |
| percentage of net sales | 6.8% | 2.7% | 0.7% | -5.5% | -3.1% |
| Shareholders' equity, EUR thousand | 25,404 | 23,444 | 22,145 | 21,303 | 24,764 |
| Interest-bearing liabilities, EUR thousand | 9,818 | 15,386 | 16,853 | 15,418 | 14,228 |
| Cash and cash equivalents, EUR thousand | 1,963 | 3,066 | 963 | 258 | 910 |
| Deferred tax assets, EUR thousand | 4,830 | 6,413 | 5,602 | 5,602 | 5,668 |
| Return on equity | 18.4% | 7.7% | 1.9% | -13.8% | -5.3% |
| Return on investment | 20.6% | 11.1% | 2.3% | -7.7% | -2.4% |
| Net gearing | 30.9% | 52.5% | 71.8% | 71.2% | 53.8% |
| Equity ratio | 51.1% | 42.2% | 40.2% | 41.2% | 43.4% |
| Balance sheet total, EUR thousand | 51,057 | 56,607 | 55,720 | 51,875 | 58,272 |
| Research and development, EUR thousand | 3,504 | 3,618 | 2,795 | 2,860 | 3,298 |
| percentage of net sales | 5.3% | 5.5% | 4.4% | 4.5% | 5.0% |
| Personnel on average during the year | 516 | 544 | 534 | 591 | 610 |
| Personnel at the end of the year | 500 | 541 | 538 | 550 | 601 |
| Number of shares at the end of the year | 37,388,225 | 37,388,225 | 37,388,225 | 36,188,225 | 36,188,225 |
| Earnings per share (EUR) | 0.1208 | 0.0471 | 0.0113 | -0.0880 | -0.0262 |
| Shareholders' equity per share (EUR) | 0.6813 | 0.627 | 0.592 | 0.589 | 0.684 |

Change in Strategy to Support Innofactor's Growth Calls for Courage to Seek New Paths and Moving on from the Past

In our strategy, we have set ourselves a target of 20% annual growth. As we reviewed our strategy, we realized that we would not achieve this target with our old offering, organizational structure and operating practices. As a result of thorough strategy work, we decided in 2021 to revise our offering and organizational structure to focus on six spearheads and revise our operating models to provide stronger support for growth.

With regard to improving profitability, our performance in 2021 built on the positive development that began in 2019. We were also successful in our sales efforts during the year, which saw our order backlog reach a new high. It was a fine year for Innofactor, even if we did not fully achieve all of our targets. I am pleased that we can distribute record high assets to our shareholders for 2021 in accordance with our dividend distribution policy. I want to take this opportunity to thank our customers, partners, employees, and investors for the year 2021!

With the help of our new strategy, we believe that we will be able to further accelerate our organic growth in 2022.



The Microsoft ecosystem is growing rapidly in areas such as security, analytics and cloud infrastructure. To better respond to customer needs and industry growth potential, we established separate areas of our offering for data and analytics, cloud infrastructure and cybersecurity in the Nordic countries and created dedicated business units for these activities in Finland. In just over six months, we grew our cybersecurity business from practically nothing into a business that employs approximately 20 people in the Nordic region, which is an impressive achievement. Sharpening our offering also meant that we had to move on from certain activities. Personally, I felt a sense of melancholy about the divestment of the Innofactor Prime business, which was a key element of Innofactor's operations for 20 years.

We deepened our co-operation with customers further in 2021. We received a record-high number of new orders during the year, including Azure development for the Finnish Tax Administration, an ERP system for the Finnish Institute of Occupational Health, a case management system for Metsähallitus, a cloud solution for a Norwegian financial services company, case and document management solutions for the joint municipal authority for the county of Ostrobothnia, a case management solution for six universities of applied sciences, a case management application for the Finnish Forest Centre, the digitalization of the bidding process for a large Finnish manufacturing company, and several other significant projects in Finland, Sweden, Denmark, and Norway. I would like to thank our customers and partners for the trust you have shown in Innofactor. I also want to extend special thanks to our Finnish parish customers, who were passed on to capable new hands following the divestment of the Prime business.

Our strategy focuses on the platforms provided by Microsoft. As the markets are changing, Microsoft and its ecosystem are growing faster than the IT markets on average. Our partnership with Microsoft is very strong. This is evidenced by the Gold-level competencies we have achieved in as many as 16 areas. Microsoft chose Innofactor as its ISV Partner of the Year 2021 in Finland. The endorsement speaks to Innofactor's long-term software development and comprehensive work to promote the digitalization of Finnish organizations. In 2021, Innofactor was also awarded Windows and SQL Server Migration to Microsoft Azure Advanced Specialization and Modernization of Web Applications to Microsoft Azure Advanced Specialization statuses, and the Adoption and Change Management Advanced Specialization status was renewed. I would like to thank Microsoft and our other partners in the Microsoft ecosystem for their trust in Innofactor.

Innofactor's strength lies in our highly competent and motivated personnel. I am pleased that we opened our seventh Finnish office in Jyväskylä. Jyväskylä was selected as the location of the new office mainly due to the IT and cybersecurity education and expertise in the region. The office is located in the Kangas district of Jyväskylä, in the Optimes Business Garden building, which was completed last year. Personally, this also

represents a return to my roots and closing a circle, as my great-grandfather, Oskar Burgman, had a long career as the technical director of the Kangas paper mill until the mid-1900s. It was great that our new office was opened in the area where the old paper mill once stood.

In 2021, we strengthened our team, trained our personnel, and developed our organization and leadership. We want to use all means available to ensure our success in the Nordic markets. I am very proud of our employees' enthusiasm toward driving the organization in the same direction and finding new ways to innovate solutions, improve customer satisfaction continuously, work more efficiently under the new hybrid model, and increase productivity. For that, I am grateful to all of you.

A successful and growing company needs committed owners. In 2021, the price of Innofactor's share increased by 19 percent. The trading volume of the share also increased by 62 percent in terms of the number of shares. I am pleased that we can share assets to our shareholders for 2021 in accordance with our dividend distribution policy. I would like to thank all of our owners and investors for their long-term trust in Innofactor's strategy and success.

Innofactor's aim is to be the leading digital transformation partner in each of the Nordic countries. We are confident in our chosen Nordic strategy and our ability to achieve our long-term vision. This will require perseverance and determination from the company's management, employees, and investors. In 2022, we will continue to focus on increasing our net sales and improving our profitability. We will need to roll up our sleeves and show great perseverance, but with a twist of fun and a smile on our faces.

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

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

"In 2022, we will focus particularly on increasing our net sales. We are confident that there is an increasingly strong market for our sharpened leading Nordic Microsoft ecosystem offering. Our goal is to also bring our operations in Sweden to the path of profitable growth in 2022."

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

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

We estimate that the growth rate of the Nordic IT services market will be positive in 2022, but because of the COVID-19 situation, we cannot give a more detailed estimate. Our growth target for the next few years is to surpass the market growth rate, and our long-term goal is annual growth of approximately 20 percent.

We Expect to See Market Growth and Strengthen Our Market Position in 2022

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

In addition, customers are increasingly seeking continuous services instead of large one-time projects.

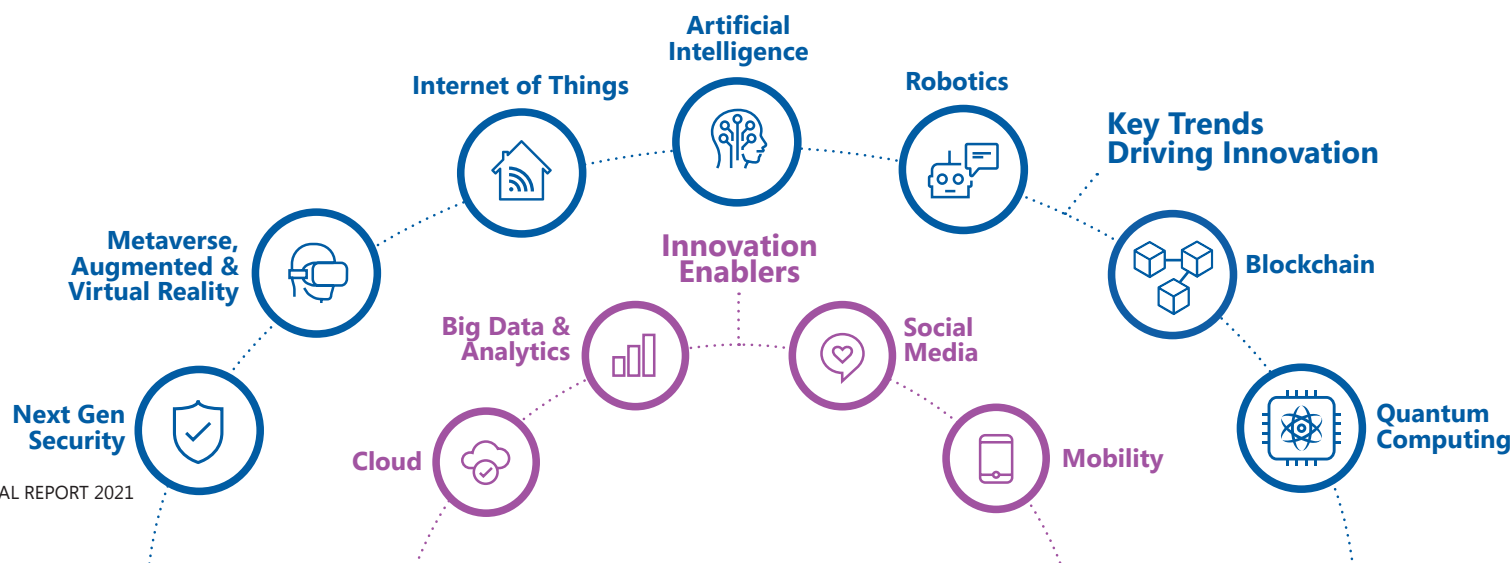
We estimate that the IT service market in the Nordic countries grew by a few percent in 2021. We estimate that growth in the Nordic IT services market will continue in 2022, but because of the uncertain COVID-19 situation, we cannot give a more detailed estimate. Our estimate is based on research institutes' forecasts and our own outlook on markets.

In the long term, we believe that the digital leap of society in response to the COVID-19 pandemic will increase Innofactor's possibilities to grow its business operations. The 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.

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

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



Our purpose

Innovating to make the world work better

Our mission

Driving the modern digital organization

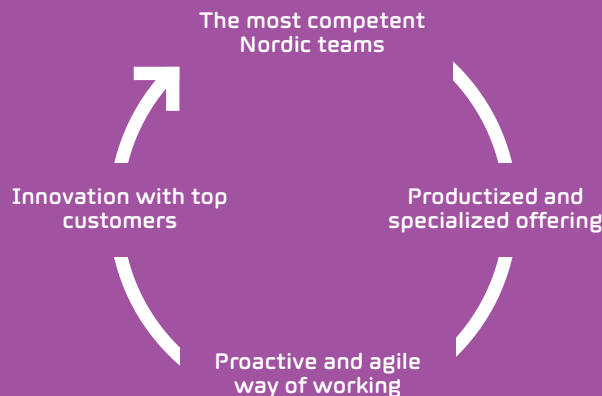
Our vision

Leading Nordic digital transformation partner in the Microsoft ecosystem

Our long-term financial goals

Annual growth of about 20 percent, approximately 20 percent EBITDA in relation to net sales, and maintaining positive cash flow and a solid financial standing in all situations.

Our strategic choices



Our values and working principle



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

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

The competitive landscape for Microsoft-based solutions in the Nordic countries is fragmented. The first group of competitors consists of large enterprises that operate in all of the Nordic countries. These competitors provide a wide range of IT solutions that are needed by various organizations and use several competing technologies, one of which is the Microsoft ecosystem. The second group consists of medium-sized companies that focus on a niche solution area at the Nordic level, also using several different technologies. The third group consists of medium-sized companies operating mainly in a single country, typically providing a broad range of solutions based on several competing technologies. The fourth group consists of small companies that only operate in their domestic market focusing on certain clearly defined solution areas, technologies, and industries.

Microsoft's fragmented Nordic partner network, which consists of small and medium-sized IT companies, continues to offer interesting acquisition opportunities for us. In the future, our acquisition strategy will likely be focused on medium-sized companies that operate in a single country. This will help us expand our offering at the country-specific level as well as potentially acquire additional cloud-based product and service business. Good reputation, fast and profitable growth, successful acquisitions, and entrepreneurial spirit make us an attractive partner with whom to develop business.

Innovating to Make the World Work Better for over 20 Years

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

In the last two decades, technology has revolutionized how organizations function in a myriad of wonderful ways. However, taking advantage of digitalization is still often a challenge. That’s why here at Innofactor we have made it our mission to help our customers transform into Modern Digital Organizations, which take full advantage of the opportunities brought by hybrid work, data, and the cloud.

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

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

While the technology and solutions we provide might sometimes seem complex, the objective is always the same: A more efficient, more effective organization with happier customers and more motivated employees, empowered by technology that makes daily work and life more meaningful. It should come as no surprise,



Digital Services

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

Cloud Infrastructure

Managed Services and DevOps
Cloud Transformation
Governance and Automation
Migrations

Business Solutions

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

Data and Analytics

Data Platform
Advanced Analytics and BI
Master Data Management | MDM
AI, Real-time Analytics and IoT

Information and Case Management

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

Cybersecurity

Security Assessment
Hybrid Work Security
Platform and Solution Security
Identity and Access Management | IAM

#ModernDigitalOrganization

then, to learn that putting a smile on people’s faces is one way in which we measure success. To ensure we carry on doing this, we never stop enhancing our own skills and expertise. As a result, we have achieved 3 highly valued Microsoft Advanced Specializations and 16 Microsoft Gold competences.

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

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

Microsoft Partner

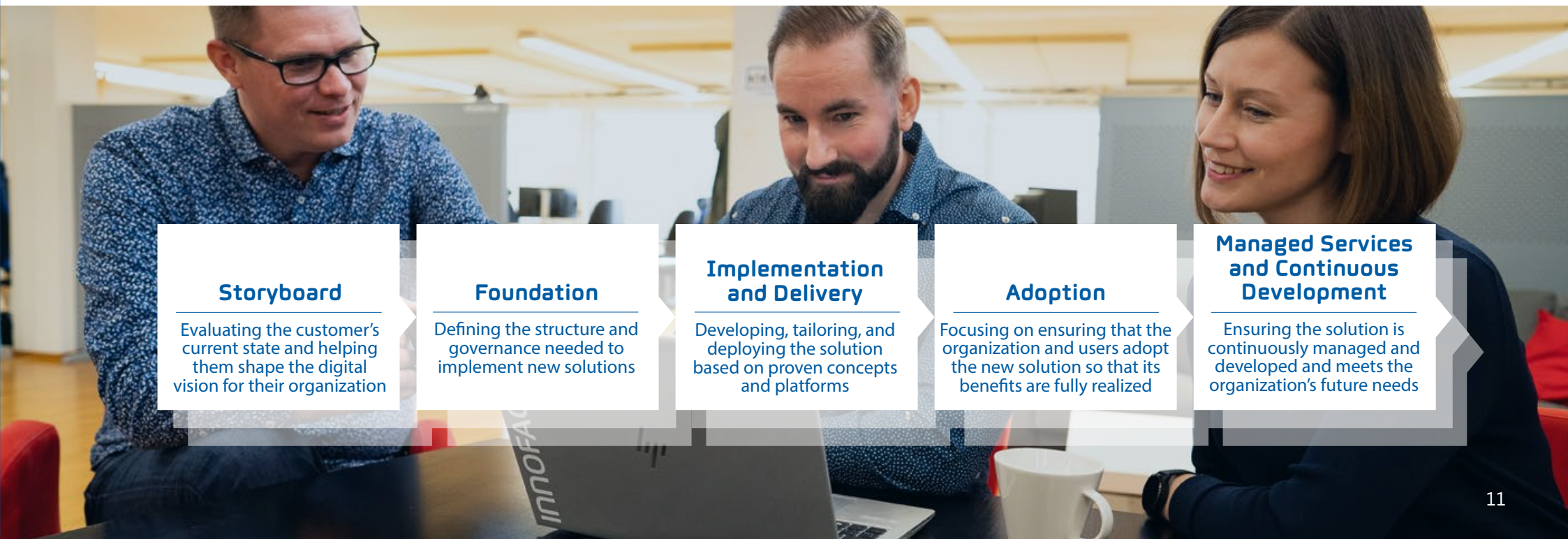


- Gold Application Development
- Gold Application Integration
- Gold Cloud Business Applications
- Gold Cloud Platform
- Gold Cloud Productivity
- Gold Collaboration and Content
- Gold Data Analytics
- Gold Data Platform
- Gold Datacenter
- Gold DevOps
- Gold Enterprise Mobility Management
- Gold Enterprise Resource Planning
- Gold Project and Portfolio Management
- Gold Security
- Gold Small and Midmarket Cloud Solutions
- Gold Windows & Devices

Windows and SQL Server Migration to Microsoft Azure
Advanced Specialization

Modernization of Web Applications to Microsoft Azure
Advanced Specialization

Microsoft Modern Work Adoption and Change Management
Advanced Specialization



Storyboard

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

Foundation

Defining the structure and governance needed to implement new solutions

Implementation and Delivery

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

Adoption

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

Managed Services and Continuous Development

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

Digital Services

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

Many organizations seek to digitalize complex business processes or try out innovative new business models powered by scalable and secure digital solutions. Others are challenged by outdated applications that pose security risks and leave vital data trapped in silos. Often, there are no off-the-shelf solutions to overcome these challenges, or organizations simply lack the internal IT resources and cloud development skills to get the job done. Innofactor has for several years focused on building highly skilled software development and maintenance services. Our development teams leverage agile methodologies, such as Scrum, as well as traditional software development and ITIL-based maintenance. These teams provide customers with end-to-end services for business process digitalization, new service development and application and data modernization.



Our Digital Services Solutions

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

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

Key Benefits for Our Customers

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

Our Microsoft Competencies in Digital Services

- ▶ Modernization of Web Applications to Microsoft Azure Advanced Specialization
- ▶ Microsoft Gold Cloud Platform
- ▶ Microsoft Gold Cloud Productivity
- ▶ Microsoft Gold Collaboration and Content
- ▶ Microsoft Gold Datacenter
- ▶ Microsoft Gold DevOps

Traficom

Agile Development and Customized Digital Services for over a Decade

The Finnish Transport and Communications Agency Traficom is an authority in permit, license, registration, approval, safety and security matters for traffic and communications. It employs approximately 900 people in 15 locations. Traficom promotes the functionality and safety of traffic and expedites the development of a digital society. Traficom supports sustainable development and ensures that high-quality, safe and reasonably priced communications connections and services are available in Finland.

Innofactor has been a digital services development partner for Traficom for over a decade. As a concrete outcome of this long partnership, a comprehensive digital services platform has been developed for the customer. Dozens of solutions that support Traficom's competence areas have already been implemented on the platform. The agile development model is applied in practical development work for Traficom, with Innofactor's expert team taking care of the production of new digital services as well as the continuous development and maintenance of services. The domain.fi service, for example, was implemented in accordance with this model.

Over the course of the long-term partnership, Innofactor's team has become intimately familiar with Traficom's operating environment, architecture and operating practices, which makes it possible to implement solutions to address the agency's needs, even on short notice. As an experienced partner, Innofactor is also able to challenge and consult Traficom on the direction of the future development of the architecture, service roadmap and user experience.

The partnership with Innofactor is valuable and convenient for Traficom in that the agency is provided with maintenance for existing services as well as the development of new services by the same partner. Traficom sees particular value in Innofactor's extensive expertise in technology, service design and user interface design. Thanks to this wide-ranging competence, the agency can expect the services delivered to be of high quality and compatible with the existing set of solutions.

"Innofactor is a reliable and highly capable partner that challenges our agency's entrenched paradigms. Over the years, we have taken our development efforts to a new level, both in terms of operating practices and the results we have achieved together and at a brisk pace."

Kirsi Jäntere
Development Manager
Traficom

Business Solutions

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

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



Our Business Solutions

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

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

Key Benefits for Our Customers

- ▶ Orchestrate personalized experiences across all touchpoints to build strong and lasting relationships
- ▶ Connect your sales teams with the customers' buying journey and provide individualized selling at scale
- ▶ Earn your customers' or members' loyalty by providing them with a convenient and reliable customer service experience
- ▶ Maximize financial visibility and profitability
- ▶ Get real-time visibility of your operations and projects, such as resource availability and utilization, invoicing ratio and warehouse inventory

Our Microsoft Competencies in Business Solutions

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



Atea Finland

Business Insight is the Key to Successful ERP Co-Operation

Atea is a comprehensive IT service provider and the leading IT infrastructure provider in the Nordic region and the Baltic countries. In Finland, Atea has 12 offices in different parts of the country. The company's offices in Finland have approximately 450 employees, while Atea Group as a whole employs about 7,000 people internationally.

Innofactor has been a strategic partner for Atea Finland for several years now. The co-operation with Innofactor has included many different projects related to Microsoft products, for example. The maintenance of back-end systems is very important for Atea, as they help serve customers more efficiently, more ethically and in an eco-friendly manner. Atea's approach is to be an agile, responsible and comprehensive partner for its customers.

The co-operation began in 2014 with a version update to Microsoft SharePoint. The partnership was subsequently expanded over the years by a Microsoft Dynamics 365 project and various development projects. Most recently, the two companies worked together on an enterprise resource planning system update, which involved updating the previous ERP version to Microsoft Dynamics Business Central. Innofactor is a highly strategic partner for Atea Finland. New projects are always proactively planned so that they support Atea's strategic goals.

"Working with Innofactor has been easy because the company has a very high level of professional expertise in these areas. They also understand Atea's business very well, which is the key to effective co-operation."

Petra Berg
Chief Information Officer
Atea Finland

Information and Case Management

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

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



Our Solutions for Information and Case Management

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

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

Key Benefits for Our Customers

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

Our Microsoft Competencies in Information and Case Management

- ▶ Microsoft Modern Work Adoption and Change Management Advanced Specialization
- ▶ Microsoft Gold Application Development
- ▶ Microsoft Gold Application Integration
- ▶ Microsoft Gold Cloud Platform
- ▶ Microsoft Gold Cloud Productivity
- ▶ Microsoft Gold Collaboration and Content
- ▶ Microsoft Gold Data Platform
- ▶ Microsoft Gold Enterprise Mobility Management
- ▶ Microsoft Gold Security
- ▶ Microsoft Gold Small and Midmarket Cloud Solutions
- ▶ Microsoft Gold Windows and Devices


City of Lahti

New Case Management System Made Day-to-Day Operations Smoother for the City of Lahti

Known for sports, Lahti is one of the largest cities in Finland with a population of 120,000. The city is also known internationally for its environmental and design expertise as well as high-quality culture services. Lahti was the European Green Capital 2021 and it is also the most recent university city in Finland.

City of Lahti wanted to streamline decision-making with a new case management system and selected Innofactor's Dynasty 10 as the new case management solution in a tendering process. Dynasty scored the highest points in the assessment of usability. The new case management system has a particular emphasis on ease of use, which has reduced time spent on training and made it possible to engage the users to the organization's common operating practices.

The new case management system's integrations with several other information systems reduce manual work and extend fully digital processes. Lahti has focused process modeling for decades, which is reflected in streamlined decision-making workflows. Dynasty 10 takes the individual needs of the city's employees into account by allowing each user to customize their desktop view to suit their job tasks. Lahti chose the Microsoft Azure cloud as the platform for case management. Azure's high level of data security, scalability in response to changes in capacity, seamless integration with Microsoft productivity tools and the opportunity to take advantage of Azure services, such as machine-learning automation solutions, ensure the ability to respond to changing challenges in the future.



"We have achieved our goal of having a single user interface by migrating from separate systems to a single system. Decision-making workflows, communications, contract management and the electronic lifecycle management of data all take place in the same system. Decision-makers and those who prepare matters for decisions benefit from single sign-on, which is both secure and convenient."

Marko Monni
Chief Information Officer
City of Lahti

Cloud Infrastructure

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

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



Our Solutions for Cloud Infrastructure

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

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

Key Benefits for Our Customers

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

Our Microsoft Competencies in Cloud Infrastructure

- ▶ Windows and SQL Server Migration to Microsoft Azure Advanced Specialization
- ▶ Modernization of Web Applications to Microsoft Azure Advanced Specialization
- ▶ Microsoft Modern Work Adoption and Change Management Advanced Specialization
- ▶ Microsoft Gold Cloud Platform
- ▶ Microsoft Gold Cloud Productivity
- ▶ Microsoft Gold Collaboration and Content
- ▶ Microsoft Gold Datacenter
- ▶ Microsoft Gold DevOps
- ▶ Microsoft Gold Security
- ▶ Microsoft Gold Windows and Devices

Alecta

Efficient and Secure Management and Deployment of the Microsoft Azure Cloud Platform with Innofactor Virtual Data Center

Alecta is the company ensuring that 2.6 million private individuals and 35,000 companies around Sweden have employment pensions. The insurance branch of the business requires numerous difficult mathematical calculations, using enormous volumes of data. However, Alecta's various business areas have differing IT requirements, as each area needs their own installations and complies with different regulations. Despite these differences, Alecta can achieve significant economies of scale by leveraging a unified core infrastructure and data pools.

Some time ago the pension company realized that the critical calculations required more computing power than what a traditional data center was able to provide. Hence, Alecta began planning to take advantage of cloud services, particularly Microsoft Azure. The goal was to find a ready-made solution for deploying Microsoft Azure as efficiently as possible and allowing automation to manage the environment and update the settings.

After discussing with Innofactor, Alecta decided to implement its Azure environment with Innofactor Virtual Data Center (VDC). VDC leverages code deployed in Azure, automating many of the key steps in maintenance and administration in line with Microsoft's best practices for cloud services. As a result, Alecta can manage its cloud services independently using customized code that is owned by the company itself.

As a Microsoft expert in cloud infrastructure management, Innofactor supports the customer by providing all the necessary updates to the codebase. This, in turn, allows Alecta's experienced team of experts to contribute to the company's core business by focusing on application development and data processing. The VDC solution gives Alecta access to all the benefits of Microsoft cloud and analytics solutions such as Power BI without having to hire its own Azure architecture experts.



"Previously, we weren't able to do certain calculations at all, and others took forever to complete. Now, we can perform a calculation that used to take several hours or days in just a few minutes."

Fredric Adell
IT architect
Alecta

Data and Analytics

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

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



Our Solutions for Data and Analytics

- ▶ **Data Platform**
- ▶ **Advanced Analytics and BI**
- ▶ **Master Data Management | MDM**
- ▶ **AI, Real-time Analytics and IoT**

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

Key Benefits for Our Customers

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

Our Microsoft Competencies in Data and Analytics

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

Seure

A Customized Reporting Solution Implemented with a Dynamics 365 Integration

Employee leasing company Seure provides personnel services for municipalities and joint municipal authorities in the Helsinki metropolitan area. Seure's biggest clients are the cities of Helsinki, Espoo, and Vantaa as well as The Hospital District of Helsinki and Uusimaa (HUS).

Seure needed a CRM system and wanted a partner to customize Microsoft Dynamics 365 according to the company's needs. In order to find a suitable partner, Seure organized a tender, which was decided in favor of Innofactor due to its references and a good project plan as well as an exceptionally solid competency in Microsoft Dynamics 365 and Power Platform. Innofactor has supported Seure in developing the company's internal reports as well as the reports that are used by and delivered to Seure's customers. These latter types of reports are mainly created on top of the data layer provided by the Snowflake system. However, the Dynamics 365 solutions developed by Innofactor make an exception to this, as their additional reporting has been implemented with a direct Dynamics 365 integration.

All in all, Seure has been very satisfied with the cooperation with Innofactor. What has been particularly impressive is the level of commitment that Innofactor's experts have shown. During the cooperation, both parties developed into a unified team as they kept learning new ways of working regarding both remote working and agile methods.

"I can truly recommend Innofactor. Their employees are very nice and professional and committed to our common project."

Antti Nummiranta

Acting CEO, Director, Technology & Development
Seure

Cybersecurity

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

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



Our Solutions for Cybersecurity

- ▶ **Security Assessment**
- ▶ **Hybrid Work Security**
- ▶ **Platform and Solution Security**
- ▶ **Identity and Access Management | IAM**

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

Key Benefits for Our Customers

- ▶ Transform your organization's security strategy and culture from reactive to proactive and start building trust and cyber-positivity with your customers and employees
- ▶ Assess your organization's current security solutions and preparedness against modern cyber threats
- ▶ Govern and protect your organization's work and data with Microsoft 365 Security
- ▶ Secure your infrastructure, apps and data with advanced Microsoft Azure security capabilities and best practices
- ▶ Leverage best security practices when designing and implementing applications
- ▶ Protect access to your resources and data and provide your users a seamless user experience with Microsoft's leading Identity and Access Management solutions
- ▶ Ensure your Microsoft Azure cloud deployments fulfill needed security and compliance requirements with Innofactor Virtual Data Center

Our Microsoft Competencies in Cybersecurity

- ▶ Windows and SQL Server Migration to Microsoft Azure Advanced Specialization
- ▶ Modernization of Web Applications to Microsoft Azure Advanced Specialization
- ▶ Microsoft Gold Cloud Platform
- ▶ Microsoft Gold Datacenter
- ▶ Microsoft Gold DevOps
- ▶ Microsoft Gold Security



“Identity management was an area of expertise we lacked at the time. We don’t have the resources and capacity to do this ourselves, so we preferred to buy this as a service from Innofactor. Our experience is that Innofactor has very good expertise and skilled people. This was also important to us when selecting a supplier.”

Espen Harald Haga
Head of the IT department
Bjørnafjorden

Bjørnafjorden

A New Identity Solution Gave Bjørnafjorden Control after the Municipal Merger

Bjørnafjorden municipality saw the light of day in January 2020, when the municipalities Os and Fusa were merged. The municipality has just under 25,000 inhabitants and around 1,800 employees. Prior to the merge, the two municipalities agreed that it was necessary to implement a proper solution for identity and access management. The municipalities therefore began to look at different identity solutions, and eventually chose One Identity, a solution based on Microsoft Identity Manager (MIM).

Consultants from Innofactor have worked with Bjørnafjorden to set up the new ID solution, in addition to a new e-mail solution based on Exchange Online. The MIM solution is connected to Microsoft Azure AD (Active Directory), so that access to file areas and other network resources can be controlled based on which groups in AD

employees are members of. Now Bjørnafjorden has much better control of onboarding and offboarding, and new employees are registered in AD via personnel notification.

The Norwegian National Security Authority (NSM) states in its 2021 report on the National Risks that there is a very high risk that Norwegian companies will be exposed to ransomware viruses during 2022. This is a threat the IT department in Bjørnafjorden municipality is acutely aware of, not least since there have recently been examples of ransomware attacks that have had serious consequences for other municipalities. Therefore, Bjørnafjorden received assistance from Innofactor to conduct a safety audit. Although the review proved that much was already in good order, it was very useful. Based on the audit, Bjørnafjorden received a lot of specific tips on what they could improve.



Software Products and Services

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

In 2021, we invested about 5 percent of the Group's consolidated net sales in research and product development. Our product development is centralized in our Nordic Products and Services profit center. It employs over 50 leading cloud technology and architecture experts who specialize in software and service development. Innofactor's software products and services are sold throughout the Nordic countries and have tens of thousands of daily users across hundreds of private, public, and membership-based organizations. Delivering continuous cloud services to our customers is a rapidly growing business area of the Products and Services unit. We provide our customers with services for application deployment, monitoring and management, as well as joint continuous development under the turnkey principle.



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

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

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

Innofactor DataSight is a cost-effective packaged analytics solution that makes data-driven decision-making available for the entire organization through clear reports and real-time data compiled from key sources. The solution is based on more than three years of development as well as our experience of the analytics needs of multinational service business. Significant focus has been placed on the usability of reports to ensure that key conclusions based on data are quickly accessible to the management. Our strong expertise in Microsoft platforms ensures a quick deployment in organizations that use Microsoft Dynamics 365 based CRM and ERP solutions. The solution is available throughout the Nordic region.

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



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

Innofactor Managed Services and DevOps: Innofactor Managed Services and DevOps provide our customers with a care-free and secure solution for managing their public cloud, hybrid and on-premises environments under the turnkey principle, including monitoring, maintenance, security, capacity and backup management and 24/7 support. We also offer training and services for DevOps development. We ensure that our customers' digital footprint remains safe, compliant and cost-effective. In addition, we deliver Microsoft licenses and Azure services. By utilizing Innofactor's comprehensive cloud operations services, customers can focus on implementing their digitalization strategy and can flexibly choose what they use their own expertise for and which services are acquired on a turnkey basis.



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

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

Self-Organized Hybrid Work in the New Normal

Innofactor transitioned successfully to remote work in 2020 in response to COVID-19 restrictions. It is estimated that, where necessary, it has been possible to perform over 98 percent of tasks remotely at Innofactor. We regularly monitored the various stages of the COVID-19 pandemic in 2021, changed our instructions and organized COVID-19 briefings for our personnel as needed. Our aim has been to issue timely recommendations regarding remote work and in-office work. We conducted a personnel survey in spring 2021, based on which we created new operating models for remote work and in-office work. At the same time, we instructed teams to agree on regular practices concerning working methods.

Going forward, Innofactor will use a hybrid approach, which involves working at the office, at the customer's premises and remotely, depending on what is the most appropriate choice in each situation. Teams agree on their operating models and rules concerning their working methods. Choices are guided by customer requirements. Teams are recommended to choose in-office days – for example, one or two days per week – when the team works together in the same physical location, either at the office or at the customer's premises. We have also

planned changes to our offices to support hybrid work even more effectively.

Our operating models in the new normal are based on our self-organizing culture, which means that teams are empowered to plan their work. At the same time, we want to support a strong sense of community and team spirit, so we strongly encourage teams, units and departments to have common in-office days. In spite of COVID-19, we opened a new office in Jyväskylä in late 2021. We believe that physical offices play a role as important meeting places and hold potential for attracting talent from various parts of the Nordic region. In 2021, we recruited over 100 new professionals to work at Innofactor.

During the COVID-19 pandemic, Innofactor has focused particularly on supporting remote work and related operating models. In managerial work, special focus has been placed on virtual meetings and active correspondence. Self-management and occupational well-being have been supported with due consideration for the exceptional circumstances. Exercise breaks, mindfulness practice and various online training activities provided by the company have been popular among the employees. The regular sharing of information has also played a central role. We have also supported remote work by offering the opportunity to borrow equipment (such as external displays) for use in the home office

to make remote work as productive and ergonomic as possible.

From the perspective of psychological well-being, it is important to be able to meet people – both colleagues and customers – even during COVID-19. We have emphasized the importance of safety in that context. In August 2021, we were among the first in Finland to organize an outdoor customer event using the COVID-19 passport. The event was organized in cooperation with our occupational health service provider Mehiläinen. Admission to the event was subject to having a COVID-19 passport or a negative result on a rapid test administered by our occupational health service provider at our head office, the Innofactor Campus in Espoo, in connection with the event. The COVID-19 passport was also used at other Innofactor customer events and voluntary personnel events during the year.

Talented Employees at the Core of Our Business

Innofactor aims to invest in competence development at the Nordic level. Our Executive Board was joined on April 1, 2021, by a new Chief Innovation and Talent Officer, Martin Söderlind, whose role is to determine what competencies we need now and in the future, and to ensure that we have access to these competencies.



He is supported by Anni Pokkinen, HR Director, Nordic Development & Operations.

We organized diverse training through Innofactor Academy in 2021. Innofactor Academy brings together Innofactor's training activities at the local level as well as the Nordic level. We continued to support remote work, particularly through training activities and lectures focused on coping with the demands of work. We also organized training related to Microsoft technology, basic induction training, as well as ITIL and SCRUM training. As the COVID-19 pandemic continued, we strengthened our position in facilitating remote training. This enabled us to develop our range of training activities and engage in closer Nordic co-operation regarding training. Going forward, we will also focus increasingly on the certification of our employees.

We want to focus on training young people and offering jobs to new graduates. We organized our third Innofactor DigiStar Trainee Program, the purpose of

which is to provide a diverse induction training period for new professionals, followed by learning on the job. We hired 14 DigiStar trainees in 2021.

Our Nordic Approach and Modern Operating Models Support Our Work

Innofactor's goal is to build a company with Nordic integration. Common systems, processes and culture support Innofactor's strategic targets and co-operation between countries. We continued the development of our Nordic operating models in 2021. For example, the bonus models for the personnel were harmonized and all Innofactor employees were placed under the same bonus program. At the beginning of the year, all of the employees were given the opportunity to try the development discussion platform deployed by Innofactor.

The self-organizing operating model and full-time manager model were adopted in the remaining Finnish

units at the beginning of 2021. The full-time manager model was also implemented in Sweden and the first steps toward self-organization were taken. The plan is to implement a corresponding model in Innofactor's other operating countries in 2022–2023.

We Invest in Good Leadership

Every employee has the right to good leadership. The continuous development of leadership is a key focus area for Innofactor. In addition to the quarterly employee satisfaction survey, all managers participated in a comprehensive 360° evaluation. According to the results, the quality of leadership at Innofactor is already better than the European benchmark by a clear margin, and the results showed further improvement compared to 2020. We want to continue our development and build a leadership culture that supports and develops self-organization and our specialists while making Innofactor an even better place to work.



Smiling at Work is Allowed

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

We organize recreational events for our personnel, both in teams and at the corporate level. There were still many COVID-19 restrictions in place in 2021, and we had to adapt the events we traditionally organize. Our annual Nordic summer event, InSpirit, was organized as a hybrid event. The official content was produced virtually for each of our operating countries and the evening festivities were arranged locally, taking safety considerations into account.

Innofactor's Fun Club is a long-standing concept for shared activities by employees during workdays. In 2021, we organized a virtual May Day event in Finland, which was very popular, as well as diverse events ranging from remote chocolate tasting to a golf tournament and a painting workshop. In November, we were able to have Pre-Christmas parties at our offices, for the most part, before the COVID-19 situation deteriorated again. We also organized many team days and meetings. Ensuring COVID-19 safety was the highest priority in all meetings.

In 2021, we also organized our first-ever Share Your Cool Thing virtual event to present highlights of customer projects from the past year to our personnel. The event combined knowledge sharing, networking and celebrating Innofactor's highly capable teams.

Number of Personnel

Innofactor primarily 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 2021 was 516 (2020: 544), representing a decrease of 5.1 percent, which was partly influenced by the divestment of Prime business. At the end of the year, the number of active personnel was 500 (2020: 541), representing a decrease of 7.6 percent. At the end of 2021, the average age of the personnel was 42.5 (2020: 41.4).

#ModernDigitalOrganization

#HybridWork

#PeopleFirst

#CreatingSmiles



Sustainability

Innofactor considers sustainability as one of the cornerstones of its long-term success. Sustainability is not only a condition for the continuation of operations. It also represents a way of responding to stakeholder expectations. Technology companies play a significant role in the mitigation of – and adaptation to – climate change. The IT sector also makes it possible for other organizations to reduce their carbon footprint.

Innofactor's operations are guided by the company's Code of Conduct and environmental policy, in addition to which we comply with the leading international sustainability standards, such as the ILO Declaration on Fundamental Principles and Rights at Work, UN Universal Declaration of Human Rights, UN Sustainable Development Goals, and the principles of the ICC Business Charter for Sustainable Development.

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

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

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



Good Health and Well-Being

The IT sector can play a significant role in scaling social welfare and healthcare services by enabling access to services from any device, regardless of time and place. Innofactor is involved in the national Virtual Hospital project coordinated by the Helsinki and Uusimaa Hospital District (HUS), which enables remote service for patients via mobile devices and transforms secondary care into "local services" 24/7, for example. The project has been developed in cooperation with all the university hospital districts of Finland, and the insight accrued in the project has also been used in an international Accelerate EU project since early 2021.

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

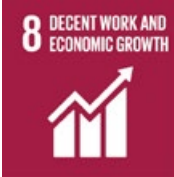
Innofactor takes care of its personnel's well-being by providing diverse health services and offering regular occupational physiotherapy services to improve ergonomics, for example. During the COVID-19 pandemic, we launched weekly exercise breaks in the fall of 2020, organized by our occupational health care partner in Finland, and this practice continued in 2021. We offered lectures on self-management, delivered by an occupational psychologist, for our employees in Finland. We also offer COVID-19 vaccinations to our employees through our occupational health care partner.



Gender Equality

Our personnel's diversity is in key position at Innofactor, and we see diversity as an important factor in creating innovation and supporting the organization's operating and renewal capacity. Promoting diversity and fighting bias within teams was discussed in the spring in the Project Management Community Forum, which brought together Innofactor's Nordic project and service managers. We also wrote an article in our blog on Innofactor's proven practices for increasing workplace diversity to celebrate European Diversity Month in May 2021. Late in the year, we participated in the Algorithm for Gender Equality campaign by the Finnish Ministry for Foreign Affairs,

which aims to stimulate discussion on equality in the technology sector and inspire women to work in the sector.



Decent Work and Economic Growth

We contribute to economic growth through innovation and new technologies. The measures we have taken to employ young people also support this goal to a significant degree. During the COVID-19 pandemic, we have focused even more on the remote work opportunities of our employees and sought to offer new jobs in spite of the difficult circumstances. In Finland, we recruited 14 new graduates or students nearing their graduation for the DigiStar Trainee Program that began in May 2021.

Environmental Responsibility

As an organization operating in the IT sector, Innofactor has a unique opportunity to be part of the solution in reducing environmental impacts. The digital solutions we deliver to our customer organizations play an important role in mitigating and adapting to climate change. Digitalization of manual processes and digital healthcare are examples of solutions through which Innofactor promotes its customers' – and thereby the entire society's – sustainable development. As an example, in 2021, we developed a food waste application for Servica in collaboration with Istekki Oy to enable Service to monitor the volume of food waste as well as the associated costs and carbon footprint.

Our environmental policy guides the actions we take to reduce our adverse environmental impacts

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

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

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

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

Remote work is an essential part of the operations of a modern digital organization. In 2020, the global pandemic forced many organizations to switch to remote work extensively and accelerated the digital transformation of organizations. We provide our employees with good opportunities for location-independent work. Using Microsoft Teams as a meeting tool brings added value to the operations of both Innofactor and its customers.



Innofactor employees also carried out various sustainability actions in their teams during the year. In Finland, we participated in the Kilometrikisa cycling campaign and the Finnish Red Cross Chain Reaction fundraiser, which saw us donate one euro for each 25 kilometers of cycling to help people adapt and prepare for the impacts of climate change. We also organized a Beach Clean Up afternoon around our Espoo Campus to clean the shoreline near our office from waste carried in by the sea.

Social Responsibility

In accordance with our PeopleFirst theme, we put people first in everything we do. This applies to our customers — who are the focus of our operations — as well as our employees and investing in their well-being and development. We created quarterly PeopleFirst challenges for our employees, various trainings, events and other activities, as well as separate training events for managers. In Denmark, for example, we organized a lecture focused on stress management and recovery for our personnel. Innofactor's In House Coaching program is still available to all employees in Finland.

In 2021, we focused on managerial work in even more diverse ways than before. For example, through Innofactor Academy, we organized early intervention training for managers to focus on preventative managerial work in collaboration with our occupational health care partner. We also conducted a 360° feedback survey in which managers conducted a self-evaluation and received feedback from their subordinates, colleagues and manager. The results help the managers develop their leadership skills and practices. In 2021, we also focused on building a Nordic manager community to establish a consistent

leadership culture and practices.

In 2021, Innofactor continued the recruitment and training of students nearing their graduation, with 14 new participants recruited in Finland for the Innofactor DigiStar Trainee Program in spite of the COVID-19 pandemic. In 2021, Innofactor recruited and trained a total of 20 undergraduate students.

The IT industry is constantly evolving, and an innovative operating environment plays a key role in the success of organizations. At Innofactor, we are increasingly focused on harnessing the potential and strategic capabilities of our employees and giving them the freedom to apply their skills in the workplace. Self-organization is a strategic choice that empowers our teams and gives them the opportunity to change the world and innovate with our customers.

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

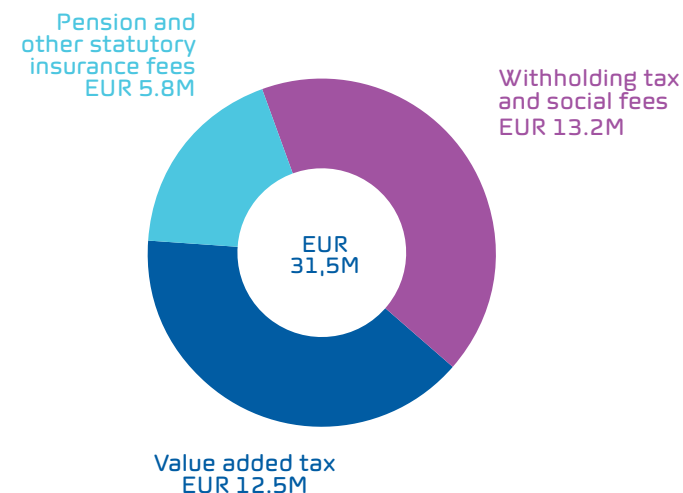
Information Security and Data Protection

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

In its operations, Innofactor is committed to maintaining a high level of data protection and respects the privacy and rights of its personnel, customers and users.

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

Innofactor Group's Tax Footprint 2021





Servica

A Food Waste App Makes It Easier to Track Food Waste Targets at Servica

Servica Oy provides catering, cleaning, equipment maintenance, building technology, facility management and logistics services for its owners. Servica Oy operates as an in-house company whose principal owners are the City of Kuopio and the Hospital District of Northern Savo. With approximately 1,250 employees, Servica provides services at over 100 locations and maintains more than 300 buildings and facilities.

Servica prepares some 21,000 lunches daily for schools, day-care centers, staff restaurants, hospitals and assisted living facilities. Monitoring food waste has been important for Servica due to the climate impacts and financial impacts involved. Previously, food waste monitoring was done using traditional Excel spreadsheets. Servica wanted to find a more efficient and user-friendly solution for monitoring the amount of food waste. While there were existing solutions available in the market, they did not suit Servica's needs due to their inflexibility of reporting and the costs involved, among other things. Servica decided to start developing a food waste application in collaboration with Istecki Oy and Innofactor.

Data recording and reporting functionality was built into the food waste app with the help of Microsoft Power Platform. Built on the Power Apps platform, the application can be used to record the amounts of various types of waste. The application automatically calculates total waste, the associated carbon footprint and the cost of the waste. Power BI reporting, in turn, enables the more comprehensive monitoring of changes in the amount of waste, the carbon footprint and the costs involved. The amounts of different types of waste – such as plate waste, kitchen waste and inventory waste – can be monitored over time and on a site-specific basis. The reports can also be used to provide the clients with detailed information on how much waste is generated per person. The food waste application and reporting solution streamline the work of Servica's food service production personnel as well as the work of the management as a strategic planning tool. The solution will be deployed in stages starting from December 2021. At the sites involved in Servica's pilot project, the new application was found to be easy to use, clear and logical. It was also found to reduce the workload of waste monitoring.

“The new application makes it easy to monitor daily data on waste, measured in euros and kilograms. This encourages the kitchen to monitor food quantities and order quantities. The application has been very well received here.”

Merja Ahonen
Service Manager
Servica



ADMINISTRATION

The Board of Directors of Innofactor Plc

Risto Linturi

M.Sc. (Tech.). Member of the Board of Directors since 2018. Born in 1957. Ownership with the companies he has control over 826,411 shares.

Heikki Nikku

BBA (not finished). Member of the Board of Directors since 2020. Born in 1956. Ownership 20,138 shares.

Anna Lindén, Chairman

M.Pol.Sc. Chairman of the Board since 2020 and member of the Board since 2018. Born in 1973. Ownership 79,150 shares.

Sami Ensio

M.Sc. (Tech.). Innofactor's founder, CEO and member of the Board of Directors since 2000. Born in 1971. Ownership 5,712,382 shares.

The share ownership information is as of December 31, 2021.

Executive Board of the Innofactor Group



Markku Puolanne, CFO

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

Vesa Syrjäkari, EVP, Business Development and Operational Excellence

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

Martin Söderlind, Chief Innovation and Talent Officer

B.Sc. (not finished) Employed by Innofactor since April 2021. Born in 1971. Ownership 0 shares.

Jørn Ellefsen, Country Manager for Norway and Denmark

MBA. Employed by Innofactor since 2019. Born in 1971. Ownership 80,500 shares.

Sami Ensio, CEO and Country Manager for Finland

M.Sc. (Tech.). Innofactor's founder, CEO and member of the Board of Directors since 2000. Born in 1971. Ownership 5,712,382 shares.

Marcus Hasselblad, Country Manager for Sweden

M.Sc. (Tech.). Employed by Innofactor since 2020. Born in 1968. Ownership 8,300 shares.

Janne Heikkinen, Executive Vice President, Products and Services

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

The share ownership information is as of December 31, 2021.

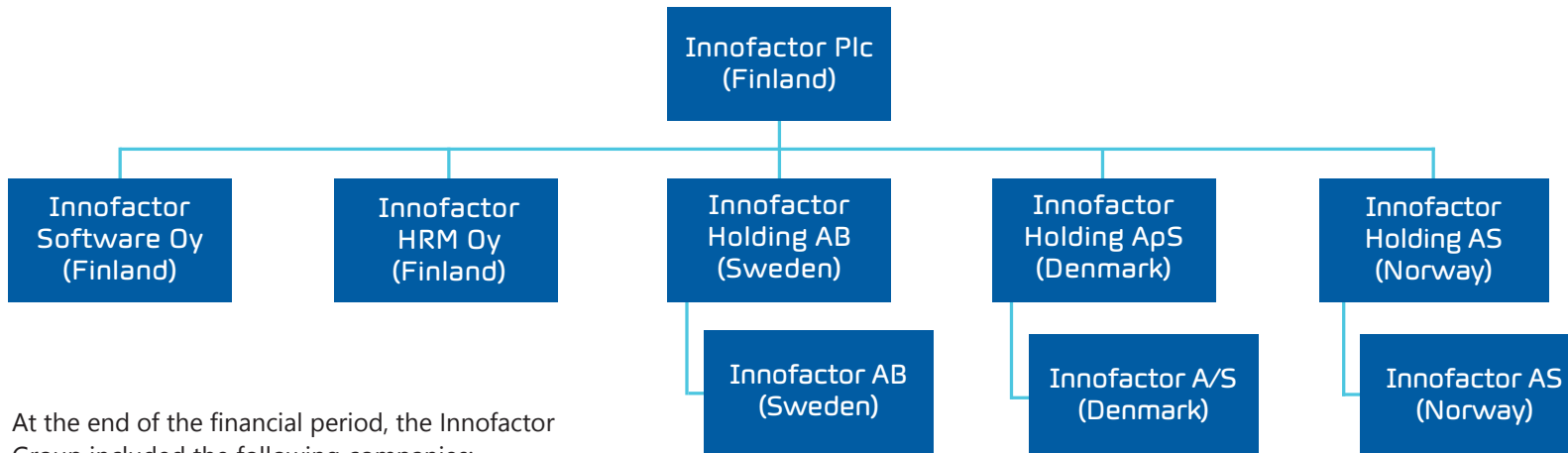
Report of Innofactor Plc's Board of Directors for 2021

Innofactor Group

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

Microsoft and its ecosystem. Approximately half of Innofactor's net sales come from recurring contracts related to Innofactor's own products and from other recurring service contracts. Innofactor's customers include approximately 1,000 companies and public administration and third sector organizations. In its

operations, Innofactor strives for long-term customer relationships. Innofactor has approximately 500 motivated and skilled employees in approximately 15 locations in Finland, Sweden, Denmark and Norway. The structure of the Innofactor Group at the end of the financial period 2021 is presented below.



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

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

| Financial Performance and Position | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|-------------|-------------|-------------|-------------|-------------|
| Net sales, EUR thousand | 66,364 | 66,164 | 64,198 | 63,144 | 66,088 |
| Operating profit before depreciation and amortization (EBITDA), EUR thousand | 10,111 | 7,164 | 5,089 | -1,029 | 1,308 |
| percentage of net sales | 15.2% | 10.8% | 7.9% | -1.6% | 2.0% |
| Operating profit (EBIT), EUR thousand | 6,519 | 2,501 | 795 | -3,872 | -1,461 |
| percentage of net sales | 9.8% | 3.8% | 1.2% | -6.1% | -2.2% |
| Earnings before taxes, EUR thousand | 5,730 | 2,050 | 12 | -3,811 | -1,579 |
| percentage of net sales | 8.6% | 3.1% | 0.0% | -6.0% | -2.4% |
| Earnings, EUR thousand | 4,504 | 1,761 | 418 | -3,462 | -2,007 |
| percentage of net sales | 6.8% | 2.7% | 0.7% | -5.5% | -3.1% |
| Shareholders' equity, EUR thousand | 25,404 | 23,444 | 22,145 | 21,303 | 24,764 |
| Interest-bearing liabilities, EUR thousand | 9,818 | 15,386 | 16,853 | 15,418 | 14,228 |
| Cash and cash equivalents, EUR thousand | 1,963 | 3,066 | 963 | 258 | 910 |
| Deferred tax assets, EUR thousand | 4,830 | 6,413 | 5,602 | 5,602 | 5,668 |
| Return on equity | 18.4% | 7.7% | 1.9% | -13.8% | -5.3% |
| Return on investment | 20.6% | 11.1% | 2.3% | -7.7% | -2.4% |
| Net gearing | 30.9% | 52.5% | 71.8% | 71.2% | 53.8% |
| Equity ratio | 51.1% | 42.2% | 40.2% | 41.2% | 43.4% |
| Balance sheet total, EUR thousand | 51,057 | 56,607 | 55,720 | 51,875 | 58,272 |
| Research and development, EUR thousand | 3,504 | 3,618 | 2,795 | 2,860 | 3,298 |
| percentage of net sales | 5.3% | 5.5% | 4.4% | 4.5% | 5.0% |
| Personnel on average during the year | 516 | 544 | 534 | 591 | 610 |
| Personnel at the end of the year | 500 | 541 | 538 | 550 | 601 |
| Number of shares at the end of the year | 37,388,225 | 37,388,225 | 37,388,225 | 36,188,225 | 36,188,225 |
| Earnings per share (EUR) | 0.1208 | 0.0471 | 0.0113 | -0.0880 | -0.0262 |
| Shareholders' equity per share (EUR) | 0.6813 | 0.627 | 0.592 | 0.589 | 0.684 |

Net Sales

Innofactor's net sales in 2021 were EUR 66,364 thousand (2020: 66,164), representing growth of 0.3 percent. Excluding the Prime business sold on March 31, 2021, the comparable change would have been growth of 3.5%, which was entirely organic growth.

Financial Performance

Innofactor's operating margin (EBITDA) in 2021 was EUR 10,111 thousand (2020: 7,164), representing growth of 41.1 percent. EBITDA represented 15.2 percent of net sales (2020: 10.8%). Excluding the Prime business sold on March 31, 2021, the comparable EBITDA would have been EUR 7.5 million, which shows an increase of 5.0%.

Innofactor's operating profit in 2021 was EUR 6,519 thousand (2020: 2,501), representing growth of 160.7 percent. Operating profit represented 9.8 percent of net sales (2020: 3.8%).

Financial Position, Liquidity and Investments

Innofactor's balance sheet total at the end of 2021 was EUR 51,057 thousand (2020: 56,607). The Group's liquid assets totaled EUR 1,963 thousand (2020: 3,066), consisting entirely of cash funds.

Operating cash flow in 2021 was EUR 8,855 thousand (2020: 5,010). The cash flow from investing activities was EUR -643 thousand (2020: -89).

The equity ratio at the end of 2021 was 51.1 percent (2020: 42.2%) and net gearing was 30.9 percent (2020: 52.5%).

At the end of 2021, the company had EUR 1,873 thousand in current interest-bearing liabilities to financial institutions (2020: 2,540) and EUR 4,683 thousand in non-current interest bearing liabilities to financial institutions (2020: 8,890). The company had

lease liabilities in accordance with IFRS 16 (leases for the duration of fixed-term leases) EUR 3,261 thousand (2020: 3,956) of which EUR 1,603 thousand in current leases (2020: 1,738) and EUR 1,658 thousand in non-current leases (2020: 2,218). The total amount of interest-bearing liabilities was EUR 9,818 thousand (2020: 15,386).

The return on investment for the period January 1–December 31, 2021, improved year-on-year and was 20.6 percent (2020: 11.1%). The return on equity for the period January 1–December 31, 2021, improved year-on-year and was 18.4 percent (2020: 7.7%).

The non-current assets on Innofactor's balance sheet at the end of 2021 were EUR 35,691 thousand in total and consisted of the following items:

- ▶ Tangible assets and right-of-use assets EUR 3,701 thousand
- ▶ Goodwill EUR 26,393 thousand*
- ▶ Other intangible assets EUR 633 thousand*
- ▶ Shares and holdings EUR 5 thousand
- ▶ Receivables EUR 129 thousand
- ▶ Deferred tax assets EUR 4,830 thousand

Innofactor's gross investments in tangible and intangible assets in 2021 were EUR 402 thousand (2020: 311), consisting of normal additional and replacement investments required by growth.

Write-offs on intangible assets amounted to EUR 1,457 thousand (2020: 2,538).

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

Mergers, Acquisitions and Changes in Group Structure

No acquisitions or changes in the Group structure were carried out in 2021.

Personnel

Innofactor primarily monitors the number of active personnel. The number of active personnel does not include employees who are on leave for more than 3 months.

The average number of active personnel in 2021 was 516 (2020: 534), representing a decrease of 5.1 percent, which was in part attributable to the sale of the Prime business. At the end of review period, the number of active personnel was 500 (2020: 541), representing a decrease of 7.6 percent. The total amount of salaries and fees for the financial period was EUR 34,761 thousand (2020: 35,668).

At the end of 2021, the average age of the personnel was 42.5 (2020: 41.4). Women accounted for 27 percent (2020: 27%) of the personnel. Men accounted for 73 percent (2020: 73%) of the personnel.

Strategy and its Realization in 2021

Innofactor is the leading driver of the modern digital organization in the Nordic countries for its approximately 1,000 customers in the commercial, public and third sector. Innofactor has the widest solution offering and leading know-how in the Microsoft ecosystem in the Nordics. Innofactor has approximately 500 enthusiastic and motivated top specialists in Finland, Sweden, Denmark, and Norway. The focus of our strategy on the Nordic level is even stronger in our six updated application areas listed under Business Operations and for which Innofactor strives to create a uniform operating model and offering in the Nordic countries. Unifying the offering may take place through organic growth and selected acquisitions.

Our purpose: Innovating to make the world work better

Our mission: Driving the modern digital organization

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

Our Strategic Choices:

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

Our Values:

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

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

Our Long-Term Financial Goals:

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

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

- ▶ Focus on selected industries and solution areas that provide the highest growth opportunities and allow us to best scale existing offering in the Nordics
- ▶ Focus on current customers and cross sales to get a bigger share of wallet of customers' digital transformation budgets
- ▶ Improving modern digital marketing and sales skills to achieve better and more cost-effective sales results

- ▶ Focus on competence planning, recruiting, and resource optimization across the Nordics
- ▶ Shifting revenues from projects and professional services toward products, IP-based and continuously managed services that support selected solution areas and industries
- ▶ Strengthening continuously our specialists' professional skills and improving our leading offering in order for our customers to pay an hour price above market average
- ▶ Aiming to move to self-organized teams and to reduce organizational layers achieving better communication and faster decision making
- ▶ Continuously improving our flexible value-adding delivery model, minimizing the number of non-invoiced hours and maximizing customer satisfaction

Innofactor's net sales in 2021 totaled EUR 66.4 million (2020: 66.2), representing year-on-year growth of 0.3 percent. Excluding the Prime business sold on March 31, 2021, the comparable change would have been growth of 3.5%, which was entirely organic growth. The strategic goal of getting net sales to grow is also supported by the favorably developed order backlog of EUR 72.8 million (2020: 60.4). As a result of thorough strategy work in 2021, we decided to revise our offering and organizational structure to focus on six spearheads and revise our operating models to provide stronger support for growth from 2022 onwards.

The operating margin (EBITDA) grew in 2021 from EUR 7.2 million in the corresponding period of the previous year to EUR 10.1 million (15.2 percent of net sales), which includes proceeds of EUR 2.6 million from the sale of the Prime business. As regards profitability, Innofactor was able to further improve its performance substantially. However, a significant amount of management effort and work

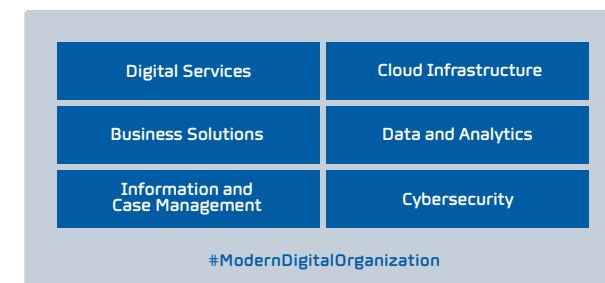
are still needed in order to reach the long-term goal of approximately 20 percent. The required actions are clear and known, so we believe that reaching this goal is entirely possible.

Innofactor's operating cash flow in 2021 was EUR 8.9 million negative (2017: EUR 5.0 million) and the equity ratio at the end of the review period was 51.1 percent (2020: 42.2%). The strong operating cash flow supports Innofactor's strategic goal of profitable growth and securing solid financial standing in all situations.

Business Operations

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

Innofactor's offering is divided into the following areas:



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

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

Innofactor's business operations were focused on Finland, Sweden, Denmark and Norway. In 2021, approximately 66 percent of the Group's net sales came from Finland, approximately 18 percent from Sweden, approximately 10 percent from Norway, and approximately 6 percent from Denmark. Net sales decreased in Finland and Sweden, but increased in Denmark and Norway.

Of the net sales in 2021, approximately 43 percent came from commercial clients, approximately 43 percent from public sector clients and approximately 14 percent from third sector clients.

Innofactor's net sales in 2021 came from the following sources:

- ▶ approximately 3 percent from licenses, of which the share of licensing income to third parties was approximately 3 percent of net sales
- ▶ approximately 23 percent from services based on recurring service contracts, such as SaaS, cloud and hosting services, and from software maintenance

- ▶ approximately 33 percent from specialist work based on recurring service contracts, such as smaller customer-specific changes and further development of IT systems
- ▶ approximately 41 percent from IT system delivery projects and consulting

Innofactor's 10 largest clients accounted for about 28.2 percent of the net sales in 2021.

Major Events in the Financial 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. 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.
- ▶ 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 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.
- ▶ On April 6, 2021, Innofactor 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 case and document management solutions as SaaS. The procurement consists of the delivery of the case and document management solutions, as well as support and maintenance services. The system suite 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.

- ▶ On April 27, 2021, Innofactor announced in a stock exchange release that Kela has terminated the contract for the administrative case management solution for reasons not attributable to Innofactor. The termination is due to changes in Kela's internal cloud service policies. According to the new policies, Kela deems that it cannot transfer the planned amount of data into a cloud service. Due to Kela's termination decision, Innofactor estimates that out of the original estimated total value it will not receive approximately 0,5 MEUR from maintenance services. This does not affect Innofactor's guidance for the year 2021 or its long-term financial goals.
- ▶ On May 20, 2021, Innofactor announced in a stock exchange release that Metropolia University of Applied Sciences Ltd, Turku University of Applied Sciences Ltd, Haaga-Helia University of Applied Sciences Ltd, Novia University of Applied Sciences, Arcada University of Applied Sciences Ltd and Finnish University of Applied Sciences and Arts Ltd have selected Innofactor in a joint public procurement competition as the supplier of a case management solution. The public procurement competition was divided into SaaS and On-Premise areas, and Innofactor was selected as the supplier for both of these. The procurement consists of the delivery of Innofactor's Dynasty 10 system to these universities of applied sciences, support and maintenance services, specialist services, as well as integrations and migrations specific to each university of applied sciences. The agreement will be valid for a fixed period of four years after which it will be valid until further notice. The estimated total value of the procurement (excluding VAT) stated by the universities of applied sciences in the procurement decision for a period of four years is EUR 850,000.
- ▶ On May 31, 2021, Innofactor announced in a stock exchange release that the Finnish Forest Centre has selected Innofactor in a public procurement

competition as the supplier of a case management application. The procurement includes the access rights to Innofactor's Dynasty product family's case management, archival and information management system, the delivery project, and support and maintenance. The total value of the procurement (excluding VAT) stated by the Finnish Forest Centre in the procurement decision for the four-year contract period is EUR 588,960. The customer also reserves an option for extending the service one year at a time.

- ▶ On September 7, 2021, Innofactor issued a stock exchange release after Rimonne Baltic OÜ informed Innofactor Plc that its holdings of Innofactor's shares and voting rights fell below the 5% disclosure limit on September 6, 2021.
- ▶ On October 5, 2021, Innofactor issued a stock exchange release announcing that, at its meeting on October 4, 2021, the Board of Directors of Innofactor Plc had decided to commence the acquisition of the company's own shares for the purpose of developing the company's capital structure. The company will acquire a maximum of 800,000 shares, which corresponds to approximately 2.2% of the total number of shares. The maximum amount to be used for the acquisition of shares is EUR 1,600,000. The decision was made on the basis of the authorization given by Innofactor Plc's Annual General Meeting on March 30, 2021, to acquire a maximum of 3,600,000 shares. The repurchase of shares will commence on October 5, 2021, at the earliest and will end at the latest on March 31, 2022, or at an earlier Annual General Meeting.
- ▶ On November 11, 2021, Innofactor issued a stock exchange release announcing that Innofactor Plc had been granted approximately EUR 2.3 million in damages in Stockholm Chamber of Commerce (SCC) arbitration proceedings for breach of contract. The damages relate to the purchase of Lumagate in

2016, as part of which Innofactor had agreed on an option to acquire Ironstone companies. Due to the uncertainty of recovery related to the damages, the receivable from the damages is not recognized as a receivable at this stage and has no immediate effect on profit and loss. The damages will be recognized as income when and to the extent that the claim can be recovered.

- ▶ On December 17, 2021, Innofactor announced in a stock exchange release that Innofactor and a large Finnish globally operating manufacturing industry company have signed a contract for the further development work of digitizing the company's quotation process. Innofactor will continue the development work that began in 2020, aiming to design and implement, using agile methods, a cloud-based solution for managing the quotation process and handling and storing related information and documents. The solution is implemented using Microsoft Azure PaaS cloud services. The value of the agreement (excluding VAT) is approximately EUR 1,200,000 and the services will be delivered during the year 2022.

Major Events After the Financial Period

- ▶ On January 4, 2022, Innofactor announced in a stock exchange release that it had completed the share repurchase program. Repurchases of treasury shares began on October 26, 2021, and ended on January 3, 2022. During this period, Innofactor acquired 800,000 treasury shares at an average price of EUR 1.5045. The shares were acquired at the current market price in public trading arranged by Nasdaq Helsinki Ltd.
- ▶ On January 18, 2022, Innofactor announced in a stock exchange release that the Ministry of Social Affairs and Health selected Innofactor in a public procurement competition as the provider of the

Case Management, Document Management, Services and Reference Price Information System and the related maintenance and further development tasks of the Pharmaceuticals Pricing Board. The total value of the procurement (excluding VAT) stated by the Ministry of Social Affairs and Health in the procurement decision for the four-year contract period is approximately EUR 1,190,000.

- ▶ On January 20, 2022, Innofactor announced in a stock exchange release that the Housing Finance and Development Centre of Finland (ARA) had selected Innofactor in a public procurement competition as the supplier of the Sequence Number Register. The procurement includes the planning and implementation of the Sequence Number Register, the support, maintenance and further development services for the implemented solution, as well as system operation and control. The solution is based on Microsoft Azure cloud services. Innofactor's share of the total value of the procurement is approximately EUR 680,000. The minimum agreement period is three years.
- ▶ On February 16, 2022, Innofactor announced in a stock exchange release that The Finnish Safety and Chemicals Agency (Tukes) selected Innofactor in a public procurement competition as a supplier of the "Agile development of services, servicing and maintenance" section of the framework agreement on IT system development and maintenance. The framework agreement includes three sections, for which a total of four framework agreement suppliers were selected. For the section "Agile development of services, servicing and maintenance", a total of two framework agreement suppliers were selected. The Agile development of services, servicing and maintenance section focuses on the implementation of Tukes' systems in accordance with an agile approach, service validation, the servicing and maintenance of applications, and processing and repair of

disruptions. The anticipated total value of the procurement (excluding VAT) indicated by Tukes in the procurement decision for all three sections of the frame agreement is approximately EUR 6.8 million. The duration of the framework agreement is four years, plus an option for two additional years.

Innofactor had no other significant events after 2021.

Future Outlook

Innofactor's net sales and operating margin (EBITDA) in 2022 are estimated to increase from 2021, during which net sales were EUR 66.4 million. Innofactor's operating margin (EBITDA) for 2022 is estimated to increase from EUR 7.5 million, which would have been the operating margin for 2021 without the proceeds of EUR 2.6 million from the sale of the Prime business.

Major Risks and Uncertainties

Innofactor's operations and finances involve risks that may be significant for the company and its share value. These risks are assessed by Innofactor Plc's Board of Directors four times a year as part of the strategy and business planning process.

Risks Related to Operations

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

Skilled personnel and its availability: The development of Innofactor's operations and deliveries depends greatly on the Group having skilled personnel and being able to replace persons, who are leaving, with properly skilled persons. In Innofactor's field of business, there is a lack of and competition for certain personnel resources, which may lead to short employment relationships and high

personnel turnover. If Innofactor fails at motivating its personnel, keeping the personnel's skills on a high level and keeping the personnel in its service, that could cause problems for the Group's business operations. The success of the Group depends heavily on the employed personnel and their success in their work. Innofactor invests in the continuous development of its personnel and in high personnel satisfaction, a good employer image, efficient recruitment and, if necessary, the use of subcontracting.

Increase in personnel costs: The main part of Innofactor's costs consists of salaries and other personnel costs (in 2021, about 69% of all the 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 Significant part of Innofactor's net sales comes from project business. Profitable implementation of Innofactor's delivery projects requires that project calculation and planning before submitting a tender are done successfully as regards the amount of work and the delivery schedule, and also that the deliveries can be made in a cost-effective manner. It is possible that Innofactor fails at correctly estimating the profitability of a project and, thus, the delivery could cause losses to the company. Correspondingly, it is possible that projects may have to be sold cheaper because of competition, which leads to lower profit margins. Innofactor pays special attention to the profitability

of project business and has included it as a central part of the monitored key performance indicators. The relative share of project business has decreased and it will be further decreased, which reduces the risks associated to project business.

Competition: Innofactor's main competitors are companies offering traditional information technology services and software in the Nordic countries. Some competitors have larger financial resources, wider product selection, cheaper workforce and larger existing customer base than Innofactor does and also notable legal resources, and they can use these when competing with Innofactor for the same deliveries. Additionally, new startup companies increase competition in certain deliveries. The price competition in the field is expected to remain tough. If the competition becomes tougher, it may have an adverse effect on Innofactor's business, operating result and financial position. Innofactor continuously strives to improve its competitiveness.

Research and product development: In Innofactor's operation, research and product development play a central role. In 2021, approximately 5.3% of 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 and agree on customer deliveries in new areas.

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

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

The risk of a pandemic materialized with the coronavirus (COVID-19) in 2020 and 2021, and the pandemic will continue in 2022. It is estimated that it has been possible to perform over 98% of tasks remotely at Innofactor, when necessary. 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 2021, absence increased to some extent, particularly with regard to the indirect effects of the pandemic. The pandemic is also estimated to have caused an increase in personnel turnover after the summer in 2021. 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 in 2022 as well.

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 systems that will decrease the risks in global operations.

Uncertainties and risks related to acquisitions: The growth has partly been based on acquisitions. With acquisitions, there are uncertainties about finding suitable companies to acquire and in making the acquisitions at the desired price level and schedule. If acquisitions cannot be made as planned, the growth goal may be jeopardized. In acquisitions, Innofactor focuses on high-level know-how and good processes. Each acquisition, after it has been made, also carries some risks, which include the success of the integration, the stability of the key personnel, formation of the business value, and possible related needs for depreciations. Innofactor's strategy is primarily based on integrating the acquired companies in a fast schedule as part of the whole in the country in question. Innofactor invests in the integration process.

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

Financial Risks

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

Financing risks: In its normal business operations, the Innofactor Group is susceptible to normal financing risks. In total at the end of the review period, Innofactor had approximately EUR 6.6 million in interest bearing debts to financial institutions, which have been taken out to finance acquisitions and working capital. Of the debts, approximately EUR 4.7 million is non-current and approximately EUR 1.9 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 3.3 million, of which EUR 1.7 million was current and EUR 1.6 million non-current. The total of interest-bearing liabilities was EUR 9.8 million. Innofactor is committed to the following covenants: Equity ratio calculated every 6 months is at least 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 2.75 until June 30, 2022, and 2.5 afterwards; and certain other normal conditions for loans. The goal of managing the financing risks is to minimize the negative effects of the changes in the financial markets to the result of the Group. Financing risk management has been centralized to the CFO, who is responsible for the Group's financing and regularly reports to the company's Executive Board, CEO, and Board of Directors. It is possible that, in the future, the Group will not get the financing it needs and this would have a negative effect on the Group's business and its development, especially on making acquisitions.

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

Exchange rate risk: The Innofactor Group operates globally and is susceptible to risks related to the currencies of the countries in which it operates. Changes in exchange rates, especially the rates of Swedish krona and Norwegian krone, affect the Group's net sales and profitability as

Innofactor has significant operations based on Swedish krona and Norwegian krone. The exchange rate risk is mainly due to the assets and liabilities registered in the balance sheet and the net investments made in the subsidiaries abroad. Also, the business contracts made by subsidiaries pose an exchange rate risk, although these contracts are mainly made in the currency the business unit uses in its operation. The management of exchange rate risks in the Group aims at minimizing the uncertainty that changes in exchange rates cause in the result through cash flows and assessment of receivables and liabilities.

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

Risks related to receivables from projects: A large part of Innofactor's net sales comes from project business. A significant part of projects consists of long-term projects in which scheduled payments and their terms may be agreed on with the customer beforehand. When Innofactor performs work in customer projects, which is scheduled to be invoiced afterwards, project receivables are accrued. Especially in public 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 deferred tax assets that are based on previous financial periods. Should the company's profitability decrease significantly in the long run, it is possible that the Group would not be able to utilize in full the receivables currently activated in the balance sheet.

Corporate Governance Report

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

The Annual General Meeting of March 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, again as the auditor for the company, with Juha Hilmola as the main responsible auditor.

Innofactor has drawn up a separate Corporate Governance Statement for the financial period of 2021.

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

Research and Product Development

In product development in 2021, the focus was on the renewal of existing products and services and continuous further development to support the growth of product-based business.

Innofactor's research and development costs recognized in profit or loss for January 1–December 31, 2021, were approximately EUR 3,504 thousand (2020: 3,618), representing 5.3 percent of net sales (2020: 5.5%).

Reporting Non-financial Information

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

Business Model

Innofactor's business model is based on offering aimed at the IT service market and on Innofactor's strong partnership with Microsoft, with the focus on solutions developed on Microsoft platforms and solutions that use them. In accordance with its strategy, Innofactor is increasingly focusing on implementing cloud solutions and digitalization. Innofactor is a system integrator and software development company. Thus, the core of the business model and enabler of company growth and development is the competent personnel with the ability to advance. The digital solutions delivered by Innofactor help the customers to reach their sustainability related goals and reduce their environmental impacts. Innofactor can impact the environmental effects of its own

operation by developing even more environmentally friendly work environment.

Principles Guiding Sustainability

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

Innofactor's internal operations are managed through predefined core processes and standards. Innofactor's quality system describes the company's business model and it is divided into eight documented business processes and nine support service processes. These processes are monitored by means of process indicators and audits, for example. The company's support service processes related to human resources management, risk management and legal issues define the main issues with regard to corporate responsibility. Each process has its own Process Performance Indicators that are monitored within the company and set annually for the process owner. The framework for Innofactor's operations is provided by the ISO 9001, ISO 27001, ISO 13485 and AQAP2110 standards, which the company's various processes adhere to. In external audits in 2021, no deviations were observed.

Environmental Responsibility

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

For example, in 2021, we developed a food waste application for Servica in collaboration with Istekki Oy to enable Service to monitor the volume of food waste as well as the associated costs and carbon footprint. The food waste application and reporting solution streamline the work of Servica's food service production personnel as well as the work of the management as a strategic planning tool.

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

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

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

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

Remote work is an essential part of the operations of a modern digital organization. In 2020, the global pandemic forced many organizations to switch to remote work extensively and accelerated the digital transformation of organizations. We provide our employees with good

opportunities for location-independent work. Use of Teams as a meeting tool brings added value to the operations of both Innofactor and its customers.

Innofactor employees also carried out various sustainability actions in their teams during the year. In Finland, we participated in the Kilometrikisa cycling campaign and the Finnish Red Cross Chain Reaction fundraiser, which saw us donate one euro for each 25 kilometers of cycling to help people adapt and prepare for the impacts of climate change. We also organized a Beach Clean Up afternoon in the area around our Espoo Campus to clean the shoreline near our office from waste carried in by the sea.

Social Responsibility

In accordance with our PeopleFirst theme, we put people first in everything we do. This applies to our customers — who are the focus of our operations — and our employees and investing in their well-being and development. We created quarterly PeopleFirst challenges for our employees, various training activities, events and other activities, as well as separate training events for managers. In Denmark, for example, we organized a lecture focused on stress management and recovery for our personnel. Innofactor's In House Coaching program is still available to all employees in Finland.

In 2021, we focused on managerial work in even more diverse ways than before. For example, through Innofactor Academy, we organized early intervention training for managers to focus on preventative managerial work in collaboration with our occupational health care partner. We also conducted a 360° feedback survey in which managers conducted a self-evaluation and received feedback from their subordinates, colleagues and manager. The results help the managers develop their leadership skills and practices. In 2021, we also focused on building a Nordic manager community to establish a consistent leadership culture and practices.

In 2021, Innofactor continued the recruitment and training of students nearing their graduation, with 14

new participants recruited in Finland for the Innofactor DigiStar Trainee Program in spite of the COVID-19 pandemic. In 2021, Innofactor recruited and trained a total of 20 undergraduate students.

The IT industry is constantly evolving, and an innovative operating environment plays a key role in the success of organizations. At Innofactor, we are increasingly focused on harnessing the potential and strategic capabilities of our employees and giving them the freedom to apply their skills in the workplace. Self-organization is a strategic choice that empowers our teams. This gives them the opportunity to change the world and innovate with our customers.

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

Information Security and Data Protection

Innofactor's customers require appropriate information security in their services and that the services enable operation in accordance with the EU General Data Protection Regulation (GDPR). Innofactor's management has identified several critical cyber risk scenarios against which a company needs to protect itself. The company is committed to protecting its customers' and partners' information and systems, and naturally, Innofactor itself as a company.

In order to ensure the level of information security corresponding to the risks, Innofactor maintains a certified information security management system in accordance with the ISO 27001 standard.

In its operations, Innofactor is committed to maintaining a high level of data protection and respects the privacy and rights of its personnel, customers and users. Through regular internal audits and the continuous development of information security, we aim to continuously develop data protection and information security in our operations and processes. Information

security and data protection are mandatory parts of induction training in addition to continuous training on information security and data protection. Innofactor's information security group meets regularly to guide the development and implementation of information security and data protection at Innofactor. The company has a designated information security manager and a data protection officer. Additionally, the company's main personal data registers have been assigned to the persons responsible for them.

Anti-Corruption and Anti-Bribery

Innofactor's Code of Conduct sets out the general principles and guidelines that the company's employees and partners adhere to. We arrange training activities concerning the Code of Conduct at regular intervals. Innofactor's Code of Conduct prohibits all types of corruption and bribery. In the Nordic countries, Innofactor operates in a very regulated environment, and in 2021, all subcontracting took place within the EEA or USA. This operating environment and in Finland, for example, the strict compliance to the Act on Contractor's Obligations and Liability, training the employees, continuous dialog within the company's management, and monitoring subcontractors are important factors related to preventing the risk of corruption and bribery.

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

Risks Related to Corporate Responsibility

Innofactor's main risks related to corporate responsibility can be divided into five categories: personnel turnover, risks to reputation regarding data protection and information security, risks to reputation due to corruption and bribery, and risk of

being cut off from public procurement competitions. Innofactor's operations do not include actual significant environmental risks, even though the energy consumption is being monitored and there is

a continuous effort to decrease it. The risks related to personnel turnover, data protection and information security are described under the heading "Major risks and uncertainties."

| Theme | Operating model | Goal | Performance indicator | 2021 |
|---|---|---|---|---------------|
| Environmental Responsibility | Innofactor is committed to decreasing the environmental impact of its operations and to react to the challenges set by climate change. | Promoting and developing environmental responsibility in Innofactor's operations. | Number of actions that promote environmental responsibility | 3 |
| Social Responsibility | Innofactor's personnel plays a key role, and we consider them to be in a central role with regards to the organization's ability to operate and renew itself and creation of new innovations. | To be an inspiring and sought-after employer. | Hired students and recent graduates | 20 |
| Data Protection and Information Security | Innofactor is committed to protecting its customers' and partners' information and systems as well as its own information and information systems. | Reliable operator that takes information security and data protection into consideration. | Number of administrative sanctions | 0 |
| Anti-corruption and Anti-bribery | Innofactor's Code of Conduct defines the general principles and guidelines that the company's employees and partners adhere to. | Transparent business operations in accordance with the highest ethical standards. | No violations | No violations |

EU Taxonomy Disclosures

The EU Taxonomy Regulation aims to steer investments towards environmentally sustainable investments and to contribute to the achievement of the EU's environmental objectives. The disclosure requirement for 2021 concerns climate change mitigation and adaptation.

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

Share and Shareholders

At the end of 2021, Innofactor Plc's share capital was EUR 2,100,000.00 and the total number of shares was 37,388,225. Innofactor Plc has one series of shares. Each share confers one vote.

During the period January 1–December 31, 2021, the highest price of the company's share was EUR 2.07 (2020: 1.44), the lowest price was EUR 1.24 (2020: 0.51), and the average price was EUR 1.61 (2020: 1.00). The closing price for the review period on December 31, 2021, was EUR 1.52 (2020: 1.28).

In public trading during the period of January 1–December 31, 2021, a total of 32,546,031 shares were traded (2020: 20,099,421), which corresponds to 87.0 percent (2020: 53.8%) of the average number of shares in the said period. In January 1–December 31, 2021, there were 37,388,225 shares on the average (2020: 37,388,225). The share trading increased by 61.9 percent compared to the corresponding period in 2020.

The market value of the share capital at the closing price of EUR 1.52 on December 31, 2021, was EUR 56,643,161 (2020: 47,669,987), which shows an increase of 18.8 percent.

On December 31, 2021, the company had a total of 12,343 shareholders (2020: 11,456), including nominee-registered shares.

On December 31, 2021, the company held 762,000 treasury shares.

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 30, 2021); the authorization has not been used.
- ▶ Until June 30, 2021, to decide on the acquisition of a maximum of 3,600,000 treasury shares

(decided by the General Meeting of March 30, 2021); under the authorization, Innofactor has repurchased 800,000 company shares between October 4, 2021 and January 3, 2022.

Own Shares

The General Meeting of March 30, 2021, authorized the Board of Directors to decide on acquiring of a maximum of 3,600,000 of the company's own shares in one or several parts with the company's unrestricted equity. The authorization entitles the Board to deviate from the shareholders' proportional shareholdings (directed acquisition). Own shares may be acquired at the purchase price formed for them in public trading on the day of purchase or at another market price. The number of treasury shares at a time may be, at the maximum, one tenth of the total number of shares in the company. Shares may be purchased to be used in company acquisitions or implementing other arrangements relating to the company's business operations, improving the company's capital or financing structure, as a part of the company's incentive system, or otherwise to be handed over or voided. In connection with the share repurchase, ordinary derivative, stock lending and other agreements may be made in the market in accordance with the laws and regulations. The authorization includes the right of the Board of Directors to decide on all other matters related to the acquisition of shares. The authorization will be valid until June 30, 2022. This authorization replaces the Board's earlier authorizations concerning share repurchase.

On October 4, 2021, the Board of Directors decided to commence the acquisition of the company's own shares. The repurchase program was completed on January 3, 2022. During the repurchase program, Innofactor repurchased 800,000 shares held by the company. The average purchase price of the shares

was EUR 1.5045. The shares were acquired at the current market price in public trading arranged by Nasdaq Helsinki Ltd.

At the end of 2021, the company held 762,000 treasury shares (2.04% of all shares).

Shareholdings of the Management

Shareholdings of the Board of Directors on December 31, 2021:

- ▶ Sami Ensio and his related parties, 7,886,142 shares, 21.10%
- ▶ *Sami Ensio, 5,712,382 shares, 15.28%*
- ▶ *minor under guardianship, 724,588 shares, 1.94%*
- ▶ *minor under guardianship, 724,586 shares, 1.94%*
- ▶ *minor under guardianship, 724,586 shares, 1.94%*
- ▶ Anna Lindén, 79,150 shares, 0.21%
- ▶ Risto Linturi and companies he has control over, 826,411 shares, 2.21%
- ▶ Heikki Nikku, 20,138 shares, 0.05%

Shareholdings of the CEO on December 31, 2021:

- ▶ Sami Ensio and his related parties, 7,886,142 shares, 21.10%
- ▶ *Sami Ensio, 5,712,382 shares, 15.28%*
- ▶ *minor under guardianship, 724,588 shares, 1.94%*
- ▶ *minor under guardianship, 724,586 shares, 1.94%*
- ▶ *minor under guardianship, 724,586 shares, 1.94%*

Shareholdings of the Other Members of the Executive Board:

- ▶ Jørn Ellefsen, 80,500 shares, 0.22%
- ▶ Marcus Hasselblad, 8,300 shares, 0.02%
- ▶ Janne Heikkinen, 123,044 shares, 0.33%
- ▶ Markku Puolanne, 10,000 shares, 0.03%
- ▶ Vesa Syrjäkari, 60,000 shares, 0.16%
- ▶ Martin Söderlind, 0 shares, 0.00%

Largest Shareholders

According to the share register maintained by Euroclear Finland Oy, the share ownership of the 20 largest Innofactor Plc shareholders at the end of the year, on December 31, 2021, was as follows.

| Name | Number of shares | % of share capital |
|---|------------------|--------------------|
| 1. Ensio Sami | 7,886,142 | 21.10% |
| <i>Ensio Sami</i> | <i>5,712,382</i> | <i>15.28%</i> |
| <i>Minor under guardianship</i> | <i>724,588</i> | <i>1.94%</i> |
| <i>Minor under guardianship</i> | <i>724,586</i> | <i>1.94%</i> |
| <i>Minor under guardianship</i> | <i>724,586</i> | <i>1.94%</i> |
| 2. Ilmarinen Mutual Pension Insurance Company | 1,800,000 | 4.81% |
| 3. Linturi Kaija ja Risto | 1,256,411 | 3.36% |
| <i>R. Linturi Oyj</i> | <i>489,107</i> | <i>1.31%</i> |
| <i>Linturi Kaija Anneli</i> | <i>430,000</i> | <i>1.15%</i> |
| <i>Linturi Risto Erkki Olavi</i> | <i>337,304</i> | <i>0.90%</i> |
| 4. Laiho Rami Tapani | 1,158,694 | 3.10% |
| 5. Ärje Matias Juhanpoika | 854,253 | 2.28% |
| 6. Mäki Antti-Jussi | 613,725 | 1.64% |
| 7. Tilman Tuomo Tapani | 563,538 | 1.51% |
| 8. Hellen Stefan Andreas | 486,000 | 1.30% |
| 9. Ingman Finance Oy Ab | 450,000 | 1.20% |
| 10. Muukkonen Teemu Heikki | 410,357 | 1.10% |
| 11. Järvenpää Janne-Olli | 289,586 | 0.77% |
| 12. Rausanne Oy | 270,000 | 0.72% |
| 13. Kukkonen Heikki-Harri | 213,606 | 0.57% |
| 14. Puolakka Petri Yrjö Emil | 202,511 | 0.54% |
| 15. Laiho Jari Olavi | 200,371 | 0.54% |
| 16. Varsio Jussi Ilari | 190,000 | 0.51% |
| 17. Kannisto Jaakko Mikael | 183,051 | 0.49% |
| 18. Mäkinen Antti Vilho Juhani | 164,000 | 0.44% |
| 19. Heikki Tervonen Oy | 150,000 | 0.40% |
| 20. Mandatum Life Insurance Company Limited | 149,027 | 0.40% |
| Total | 17,491,272 | 46.78% |

Shareholders by shareholder group December 31, 2021

| | Number of shares | % of share capital |
|--------------------------------------|-------------------|--------------------|
| Private households | 28,234,297 | 75.52% |
| Enterprises | 3,491,913 | 9.34% |
| Administratively registered | 3,010,739 | 8.05% |
| Public entities | 1,800,000 | 4.81% |
| Financial and insurance institutions | 763,399 | 2.04% |
| Other foreign | 44,607 | 0.12% |
| Non-profit organizations | 43 270 | 0.12% |
| Total | 37,388,225 | 100.00% |

Board of Directors and the Company's Management

Board of Directors

In 2021, the members of Innofactor Plc's Board of Directors were:

- ▶ Pekka Eloholma (until March 30, 2021)
- ▶ Sami Ensio
- ▶ Anna Lindén (Chairman of the Board of Directors)
- ▶ Risto Linturi
- ▶ Nikku Heikki

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

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

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

CEO

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

Executive Board

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

- ▶ Sami Ensio, CEO, Country Manager in Finland and Chairman of the Executive Board
- ▶ Jørn Ellefsen, Country Manager for Norway and Denmark
- ▶ Marcus Hasselblad, Country Manager for Sweden
- ▶ Janne Heikkinen, Executive Vice President, Products and Services
- ▶ Markku Puolanne, CFO
- ▶ Vesa Syrjäkari, EVP, Business Development and Operational Excellence
- ▶ Martin Söderlind, Chief Innovation and Talent Officer (as of April 1, 2021)

Loans of Related Parties

The company's managers considered to be related parties have EUR 96 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 rate is always 0% at a minimum. The accrued interest is paid monthly to the company. The company has no other significant related party transactions.

Auditor

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

Board of Directors' Proposal on the Distribution of Profits

Innofactor is a growing company and intends to use its operating profit on actions promoting growth, for example, on realizing mergers. According to the dividend policy, Innofactor aims to pay a dividend regularly each year. The target is to pay about half of the result for the financial period in dividends, taking into account the company's financial position, possible corporate reorganizations, and other development needs. For 2021, the Group's result for the financial period was EUR 4,503,784.55. 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 2021, the distributable assets of the Group's parent company amounted to EUR 27,016,921.29.

The Board of Directors proposes that Innofactor Plc distributes EUR 0.08 per share as a repayment of capital.

The Board of Directors further proposes that the Annual General Meeting authorize the Board to decide on a repayment of capital amounting to a maximum of EUR 3,279,058 (EUR 0.08 per share, taking into account the share issue authorization proposed to the Board of Directors).

Comprehensive Consolidated Profit and Loss Statement, IFRS

| EUR thousand | Note | 2021 | 2020 |
|---|------|--------------|--------------|
| Net sales | 3 | 66,364 | 66,164 |
| Other operating income | 3 | 2,681 | 282 |
| Materials and services | | -8,874 | -6,214 |
| Employee benefits/expenses | 6 | -43,453 | -43,551 |
| Depreciation | 5 | -3,592 | -4,663 |
| Other operating expenses | 4 | -6,607 | -9,518 |
| Operating profit | | 6,519 | 2,501 |
| Financial income | 8 | 359 | 1,329 |
| Financial expenses | 9 | -1,148 | -1,780 |
| Profit before taxes | | 5,730 | 2,050 |
| Income taxes | 10 | -1,226 | -288 |
| Profit/loss for the period | | 4,504 | 1,761 |
| Other comprehensive income | | | |
| Items that may be later recognized in profit or loss: | | | |
| Exchange differences | | 97 | -462 |
| Total comprehensive income | | 4,601 | 1,299 |
| Distribution of the profit and comprehensive income | | | |
| To shareholders of the parent company | | 4,601 | 1,299 |
| To non-controlling interests | | 0 | 0 |
| Earnings per share calculated from the profit attributable to equity holders of the parent: | | | |
| basic earnings per share (EUR) | 11 | 0.1208 | 0.0471 |
| diluted earnings per share (EUR) | 11 | 0.1208 | 0.0471 |

Consolidated Balance Sheet, IFRS

| EUR thousand | Note | Dec 31, 2021 | Dec 31, 2020 |
|-----------------------------|--------|---------------|---------------|
| ASSETS | | | |
| Non-current assets | | | |
| Tangible assets | 12 | 535 | 473 |
| Right-of-use assets | 12 | 3,166 | 3,865 |
| Goodwill | 13 | 26,393 | 26,531 |
| Other intangible assets | 13 | 633 | 2,084 |
| Shares and holdings | | 5 | 5 |
| Non-current assets | | 129 | 245 |
| Deferred tax assets | 14 | 4,830 | 6,413 |
| | | 35,691 | 39,616 |
| Current assets | | | |
| Trade and other receivables | 15, 19 | 13,403 | 13,925 |
| Cash and cash equivalents | 18 | 1,963 | 3,066 |
| | | 15,366 | 16,991 |
| TOTAL ASSETS | | 51,057 | 56,607 |

Consolidated Balance Sheet, IFRS

| EUR thousand | Note | Dec 31, 2021 | Dec 31, 2020 |
|--|--------|---------------|---------------|
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | |
| Equity attributable to the shareholders of the parent company | | | |
| Share capital | 17 | 2,100 | 2,100 |
| Share premium reserve | 17 | 72 | 72 |
| Reserve fund | 17 | 59 | 59 |
| Fund for invested | 17 | 20,174 | 20,921 |
| Retained earnings | 17 | 5,496 | 1,739 |
| Own shares | 17 | -1,146 | 0 |
| Exchange differences | 17 | -1,351 | -1,448 |
| Total shareholders' equity | | 25,404 | 23,444 |
| Non-current liabilities | | | |
| Loans from financial institutions | 18, 23 | 4,683 | 8,890 |
| Lease liabilities | 21 | 1,658 | 2,218 |
| Deferred tax liabilities | 14 | 1,487 | 1,824 |
| | | 7,828 | 12,933 |
| Current liabilities | | | |
| Loans from financial institutions | 18, 23 | 1,873 | 2,540 |
| Lease liabilities | 21 | 1,603 | 1,738 |
| Trade and other payables | 19 | 14,349 | 15,953 |
| | | 17,825 | 20,230 |
| Total liabilities | | 25,653 | 33,163 |
| Total shareholders' equity and liabilities | | 51,057 | 56,607 |

Consolidated cash flow statement, IFRS

| EUR thousand | Note | 2021 | 2020 |
|--|------|---------------|---------------|
| Cash flow from operating activities | | | |
| Operating Profit | | 6,519 | 2,501 |
| Adjustments: | | | |
| Depreciation | 5 | 3,592 | 4,663 |
| Other transactions with no related cash flow: | | -108 | -683 |
| Changes in working capital: | | | |
| Change in non-interest-bearing current receivables | | 479 | -9 |
| Change in non-interest-bearing current liabilities | | -1,204 | -813 |
| Interest paid | | -430 | -682 |
| Interest received | | 6 | 43 |
| Taxes paid | | 0 | -10 |
| Net cash flow from operating activities | | 8,855 | 5,010 |
| Investment cash flow | | | |
| Acquisition of subsidiaries | | 0 | -97 |
| Investments in intangible and tangible assets | | -402 | -311 |
| Receivables from sales | | -400 | 0 |
| Change in loan receivables | | 159 | 319 |
| Net cash flow from investments | | -643 | -89 |
| Cash flow from financing | | | |
| Loans withdrawn | | 0 | 3,000 |
| Loans paid | | -4,873 | -3,965 |
| Lease liability payments | | -1,801 | -1,853 |
| Payment of dividend and capital repayment | | -1,496 | 0 |
| Purchase of own shares | | -1,146 | |
| Net cash flow from financing | | -9,316 | -2,818 |
| Change in cash and cash equivalents | | | |
| | | -1,104 | 2,103 |
| Cash and cash equivalents, opening balance | | 3,066 | 963 |
| Cash and cash equivalents, closing balance | | 1,963 | 3,066 |

Consolidated Statement of Change in Shareholders' Equity, IFRS

Shareholders' equity attributable to equity holders of the parent

| EUR thousand | Note 17 | Share capital | Share premium reserve | Reserve fund | Fund for invested unrestricted equity | Own shares | Retained earnings | Exchange differences | Total shareholders' equity |
|--|---------|---------------|-----------------------|--------------|---------------------------------------|---------------|-------------------|----------------------|----------------------------|
| Shareholders' equity Jan 1, 2021 | | 2,100 | 72 | 59 | 20,921 | 0 | 1,739 | -1,447 | 23,444 |
| Comprehensive income | | | | | | | | | |
| Result for the financial period | | | | | | | 4,504 | | 4,504 |
| Other comprehensive income: | | | | | | | | | |
| Exchange differences | | | | | | | | 97 | 97 |
| Total comprehensive income | | | | | | | 4,504 | 97 | 4,601 |
| Dividend distribution | | | | | | | -748 | | -748 |
| Repayment of capital | | | | | -748 | | | | -748 |
| Purchase of own shares | | | | | | -1,146 | | | -1,146 |
| Shareholders' equity Dec 31, 2021 | | 2,100 | 72 | 59 | 20,174 | -1,146 | 5,495 | -1,351 | 25,404 |

Shareholders' equity attributable to equity holders of the parent

| EUR thousand | Note 17 | Share capital | Share premium reserve | Reserve fund | Fund for invested unrestricted equity | Own shares | Retained earnings | Exchange differences | Total shareholders' equity |
|--|---------|---------------|-----------------------|--------------|---------------------------------------|------------|-------------------|----------------------|----------------------------|
| Shareholders' equity Jan 1, 2020 | | 2,100 | 72 | 59 | 20,921 | 0 | -22 | -985 | 22,145 |
| Comprehensive income | | | | | | | | | |
| Result for the financial period | | | | | | | 1,761 | | 1,761 |
| Other comprehensive income: | | | | | | | | | |
| Exchange differences | | | | | | | | -462 | -462 |
| Total comprehensive income | | | | | | | 1,761 | -462 | 1,299 |
| Shareholders' equity Dec 31, 2020 | | 2,100 | 72 | 59 | 20,921 | 0 | 1,739 | -1,447 | 23,444 |

Notes to the Consolidated Financial Statements (IFRS)

1. Basic Information on the Group

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

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

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

Innofactor Plc's Board of Directors has approved these financial statements for publishing in its meeting on March 9, 2022. According to the Finnish Companies Act, shareholders may approve or reject the financial statements at a General Meeting held after their publication. The Meeting may also decide to amend the financial statements.

2. Accounting Policies

Accounting Policies

Innofactor Plc's consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS), observing the IAS and IFRS standards as well as SIC and IFRIC interpretations valid on December 31, 2021. In the Finnish Accounting

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

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

Application of New and Amended IFRS Norms

As of January 1, 2021, the Group has applied the following new and amended standards and interpretations which have not had a material effect on the Group's reporting:

- ▶ Rent reliefs related to COVID-19
- ▶ Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest rate benchmark reform – Phase 2

Changes That Will Take Effect During the Financial Period 2022 or Later

In addition to the standards and interpretations presented in the financial statements for 2021, the Group will adopt the following standards, interpretations and amendments to standards published by the IASB during financial periods beginning on or after January 1, 2022.

The Group will adopt each standard on the effective date, or if the effective date is not the first day of a reporting period, as of the beginning of the following reporting period, provided that they are approved by the EU.

- ▶ Amendments to IFRS 3: Reference to the Conceptual Framework
- ▶ Amendment to IAS 16: Property, plant and equipment: Proceeds before Intended Use
- ▶ Amendment to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract
- ▶ AIP IFRS 1 First-time Adoption of International Financial Reporting Standards, Subsidiary as a first-time adopter
- ▶ Annual improvements IFRS 9 Financial Instruments: Fees in the '10 per cent' test for derecognition of financial liabilities.
- ▶ IFRS 17 Insurance Contracts
- ▶ Amendment to IAS 1: Classification of Liabilities as Current or Non-Current
- ▶ Amendment to IAS 8: Definition of Material
- ▶ Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies
- ▶ Amendment to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- ▶ Amendment to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sales or contributions of assets between an investor and its associate/joint venture

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

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

Segment Structure

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

Subsidiaries

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

stipulate the principles of the company's finances and business operations to gain from the operations.

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

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

Tangible Assets

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

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

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

Machinery and equipment 3–10 years

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

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

Government Grants

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

Intangible Assets

Goodwill

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

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

Research and Development Costs

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

The development costs incurred by the design of new or advanced products are capitalized in the balance sheet as intangible assets from the date on which the product is regarded as technically feasible, commercially utilizable and able to generate future economic benefits. Capitalized development costs include the material, work and testing expenses that result directly from completing an asset for the intended purpose. The development costs recognized as expenses are not capitalized later.

Depreciation is recognized from the date the asset is ready for use. An asset which is not ready for use is tested annually for impairment. After initial recognition, capitalized development costs are measured at cost less accumulated depreciation and impairment losses. The

useful life of capitalized development costs is 3-5 years, during which time capitalized costs are amortized on a straight-line basis.

In 2021 and 2020, no development costs were capitalized as the requirements were not met.

Other Intangible Assets

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

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

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

The amortization period for software is 3–5 years.

Leases

Group as a Lessee

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

Initially, lease liabilities are measured at the commencement date at the present value of the lease payments, discounted using the interest rate implicit in the lease, if it can be readily determined. If the rate can't be readily determined, such as in real estate leases, the incremental borrowing rate is used. The incremental borrowing rate reflects the rate of interest that the Group would have to pay to borrow over

a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

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

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

Right-of-use assets are amortized over the shorter of the lease term or economic useful life of the asset.

Impairment of Tangible Assets and Intangible Assets

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

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

value of money and special risks associated with the asset.

An impairment loss is recognized, if the carrying amount of the asset is higher than its recoverable amount. The impairment loss is recognized immediately in profit or loss. An impairment loss of a cash-generating unit is first allocated to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amounts of the other assets of the unit pro rata. The useful life of the depreciated asset is re-evaluated in connection with the recognition of an impairment loss. An impairment loss recognized for an asset other than goodwill is reversed, if a change has taken place in the estimates used to determine the recoverable amount of the asset. However, the maximum reversal of an impairment loss amounts to the carrying amount of the asset had no impairment loss been recognized. An impairment loss recognized for goodwill is not reversed in any situation. No impairment losses were recognized in 2021 and 2020.

Employee Benefits

Pension Obligations

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

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

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

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

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

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

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

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

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

Revenue Recognition Principles

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

Services Sold

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

Long-Term Projects

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

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

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

The management exercises judgment in estimating

the recognition of revenue from fixed-price projects and the amount of retrospective discounts.

Maintenance Fees

Maintenance fees are recognized over the contract period.

Licenses

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

Financing

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

Valuing an instrument, which belongs to financial assets, at allocated acquisition cost requires that the contract-based cash flows consist entirely of an interest and capital reimbursement (the so called SPPI criteria). The fulfilling of the SPPI criteria is assessed separately for each financial instrument. If the SPPI criteria are not fulfilled, the financial assets are valued at fair value through profit or loss.

Financial assets are presented as current assets, if their maturity is under 12 months, or if the investment is planned to be relinquished within 12 months. In other cases, the asset is presented as a non-current asset.

Transaction costs are included in the original carrying amounts of the financial assets, when the asset has been valued at allocated acquisition cost. The purchases and sales of financial instruments are registered at the clearance date. The fair values of financial instruments have been defined through discounted cash flows.

Cash and Cash Equivalents

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

Impairment of Financial Assets

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

Financial Liabilities

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

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

Derivative Agreements

Initially, derivative agreements are recognized at fair value on the date when the Group becomes a party of the agreement, and later they will continue to be valued at fair value. Profit and loss for valuing at fair value are treated in the accounting in a way defined by the purpose of use of the derivative agreement. Initially, derivative agreements are recognized at fair value on the date when the Group becomes a party of the agreement, and later they will be valued at fair value at the time of reporting. Changes in fair value are recognized in financial income or expenses in the profit and loss statement. The Group has no derivative agreements in effect.

Shareholders' Equity

Ordinary shares are presented as share capital. Costs relating to the issue or acquisition of equity instruments

are presented as a deduction in shareholders' equity. If Innofactor repurchases its own equity instruments, the purchase price of such instruments is deducted from the shareholder's equity.

Operating Profit

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

Critical Accounting Judgments and Key Sources of Estimation Uncertainty

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

The estimates made in the preparation of the financial statements are based on the best view of the management at the closing date of the reporting period. The estimates are based on the previous experiences and on assumptions concerning the future that are considered the most probable at the closing date. They may be related to the expected development of the Group's financial operating environment in terms of sales and cost level. The Group regularly monitors

the realization of the estimates and assumptions and the factors behind them by using several both internal and external sources of information. Possible changes in the estimates and assumptions are recognized in the financial period during which the estimate or assumption is adjusted and in the subsequent financial periods.

The key assumptions concerning the future and those key sources of estimation uncertainty at the closing date of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are presented later in this report. The Group management considers these sections of the financial statements the most essential, because the accounting policies concerning them are the most complicated and their application requires the use of the most significant estimates and assumptions concerning, for example, the measurement of financial assets. In addition, the impact of possible changes in the assumptions and estimates used in these sections of the financial statements is estimated as the most significant.

Determination of the Fair Value of Assets Acquired in Business Combinations

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

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

3. Net Sales

| EUR thousand | 2021 | 2020 |
|--------------------|---------------|---------------|
| Licenses | 2,369 | 3,168 |
| Services | 45,470 | 46,433 |
| Long-term projects | 3,486 | 2,864 |
| Maintenance fees | 15,040 | 13,699 |
| Total | 66,364 | 66,164 |

Innofactor revised the method of presenting the classification of net sales in 2021. The comparison figures for 2020 have been adjusted to comply with the new disclosure method.

From long-term projects in progress at the balance sheet date, a total of EUR 2.7 million (EUR 1.2 million in 2020) of realized revenues had been recognized.

For advance payments for long-term projects in progress, the balance sheet included EUR 85 thousand on December 31, 2021 (EUR 123 thousand on December 31, 2020).

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

On January 1–December 31, 2021, approximately 66 percent of the net sales came from Finland, approximately 18% from Sweden, approximately 6% from Denmark, and approximately 10% from Norway.

The warranty period for system deliveries is 6–12 months and work under warranty is usually carried out during maintenance.

Unfulfilled Customer Contracts

| EUR thousand | 2021 | 2020 |
|--|--------|--------|
| Total transaction price for partially or entirely unfulfilled customer contracts | 72,837 | 60,402 |

Estimated time of recognition

| | | |
|--|---------------|---------------|
| Estimated recognition within the next year | 45,002 | 35,689 |
| Estimated recognition later | 27,835 | 24,713 |
| Yhteensä | 72,837 | 60,402 |

For continuing service contracts, the value of long-term customer contracts is calculated as the value of the net sales in one year. On December 31, 2021, this was EUR 17,939 thousand and on December 31, 2020, it was EUR 15,958 thousand.

Net Sales by Customer Location

| EUR thousand | 2021 | 2020 |
|------------------------|---------------|---------------|
| Finland | 43,845 | 44,718 |
| Rest of Europe | 22,519 | 21,446 |
| Rest of the world | 0 | 0 |
| Total net sales | 66,364 | 66,164 |

Other Operating Income

Innofactor sold the business operations focusing on the Innofactor Prime ERP software 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 billing, calendar management, graveyard management, enterprise resource planning system and electronic services.

The result for 2021 includes a sales gain of approximately EUR 2.6 million from the sale of the Prime business. The capital gain is recognized in other operating income.

The last installment of the sale will be paid on March 31, 2022. The installment to be paid includes a claim for redress on the part of the buyer. Innofactor does not consider a redress to the purchase price probable.

4. Other Operating Expenses

| EUR thousand | 2021 | 2020 |
|---|--------------|--------------|
| The following table shows three of the most significant items included in other operating expenses: | | |
| Voluntary indirect employee costs | 1,385 | 1,229 |
| Expenses for business premises | 651 | 582 |
| Marketing expenses | 561 | 490 |
| Total | 2,597 | 2,301 |
| Other unspecified operating expenses | 4,010 | 7,217 |
| Other operating expenses, total | 6,607 | 9,518 |

Remuneration of the Auditors

| EUR thousand | 2021 | 2020 |
|----------------|------------|------------|
| Auditing | 122 | 159 |
| Other services | 10 | 20 |
| Total | 132 | 179 |

5. Depreciation and Impairment

| EUR thousand | 2021 | 2020 |
|-----------------------------|--------------|--------------|
| Depreciation by asset group | | |
| Intangible Assets | 1,457 | 2,478 |
| Total | 1,457 | 2,478 |
| Tangible assets | | |
| Real estate | 1,806 | 1,804 |
| Machinery and equipment | 330 | 381 |
| Total | 2,135 | 2,185 |
| Total depreciation | 3,592 | 4,663 |

6. Employee Benefits/Expenses

| EUR thousand | 2021 | 2020 |
|---|---------------|---------------|
| Wages and salaries | 34,760 | 35,668 |
| Pension expenses – defined contribution plans | 5,339 | 4,632 |
| Other indirect employee costs | 3,353 | 3,251 |
| Total | 43,453 | 43,551 |

| Group personnel | 2021 | 2020 |
|------------------------------------|------|------|
| Average in the financial period | 516 | 544 |
| At the end of the financial period | 500 | 541 |

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

7. Research and Development Costs

In 2021, the research and development costs recognized as expenses totaled EUR 3,504 thousand (EUR 3,618 thousand in 2020). The Group did not capitalize any research and development costs during the financial period 2021.

8. Financial Income

| EUR thousand | 2021 | 2020 |
|--------------------------------|------------|--------------|
| Interest income | 2 | 29 |
| Other financial income * | 357 | 1,300 |
| Rahoitustuotot yhteensä | 359 | 1,329 |

* Other financial income includes EUR 232 thousand in unrealized exchange rate gains that are primarily intra-Group.

9. Financial Expenses

Items recognized in profit or loss

| EUR thousand | 2021 | 2020 |
|--|--------------|--------------|
| Interest and other financial expenses * | 1,043 | 1,634 |
| Change in fair value registered from interest rate derivatives | 0 | 4 |
| Interest expenses for right-of-use assets | 106 | 142 |
| Financial expenses, total | 1,148 | 1,780 |

* Other interest and financial income includes EUR 542 thousand in unrealized exchange rate losses that are primarily intra-Group.

10. Income Taxes

| EUR thousand | 2021 | 2020 |
|---|---------------|-------------|
| Tax based on the taxable income of the financial period | 0 | -10 |
| Other taxes | -3 | 0 |
| Deferred tax related to the creation or cancellation of temporary differences | -1,223 | -278 |
| Total | -1,226 | -288 |

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

| EUR thousand | 2021 | 2020 |
|---|---------------|-------------|
| Earnings before taxes | 5,730 | 2,050 |
| Taxes calculated at the domestic tax rate | -1,146 | -410 |
| Non-deductible expenses | -45 | -121 |
| Tax-free income | 52 | 12 |
| Difference in foreign tax rate | 3 | 31 |
| Other | -90 | 200 |
| Taxes in the profit and loss statement | -1,226 | -288 |

11. Earnings per Share

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

| | 2021 | 2020 |
|--|------------|------------|
| Profit for the year attributable to shareholders of the parent company (EUR) | 4,503,785 | 1,761,496 |
| Weighted average of the number of shares during the financial period | 37,289,660 | 37,388,225 |
| Basic earnings per share (EUR/share)* | 0.1208 | 0.0471 |

*There is no dilution effect in the Group.

12. Tangible assets

| EUR thousand | Machinery and equipment | Buildings and structures | Total |
|--|-------------------------|--------------------------|---------------|
| Acquisition cost, Jan 1, 2021 | 4,900 | 7,088 | 11,987 |
| Additions in 2021 | 386 | 1,106 | 1,492 |
| Deductions in 2021 | -8 | 0 | -8 |
| Acquisition costs, Dec 31, 2021 | 5,277 | 8,194 | 13,471 |
| Accumulated depreciation, amortization and impairment, Jan 1, 2021 | -4,411 | -3,239 | -7,650 |
| Depreciation related to deductions/exchange differences of tangible assets | 0 | 15 | 15 |
| Depreciation in 2021 | -330 | -1,806 | -2,135 |
| Carrying amount, Jan 1, 2021 | 489 | 3,850 | 4,338 |
| Carrying amount, Dec 31, 2021 | 537 | 3,164 | 3,701 |
| Acquisition cost, Jan 1, 2020 | 4,559 | 6,194 | 10,753 |
| Additions in 2020 | 341 | 893 | 1,234 |
| Acquisition cost, Dec 31, 2020 | 4,900 | 7,088 | 11,987 |
| Accumulated depreciation, amortization and impairment, Jan 1, 2020 | -4,030 | -1,435 | -5,465 |
| Depreciation in 2020 | -381 | -1,804 | -2,185 |
| Carrying amount, Jan 1, 2020 | 529 | 4,760 | 5,289 |
| Carrying amount, Dec 31, 2020 | 489 | 3,850 | 4,338 |

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

| | Jan 1, 2020 | Dec 31, 2020 |
|---------------------|--------------|--------------|
| Tangible assets | 455 | 472 |
| Right-of-use assets | 4,835 | 3,865 |
| Total | 5,290 | 4,338 |

Right-of-use assets

| EUR thousand | Machinery and equipment | Buildings and structures | Total |
|--------------------------------------|-------------------------|--------------------------|--------------|
| Acquisition cost, Jan 1, 2021 | 16 | 3,850 | 3,866 |
| Additions in 2021 | | 1,106 | 1,106 |
| Depreciation in 2021 | -14 | -1,793 | -1,807 |
| Carrying amount, Dec 31, 2021 | 1 | 3,164 | 3,166 |
| Acquisition cost, Jan 1, 2020 | 74 | 4,760 | 4,835 |
| Additions in 2020 | 30 | 893 | 924 |
| Depreciation in 2020 | -89 | -1,804 | -1,893 |
| Carrying amount, Dec 31, 2020 | 16 | 3,850 | 3,865 |

Lease liabilities are described in Note 21.

13. Intangible Assets

| EUR thousand | Goodwill | Other intangible assets | Total |
|--|---------------|-------------------------------|----------------|
| Acquisition cost, Jan 1, 2021 | 27,743 | 16,438 | 44,180 |
| Additions in 2021 | | | 0 |
| Change in value from exchange rate changes | -134 | 8 | -126 |
| Acquisition cost, Dec 31, 2021 | 27,609 | 16,446 | 44,055 |
| Accumulated depreciation, amortization and impairment, Jan 1, 2021 | -1,216 | -14,357 | -15,573 |
| Depreciation in 2021 | 0 | -1,457 | -1,457 |
| Accumulated depreciation, amortization and impairment, Dec 31, 2021 | -1,216 | -15,813 | -17,029 |
| Carrying amount, Jan 1, 2021 | 26,531 | 2,084 | 28,616 |
| Carrying amount, Dec 31, 2021 | 26,393 | 633 | 27,026 |
| Acquisition cost, Jan 1, 2020 | 27,214 | 15,621 | 42,835 |
| Additions in 2020 | 186 | 702 | 887 |
| Change in value from exchange rate changes | 343 | 115 | 458 |
| Acquisition cost, Dec 31, 2020 | 27,743 | 16,438 | 44,180 |
| Accumulated depreciation, amortization and impairment, Jan 1, 2020 | -1,216 | -11,879 | -13,095 |
| Depreciation in 2020 | 0 | -2,478 | -2,478 |
| Accumulated depreciation, amortization and impairment, Dec 31, 2020 | -1,216 | -14,357 | -15,573 |
| Carrying amount, Jan 1, 2020 | 26,003 | 3,745 | 29,748 |
| Carrying amount, Dec 31, 2020 | 26,531 | 2,084 | 28,616 |

Intangible Assets

Impairment Testing

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

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

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

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

3. Discounting rate – Determined by using Weighted Average Cost of Capital (WACC), which defines the overall cost of equity and debt, taking the special risks concerning the items into consideration. The discount rate has been determined before taxes. The discount rate used in the calculations is 11.7% (12.8% in 2020). The discount rate after taxes is 9.5% (9.5% in 2020).
4. Growth rate in the forecast period – the company considers the used net sales to be conservative, considering the realized long-term growth of the field and of Innofactor's business.

According to the impairment testing, the recoverable amounts exceed the corresponding balance sheet values by approximately EUR 47 million. No impairment losses were recognized in 2021 and 2020.

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

Recognition of Goodwill

| EUR thousand | 2021 | 2020 |
|---------------------|---------------|---------------|
| IT service business | 26,393 | 26,531 |
| Goodwill | 26,393 | 26,531 |

14. Deferred Tax Assets and Liabilities

Changes in deferred taxes in 2021:

| EUR thousand | Dec 31, 2020 | Recognized in profit or loss | Exchange differences | Reversal of net deferred tax assets and liabilities | Dec 31, 2021 |
|---|--------------|------------------------------|----------------------|---|--------------|
| Deferred tax assets | | | | | |
| From Group combinations * | 6,413 | -1,560 | -23 | 0 | 4,830 |
| Total | 6,413 | -1,560 | -23 | 0 | 4,830 |
| Deferred tax liabilities | | | | | |
| Measurement of intangible assets and tangible assets at market value in business combinations | | | | | |
| | 1,824 | -338 | 0 | 0 | 1,487 |
| Total | 1,824 | -338 | 0 | 0 | 1,487 |

* Of the deferred tax assets, approximately EUR 4,593 thousand consist of historical, confirmed losses.

At the end of 2021, the amount of losses, which have not been used in the Group's taxation and which have not been recognized as deferred taxes in accordance with the prudence concept, is EUR 3.8 million. These losses are from the other Nordic countries outside Finland. The losses in other Nordic countries will not expire, but strong evidence of their utilization in the next few years is required. The figures do not include the losses to be used in the taxation for 2021, which have not yet been confirmed.

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

15. Trade and Other Receivables

| EUR thousand | 2021 | 2020 |
|---|---------------|---------------|
| Trade and other receivables | | |
| Trade receivables | 8,040 | 9,882 |
| Receivables from customers for project agreements | 2,934 | 2,012 |
| Loan receivables | 98 | 141 |
| Accrued income | 1,939 | 1,890 |
| Other receivables | 393 | 0 |
| Total | 13,403 | 13,925 |

Credit loss provision for receivables

| EUR thousand | 2021 | 2021 | 2020 |
|--------------|-----------------------------|------------------------------|------|
| | After credit loss provision | Before credit loss provision | |
| | | | |

Breakdown of trade receivables by age

| | | | | |
|-----------------------|--------------|----------|--------------|--------------|
| Not past due | 7,514 | 8 | 7,522 | 3,001 |
| Past due | | | | |
| Past due 1–90 days | 516 | 1 | 517 | 5,600 |
| Past due over 90 days | 10 | 1 | 11 | 1,282 |
| Total | 8,040 | 9 | 8,049 | 9,882 |

Trade receivables have been adjusted by a credit loss provision in accordance with IFRS 9. The balance sheet values correspond best to the maximum amount of the credit risk, excluding the fair value of collateral, in cases where the other parties to the agreement are unable to fulfill their obligations related to financial instruments. The Group's operating practices do not include the acquisition of collateral for trade and other receivables. The principles for managing credit risks are described in Note 18.

Assets Based on Customer Contracts

| EUR thousand | 2021 | 2020 |
|--|--------------|--------------|
| Receivables based on project contracts | 2,934 | 2,012 |
| Total | 2,934 | 2,012 |

| EUR thousand | 2021 | 2020 |
|--|--------------|--------------|
| Liabilities based on project contracts | 1,353 | 1,078 |
| Total | 1,353 | 1,078 |

Liabilities and receivables based on project contracts are stated in the accrued income and liabilities in the balance sheet. Innofactor does not expect to enter into contracts in which the time between the handover of projects or services to the customer and the payment made by the customer would be longer than one year. For this reason, the transaction prices are not adjusted to take the time value of money into account.

16. Cash and Cash Equivalents

| EUR thousand | 2021 | 2020 |
|---------------|--------------|--------------|
| Bank accounts | 1,963 | 3,066 |
| Total | 1,963 | 3,066 |

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

17. Notes Concerning Shareholders' Equity

| Number of Shares in 2020 | 2021 | 2020 |
|---------------------------------|-------------|-------------|
| Outstanding shares, Jan 1 | 37,388,225 | 37,388,225 |
| Share issue | 0 | 0 |
| Own shares held by the company | 762,000 | 0 |
| Outstanding shares, Dec 31 | 36,626,225 | 37,388,225 |

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

The equity funds are described below:

Share Premium Reserve

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

Reserve Fund

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

Fund for Invested Unrestricted Equity

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

the option programs that have been decided on after the new Companies Act (21.7.2006/624) entered into force (September 1, 2006), the fees for subscriptions are recognized in full in the fund for invested unrestricted equity.

Dividends and Capital Repayment

In 2021, a dividend of EUR 0.02 per share and a capital repayment of EUR 0.02 per share were distributed. The Board of Directors has proposed that Innofactor Plc distribute EUR 0.02 per share repayment of capital for the financial period 2021.

The Board of Directors further proposes that the Annual General Meeting authorize the Board to decide on a repayment of capital amounting to a maximum of EUR 3,279,058 (EUR 0.08 per share, taking into account the share issue authorization proposed to the Board of Directors).

Own Shares

The General Meeting of March 30, 2021, authorized the Board of Directors to decide on acquiring a maximum of 3,600,000 of company's own shares in one or several parts with the company's unrestricted

equity. The authorization entitles the Board to deviate from the shareholders' proportional shareholdings (directed acquisition). Own shares may be acquired at the purchase price formed for them in public trading on the day of purchase or at another market price. The number of treasury shares at a time may be, at the maximum, one tenth of the total number of shares in the company. Shares may be purchased to be used in company acquisitions or implementing other arrangements relating to the company's business operations, improving the company's capital or financing structure, as a part of the company's incentive system, or otherwise to be handed over or voided. In connection with the share repurchase, ordinary derivative, stock lending and other agreements may be made in the market in accordance with the laws and regulations. The authorization includes the right of the Board of Directors to decide on all other matters related to the acquisition of shares. The authorization will be valid until June 30, 2022. This authorization replaces the Board's earlier authorizations concerning share repurchase.

At the end of the review period, the company held 762,000 treasury shares.

18. Financial Risk Management

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

Interest Risk

At the closing date, the company had fluctuating rate bank loans totaling EUR 6.6 million (EUR 11.4 million on December 31, 2020). The company has been subjected to the cash flow interest risk through the loan portfolio. The goal of the company's risk management as concerns the interest risk is to minimize the negative impacts of interest rate changes on the company's result. The average interest rate of the loans was 3.1 percent (3.9% in 2020).

The realized average balances of the fluctuating rate loans during the financial period have been used in the sensitivity analysis. At the closing date, the effect of the fluctuating rate interest-bearing loans on the result before taxes would have been EUR +/- 91 thousand (2020: EUR +/- 131 thousand) had the interest rate been increased or decreased by 1 percentage point.

Exchange Rate Risk

Innofactor Group operates globally and is exposed to risks related to the currencies of the countries in which it operates. Changes in exchange rates, especially the rates of Swedish krona and Norwegian krone, affect the Group's net sales and profitability. Innofactor has significant business operations based on Swedish

krona and Norwegian krone. The exchange rate risk is mainly due to the assets and liabilities registered in the balance sheet and the net investments made in the subsidiaries abroad. Also, the business contracts made by subsidiaries pose an exchange rate risk, although these contracts are mainly made in the currency the unit uses in its operation. The management of exchange rate risks in the Group aims at minimizing the uncertainty that changes in exchange rates cause in the result through cash flows and assessment of receivables and liabilities.

Credit Risk

Credit decisions related to sales receivables are monitored centrally by the Group's management. Large part of Innofactor's cash flow comes through established customer relationships as payments from the public sector and financially sound companies, which have not presented essential credit risks in the past, and the Group has not suffered any significant credit losses. Should credit risks realize, it would weaken the Group's financial standing and liquidity. Sales receivables are monitored regularly.

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

Risks Related to Receivables from Projects

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

and in customer projects, to project management and steering in accordance with the scheduled payments. Project receivables are monitored regularly.

Risks Related to the Cash Position

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

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

EUR thousand

| Balance sheet value | 0-6 months | 6 months-1 year | over 1 year | 2-4 years |
|---------------------|------------|-----------------|-------------|-----------|
| Dec 31, 2021 | | | | |

Maturity distribution of financial liabilities

| | | | | |
|-----------------------------------|--------|-------|-------|-------|
| Loans from financial institutions | | | | |
| 6,557 | 937 | 937 | 1,873 | 2,810 |
| Ostovelat ja muut velat | | | | |
| 14,349 | 12,368 | 1,981 | 0 | 0 |

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

Maturity distribution of financial liabilities

| | | | | |
|-----------------------------------|--------|-------|-------|-------|
| Loans from financial institutions | | | | |
| 11,430 | 1,270 | 1,270 | 2,540 | 5,080 |
| Ostovelat ja muut velat | | | | |
| 15,952 | 13,864 | 2,088 | 0 | 0 |

Lease liabilities are described in Note 21.

Capital Structure Management

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

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

| EUR thousand | 2021 | 2020 |
|--|--------|--------|
| Interest-bearing loans from financial institutions | 6,557 | 11,430 |
| Lease liabilities | 3,261 | 3,955 |
| Cash and cash equivalents | 1,963 | 3,066 |
| Total shareholders' equity | 25,404 | 23,444 |
| Net Gearing | 30.9% | 52.5% |

Financial Risk Management

In its normal business operations, Innofactor Group is exposed to normal financing risks. In total at the end of the review period, Innofactor had approximately EUR 5.6 million in interest bearing debts to financial institutions, which have been taken out to finance acquisitions and working capital. Of the debts, approximately EUR 4.7 million is non-current and approximately EUR 1.9 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 3.3 million, of which EUR 1.7 million was current and EUR 1.6 million

non-current. The total of interest-bearing liabilities was EUR 9.8 million.

Innofactor is committed to the following covenants: Equity ratio calculated every 6 months is at least 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 2.75 until June 30, 2022, and 2.5 afterwards; and certain other normal conditions for loans.

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

19. Fair Values of Financial Assets and Liabilities

The table below shows the fair value and carrying amount of each item in financial assets and liabilities. These values correspond with the consolidated balance sheet values.

| EUR thousand | Note | Dec 31, 2021 | Dec 31, 2020 |
|--|------|---------------|---------------|
| Trade and Other Receivables | 15 | 13,403 | 13,925 |
| Cash and Cash Equivalents | 16 | 1,963 | 3,066 |
| Total | | 15,366 | 16,991 |
| Loans from financial institutions | | 6,557 | 11,430 |
| Lease liabilities | | 3,261 | 3,956 |
| Total | | 9,818 | 15,386 |
| Trade and other payables: | | | |
| Received advances | | 1,353 | 1,078 |
| Trade payables | | 1,341 | 1,559 |
| Other liabilities | | 4,884 | 4,766 |
| Accrued expenses | | 6,771 | 8,550 |
| Interest rate swap agreements, not in hedge accounting * | | 0 | 0 |
| Yhteensä | | 14,349 | 15,953 |

* fair value hierarchy level 2

Trade and other receivables

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

Loans From Financial Institutions

The carrying amount of loans corresponds with their fair value.

Trade and Other Payables

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

Derivatives

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

20. Government Grants

Comprehensive Consolidated Profit and Loss Statement, IFRS

Government grants recognized during the financial period

| EUR thousand | 2021 | 2020 |
|---|-----------|------------|
| Grants received for wages and employee expenses | 1 | 407 |
| Other grants | 77 | 302 |
| Total | 78 | 709 |

Payments of government grants related to the COVID-19 pandemic

| EUR thousand | 2021 | 2020 |
|------------------------------|------|------|
| Government grants received | 78 | 513 |
| Government grants receivable | 8 | 196 |
| Deferred payments | 0 | 275 |

During the 2021 financial period, the Innofactor Group received subsidies from the Swedish state related to COVID-19.

21. Lease Liabilities

Maturity

| EUR thousand | Total | Less than 1 year | 1-5 years | Over 5 years |
|-----------------------------|--------------|------------------|--------------|--------------|
| 31.12.2021 | | | | |
| Lease liabilities (IFRS 16) | 3,261 | 1,603 | 1,658 | 0 |
| Other lease liabilities | 47 | 47 | 0 | |
| Total | 3,308 | 1,650 | 1,658 | 0 |

Balance Sheet

| EUR thousand | 2021 | 2020 |
|-------------------------------|--------------|--------------|
| Non-current lease liabilities | 1,658 | 2,216 |
| Current lease liabilities | 1,603 | 1,740 |
| Total | 3,261 | 3,956 |

Comprehensive Consolidated Profit and Loss Statement, IFRS

| EUR thousand | 2021 | 2020 |
|---|------------|------------|
| Deduction of other expenses (lease liabilities) | 1,907 | 1,994 |
| Addition of right-of-use asset deductions | -1,806 | -1,893 |
| Addition of operating profit | 101 | 101 |
| Addition of financial expenses | -106 | -142 |
| Result for the financial period | -5 | -41 |

| | |
|--|-----|
| Current lease liabilities recognized in 2021 | 178 |
| Low value lease liabilities recognized in 2021 | 71 |

The cash flow effect of the company's lease agreements was EUR -2,155 thousand in 2020 (EUR -2,207 thousand in 2021).

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

Right-of-use assets are described in Note 12.

22. Contingent Liabilities and Assets and Acquisition Commitments

Collateral

| EUR thousand | 2021 | 2020 |
|--|--------|--------|
| Collateral given for own commitments | | |
| Lease collateral | 126 | 121 |
| Mortgages on company assets | 16,350 | 17,017 |
| Mortgages on company assets have been given as collateral for the credit limit and a loan. | | |
| Bank guarantees | 309 | 296 |
| Bank guarantees have been given as collateral for lease agreements. | | |

23. Statement of Changes in Interest Bearing Debts

| EUR thousand | Non-current | Current | Total |
|---|---------------|--------------|---------------|
| Liabilities Jan 1, 2021 | 11,108 | 4,278 | 15,386 |
| Loans withdrawn | 0 | 0 | 0 |
| Loans paid | -2,000 | -2,873 | -4,873 |
| Changes with no related cash flow: | | | |
| Changes between non-current and current | | | |
| | -2,206 | 2,206 | 0 |
| Change in lease liabilities * | | | |
| | -560 | -135 | -695 |
| Liabilities Dec 31, 2021 | 6,342 | 3,476 | 9,818 |

* IFRS 16 lease liabilities (Note 21)

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

* IFRS 16 lease liabilities (Note 21)

24. Related Party Disclosures

Innofactor's related parties include persons referred to in the description of the related parties of a listed company in the Limited Liability Companies Act and legal persons (IAS Regulation 24). The company's financial administration maintains a list of the company's related parties. The company's financial administration defines Innofactor's related parties, when the status as a related party is not due to the IAS related party definition concerning persons. The company sends an annual query to the company's key management persons, as defined in IAS 24, about the natural and legal persons which are their related parties. Persons discharging managerial duties in the company, who are considered related parties, owe EUR 96 thousand to the company (EUR 107 thousand in 2020) as a result of personnel share issues. The loan period is five years, and the loan is repaid in fixed monthly installments. The interest rate for the loan is 12-month Euribor 360. However, the interest rate is always a minimum of 0%. The accrued interest is paid to the company monthly.

The company has no other significant related party transactions.

Management's Employment Benefits

| EUR thousand | 2021 | 2020 |
|---|--------------|--------------|
| Salaries and fees paid to the CEO and Group management during the financial period, including benefits in kind, as follows: | | |
| CEO (including Board fees) | 363 | 344 |
| Other Group management | 1,263 | 882 |
| Total | 1,626 | 1,226 |

Management's Employment Benefits

| EUR thousand | 2021 | 2020 |
|--------------------------------|--------------|--------------|
| Short-term employee benefits | 1,626 | 1,226 |
| Post-employment benefits | 0 | 0 |
| Other long-term benefits | 0 | 0 |
| Benefits paid upon termination | 0 | 0 |
| Share-based payments | 0 | 0 |
| Total | 1,626 | 1,226 |

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

| EUR thousand | | 2021 | 2020 |
|----------------------------------|-------------------------------|------------|------------|
| Board members and deputy members | | | |
| Lindén Anna | Chairman of the Board in 2021 | 48 | 45 |
| Eloholma Pekka | Board member in 2020 | 0 | 27 |
| Ensio Sami | Board member in 2021 | 24 | 24 |
| Linturi Risto | Board member in 2021 | 24 | 24 |
| Heikki Nikku | Board member in 2021 | 24 | 20 |
| Total | | 120 | 140 |

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

25. Group Companies

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

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

26. Events After the Closing Date

Events After the Review Period

- ▶ On January 4, 2022, Innofactor announced in a stock exchange release that it had completed the share repurchase program. Repurchases of treasury shares began on October 26, 2021, and ended on January 5, 2022. During this period, Innofactor acquired 800,000 treasury shares at an average price of EUR 1.5045. The shares were acquired at the current market price in public trading arranged by Nasdaq Helsinki Ltd.
- ▶ On January 18, 2022, Innofactor announced in a stock exchange release that the Ministry of Social Affairs and Health selected Innofactor in a public procurement competition as the provider of the Case Management, Document Management, Services and Reference Price Information System and the related maintenance and further development tasks of the Pharmaceuticals Pricing Board. The total value of the procurement (excluding VAT) stated by the Ministry of Social Affairs and Health in the procurement decision for the four-year contract period is approximately EUR 1,190,000.
- ▶ On January 20, 2022, Innofactor announced in a stock exchange release that the Housing Finance and Development Centre of Finland (ARA) had selected Innofactor in a public procurement competition as the supplier of the Sequence Number Register. The procurement includes the planning and implementation of the Sequence Number Register, the support, maintenance and further development services for the implemented solution, as well as system operation and control. The solution is based on Microsoft Azure cloud services. Innofactor's share of the total value of the procurement is approximately EUR 680,000. The minimum agreement period is three years.
- ▶ On February 16, 2022, Innofactor announced in a stock exchange release that the Finnish Safety and Chemicals Agency (Tukes) selected Innofactor in a public procurement competition as the supplier of the "Agile development of services, servicing and maintenance" section of the framework agreement on for IT system development and maintenance. The framework agreement comprises a total of three areas for which a total of four framework contract suppliers were selected. A total of two framework contract suppliers were selected for the "Agile development of services and Servicing and maintenance" are. The Agile development of services, servicing and maintenance section focuses on the implementation of Tukes' systems in accordance with an agile approach, service validation, the servicing and maintenance of applications, and processing and repair of disruptions. The anticipated total value of the procurement indicated by Tukes in the procurement decision for all three covered areas, without value added tax, is EUR 6,800,000. The duration of the framework agreement is four years, plus an option for two additional years.

Innofactor had no other significant events after the end of the review period.

Parent Company Financial Statement, FAS

EUR

| PARENT COMPANY PROFIT AND LOSS STATEMENT | Note | Jan 1–Dec 31, 2021 | Jan 1–Dec 31, 2020 |
|---|----------|--------------------|--------------------|
| | | 12 months | 12 months |
| NET SALES | 1 | 9,870,192 | 9,378,502 |
| Other operating income | 2 | 31,844 | 12,500 |
| Materials and services | | | |
| Purchases during the financial period | 3 | -4,162,571 | -2,028,509 |
| Personnel expenses | 4 | -2,596,458 | -2,394,223 |
| Depreciation | | | |
| Planned depreciation | | -310,841 | -315,047 |
| Other Operating Expenses | 6 | -2,816,488 | -4,634,977 |
| OPERATING RESULT | | 15,678 | 18,246 |
| Financial income and expenses | 7 | | |
| Dividend income | | 0 | 0 |
| Interest and financial income | | 608,237 | 2,147,857 |
| Interest and other financial expenses | | -354,792 | -887,966 |
| Total financial income and expenses | | 253,445 | 1,259,891 |
| RESULT BEFORE APPROPRIATIONS AND TAXES | | 269,123 | 1,278,137 |
| Group contribution | | -400,878 | 272,944 |
| EARNINGS BEFORE TAXES | | -131,755 | 1,551,081 |
| RESULT FOR THE FINANCIAL PERIOD | | -131,755 | 1,551,081 |

Balance Sheet, FAS

EUR

| ASSETS | Note | Dec 31, 2021 | Dec 31, 2020 |
|---------------------------------|------|-------------------|-------------------|
| NON-CURRENT ASSETS | | | |
| Intangible assets | | | |
| Intangible rights | 8 | 179,560 | 359 962 |
| Goodwill | 8 | 0 | 120 768 |
| Tangible assets | | | |
| Machinery and equipment | 8 | 16,809 | 26 479 |
| Investments | | | |
| Shares in Group companies | 9 | 32,198,940 | 29 384 334 |
| Other shares and holdings | | 0 | 0 |
| TOTAL NON-CURRENT ASSETS | | 32,395,308 | 29 891 544 |
| CURRENT ASSETS | | | |
| Receivables | | | |
| Non-current | | | |
| Loan receivables | | 128,517 | 245,202 |
| Other receivables | | 26,119,556 | 27,289,298 |
| Current | | | |
| Trade receivables | | 11,797,963 | 12,876,104 |
| Loan receivables | | 73,178 | 115,972 |
| Accrued income | 11 | 814,343 | 457,433 |
| Cash and bank receivables | | 1,587,548 | 2,867,927 |
| TOTAL CURRENT ASSETS | | 40,521,104 | 43,851,937 |
| ASSETS | | 72,916,412 | 73,743,481 |

EUR

| LIABILITIES | Note | Dec 31, 2021 | Dec 31, 2020 |
|--|------|-------------------|-------------------|
| SHAREHOLDERS' EQUITY | | | |
| 12 | | | |
| Share capital | | 2,100,000 | 2,100,000 |
| Revaluation fund | | 2,000,000 | 2,000,000 |
| Fund for invested unrestricted equity | | 28,267,517 | 29,015,281 |
| Profit from previous financial periods | | -1,118,840 | -776,443 |
| Profit/loss for the financial period | | -131,755 | 1,551,081 |
| Total shareholders' equity | | 31,116,921 | 33,889,919 |
| LIABILITIES | | | |
| 13 | | | |
| Non-current | | | |
| Loans from financial institutions | | 4,683,333 | 8,890,000 |
| Non-current total | | 4,683,333 | 8,890,000 |
| Current | | | |
| Loans from financial institutions | | 1,873,333 | 2,540,000 |
| Trade payables | | 659,988 | 372,771 |
| Other liabilities | | 33,622,634 | 26,887,845 |
| Accrued expenses | 14 | 960,202 | 1 162 945 |
| Current total | | 37,116,158 | 30,963,561 |
| Total liabilities | | 41,799,491 | 39,853,561 |
| LIABILITIES | | 72,916,412 | 73,743,481 |

Parent Company Cash Flow Statement

| EUR | Jan 1–Dec 31, 2021 | Jan 1–Dec 31, 2020 |
|---|--------------------|--------------------|
| Operating activities cash flow | | |
| Operating profit/loss | 15,678 | 18,246 |
| Adjustments: | | |
| Depreciation | 310,841 | 315,047 |
| Transactions with no related cash flow | -37,217 | 120,566 |
| Change in working capital | | |
| Change in trade and other receivables | 721,232 | -247,826 |
| Change in trade and other payables | -5,635,176 | -2,451,830 |
| Interest received | 605,625 | 991,801 |
| Paid interest and other financial expenses | -314,963 | -420,227 |
| Total operating activities cash flow | -4,333,981 | -1,674,222 |
| Investment cash flow | | |
| Investments in subsidiary shares | 0 | -103,727 |
| Proportional share of the dissolution of a subsidiary | 0 | 1,065,926 |
| Investments in subsidiaries | 0 | -682,237 |
| Loan receivables repaid | 159,479 | 255,813 |
| Loans paid | 726,043 | 0 |
| Loans granted | 0 | -3,428,792 |
| Total investment cash flow | 885,523 | -2,893,017 |
| Cash flow before financing | -3,448,458 | -4,567,239 |
| Financing cash flow | | |
| Loans withdrawn | 0 | 3,535,836 |
| Loans paid | -4,873,333 | 0 |
| Group account debt withdrawn | 9,682,655 | 4,624,899 |
| Group account debt repaid | 0 | -726,043 |
| Purchase of own shares | -1,145,714 | |
| Dividends paid | -1,495,529 | |
| Total financing cash flow | 2,168,079 | 7,434,692 |
| Change in cash and cash equivalents as per cash flow statement | -1,280,379 | 2,867,453 |
| Change in cash and cash equivalents | -1,280,379 | 2,867,453 |
| Cash and cash equivalents, opening balance | 2,867,927 | 475 |
| Cash and cash equivalents, closing balance | 1,587,548 | 2,867,927 |

Notes to the Parent Company's Financial Statements

Accounting Principles Used in the Parent Company's Financial Statements

The financial statements of Innofactor Plc for the financial period of 2021 have been prepared in accordance with the Finnish accounting regulations.

Intangible and Tangible Assets

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

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

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

Securities Included in Financial Assets

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

Items in Foreign Currency

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

Derivatives

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

Notes to the Financial Statements (EUR)

| 1. Net sales (EUR) by market area | 2021 | 2020 |
|-----------------------------------|------------------|------------------|
| Finland | 8,898,033 | 8,471,444 |
| Rest of Europe | 972,160 | 907,058 |
| Total net sales | 9,870,192 | 9,378,502 |

| 2. Other operating income | 2021 | 2020 |
|-------------------------------------|---------------|---------------|
| Lease revenue | 31,844 | 12,500 |
| Other operating income | 0 | 0 |
| Total other operating income | 31,844 | 12,500 |

| 3. Materials and services | 2021 | 2020 |
|---------------------------------------|------------------|------------------|
| Purchases during the financial period | 4,162,571 | 2,028,509 |
| Total | 4,162,571 | 2,028,509 |

| 4. Personnel expenses | 2021 | 2020 |
|---------------------------------|------------------|------------------|
| Salaries and fees | 2,162,399 | 2,083,488 |
| Pension expenses | 365,921 | 253,852 |
| Other indirect employee costs | 68,138 | 56,882 |
| Total personnel expenses | 2,596,458 | 2,394,223 |

Management salaries and fees

| | | |
|----------------------------------|----------------|----------------|
| CEO and Board Member Sami Ensio | 363,000 | 344,069 |
| Board members and deputy members | 100,000 | 116,000 |
| Total | 463,000 | 460,069 |

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

| | | |
|-----------------------------|----|----|
| Average number of personnel | 29 | 26 |
|-----------------------------|----|----|

| 5. Planned depreciation | 2021 | 2020 |
|--------------------------------|----------------|----------------|
| On intangible rights | 180,403 | 182,852 |
| On goodwill | 120,768 | 120,768 |
| On machinery and equipment | 9,670 | 11,427 |
| Total | 310,841 | 315,047 |

| 6. Other operating expenses | 2021 | 2020 |
|--|------------------|------------------|
| Leases and other expenses for premises | 891,433 | 919,107 |
| IT hardware, licenses and communications | 1,133,742 | 1,738,968 |
| Travel expenses | 25,863 | 52,807 |
| Training expenses | 20,167 | 17,500 |
| Entertainment expenses | 5,212 | 20,507 |
| Other operating expenses | 740,070 | 1,886,088 |
| | 2,816,488 | 4,634,977 |

| | | |
|--|------------------|------------------|
| The Group's internal expenses | 0 | 0 |
| Other operating expenses, total | 2,816,488 | 4,634,977 |

Remuneration of the Auditors

| | | |
|----------------------|---------------|----------------|
| Auditing | 60,095 | 133,002 |
| Other services | 6,855 | 4,200 |
| Total | 66,950 | 137,202 |
| Fees in total | 66,950 | 137,202 |

| 7. Financial income and expenses | 2021 | 2020 |
|--|----------------|------------------|
| Total interest and other financial income | | |
| Dividend income from Group companies | 0 | 0 |
| From Group companies | 605,617 | 991,787 |
| From others | 2,619 | 1,156,069 |
| Total interest and other financial income | 608,237 | 2,147,857 |

| | | |
|--|-----------------|------------------|
| Interest and other financial expenses | | |
| To Group companies | 0 | -24,519 |
| Interest expenses to others | -354,792 | -863,447 |
| Total interest and other financial expenses | -354,792 | -887,966 |
| Total financial income and expenses | 253,445 | 1,259,891 |
| Group contributions received/granted | -400,878 | 272,944 |

Balance Sheet Notes (EUR)

| 8. Intangible and tangible assets | | | | |
|--|-------------------|-----------------|-----------------|----------------|
| | Intangible | Goodwill | Tangible | Total |
| Acquisition cost, Jan 1, 2021 | 1,047,111 | 603,840 | 138,163 | 1,789,114 |
| Additions | 0 | 0 | 0 | 0 |
| Acquisition cost, Dec 31, 2021 | 1,047,111 | 603,840 | 138,163 | 1,789,114 |
| Accumulated depreciation, amortization and impairment, Jan 1, 2021 | 687,149 | 483,072 | 111,684 | 1,281,904 |
| Depreciation for the financial period | 180,402 | 120,768 | 9,670 | 310,840 |
| Accumulated depreciation, Dec 31, 2021 | 867,551 | 603,840 | 121,354 | 1,592,744 |
| Carrying amount, Dec 31, 2021 | 179,560 | 0 | 16,809 | 196,369 |
| | Intangible | Goodwill | Tangible | Total |
| Acquisition cost, Jan 1, 2020 | 1,047,111 | 603,840 | 138,163 | 1,789,114 |
| Additions | 0 | 0 | 0 | 0 |
| Acquisition cost, Dec 31, 2020 | 1,047,111 | 603,840 | 138,163 | 1,789,114 |
| Accumulated depreciation, amortization and impairment, Jan 1, 2020 | 504,296 | 362,304 | 100,257 | 966,857 |
| Depreciation for the financial period | 182,852 | 120,768 | 11,427 | 315,047 |
| Accumulated depreciation, Dec 31, 2020 | 687,149 | 483,072 | 111,684 | 1,281,904 |
| Carrying amount, Dec 31, 2020 | 359,962 | 120,768 | 26,479 | 507,209 |

| 9. Investments | |
|--------------------------------------|-------------------|
| Acquisition cost, Jan 1, 2021 | 29,384,334 |
| Acquisition cost, Dec 31, 2021 | 32,198,940 |
| Carrying amount, Dec 31, 2021 | 32,198,940 |

| | |
|--------------------------------------|-------------------|
| Acquisition cost, Jan 1, 2020 | 28,696,532 |
| Acquisition cost, Dec 31, 2020 | 29,384,334 |
| Carrying amount, Dec 31, 2020 | 29,384,334 |

| 10. Receivables | 2021 | 2020 |
|--|-------------------|-------------------|
| Non-current assets | | |
| Loan receivables | 128,517 | 245,202 |
| Receivables from associated companies | 0 | 0 |
| Other receivables from Group companies | 26,119,556 | 27,289,298 |
| Non-current receivables total | 26,248,073 | 27,534,500 |

| | | |
|--|-------------------|-------------------|
| Current receivables | | |
| Trade receivables | 0 | 17,220 |
| Loan receivables | 73,178 | 115,972 |
| Trade receivables from Group companies | 11,797,963 | 12,858,884 |
| Current receivables total | 11,871,140 | 12,992,076 |

| | | |
|---|-------------------|-------------------|
| Total receivables from Group companies | 37,917,518 | 40,148,182 |
|---|-------------------|-------------------|

| 11. Accrued income | 2021 | 2020 |
|--------------------------------|----------------|----------------|
| Pre-paid licenses | 783,267 | 425,913 |
| Periodical personnel expenses | 22,354 | 23,781 |
| Other | 8,721 | 7,739 |
| Accrued income in total | 814,343 | 457,433 |

| 12. Shareholders' equity | 2021 | 2020 |
|--|------------------|------------------|
| Shareholders' equity, opening balance | 2,100,000 | 2,100,000 |
| Shareholders' equity, closing balance | 2,100,000 | 2,100,000 |

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

Unrestricted shareholders' equity

| | | |
|---|------------|------------|
| Fund for invested unrestricted equity opening balance | 29,015,281 | 29,015,281 |
| Repayment of capital | -747,765 | 0 |

Fund for invested unrestricted equity

| | | |
|------------------------|-------------------|-------------------|
| closing balance | 28,267,517 | 29,015,281 |
|------------------------|-------------------|-------------------|

| | | |
|---|------------|----------|
| Profit from previous financial periods, opening balance | 774,638 | -776,443 |
| Dividend payment | -747,765 | 0 |
| Purchase of own shares | -1,145,713 | 0 |

| | | |
|--|-------------------|-----------------|
| Profit from previous financial periods, closing balance | -1,118,840 | -776,443 |
|--|-------------------|-----------------|

| | | |
|--|-----------------|------------------|
| Result for the financial period | -131,755 | 1,551,081 |
|--|-----------------|------------------|

| | | |
|--|-------------------|-------------------|
| Total unrestricted shareholders' equity | 27,016,921 | 29,789,919 |
|--|-------------------|-------------------|

| | | |
|-----------------------------------|-------------------|-------------------|
| Total shareholders' equity | 31,116,921 | 33,889,919 |
|-----------------------------------|-------------------|-------------------|

| Calculation of distributable funds | 2021 | 2020 |
|---|-------------------|-------------------|
| Result from previous financial periods | -1,118,840 | -776,443 |
| Result for the financial period | -131,755 | 1,551,081 |
| Fund for invested unrestricted equity | 28,267,517 | 29,015,281 |
| Total | 27,016,921 | 29,789,919 |

| 13. Liabilities | 2021 | 2020 |
|---------------------------------------|-------------------|-------------------|
| Non-current liabilities | | |
| Loans from financial institutions | 4,683,333 | 8,890,000 |
| Total non-current liabilities | 4,683,333 | 8,890,000 |
| Current liabilities | | |
| Loans from financial institutions | 1,873,333 | 2,540,000 |
| Trade payables | 659,988 | 372,771 |
| Trade payables to Group companies | 0 | 8,301 |
| Trade payables in total | 659,988 | 381,072 |
| Other liabilities | 1,887,734 | 1,906,907 |
| Other payables to Group companies | 31,734,900 | 24,972,637 |
| Other liabilities in total | 33,622,634 | 26,879,544 |
| Accrued expenses | 960,202 | 1,162,945 |
| Liabilities to Group companies | 31,734,900 | 24,980,938 |
| Total current liabilities | 37,116,158 | 30,963,561 |
| Total liabilities | 41,799,491 | 39,853,561 |

| 14. Accrued expenses | 2021 | 2020 |
|----------------------------------|----------------|------------------|
| Periodical personnel expenses | 445,402 | 520,714 |
| Rent | 106,526 | 159,196 |
| Other | 408,275 | 483,035 |
| Accrued expenses in total | 960,202 | 1,162,945 |

| 15. Commitments and contingent liabilities | 2021 | 2020 |
|--|------------------|------------------|
| Bank guarantees | | |
| A bank guarantee has been given as collateral for a lease agreement. | 256,331 | 252,960 |
| Lease liabilities | | |
| To be paid in the next financial period | 0 | 0 |
| To be paid later | 0 | 0 |
| Total | 0 | 0 |
| Lease liabilities | | |
| To be paid in the next financial period | 1,023,250 | 1,023,250 |
| To be paid later | 1,023,250 | 2,046,499 |
| Total | 2,046,499 | 3,069,749 |
| Mortgages on company assets as collateral for loan | | |
| Mortgages on company assets as collateral for loan | 4,000,000 | 4,000,000 |

Board of Directors' Proposal on the Distribution of Profits

At the end of the financial period of 2021, the distributable assets of Innofactor Plc are EUR 27,016,921. The Board of Directors proposes that Innofactor Plc distributes EUR 0.08 per share as a repayment of capital.

The Board of Directors further proposes that the Annual General Meeting authorize the Board to decide on a potential additional dividend or additional repayment of capital amounting to a maximum of EUR 3,279,058 (EUR 0.08 per share, taking into account the share issue authorization proposed to the Board of Directors).

Company Shares

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

On December 31, 2021, the company held 762,000 treasury shares.

Location of Accounting Records

Innofactor Plc, Keilaranta 9, 02150 Espoo

INNOFACTOR PLC

SIGNATURES TO THE FINANCIAL STATEMENTS AND ANNUAL REPORT

Espoo, March 9, 2022

Sami Ensio
CEO, Board Member

Anna Lindén
Chairman of the Board of Directors

Heikki Nikku
Board Member

Risto Linturi
Board Member

AUDITOR'S NOTE

A report on the audit has been issued today.

Helsinki, March 9, 2022

Ernst & Young Oy
Authorized Public Accountants

Juha Hilmola
Authorized Public Accountant

Auditor's Report (Translation of the Finnish Original)

To the Annual General Meeting of Innofactor Plc

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Innofactor Corporation (business identity code 0686163-7) for the year ended 31 December, 2021. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

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

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

Basis for Opinion

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

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

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

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

Key Audit Matters

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

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

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

Key Audit Matter

Revenue Recognition of Fixed Price Projects

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

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

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

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

How our audit addressed the Key Audit Matter

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

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

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

Key Audit Matter

Valuation of Goodwill

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

At the balance sheet date 31 December 2021, the value of goodwill amounted to 26.4 M€ representing 52 % of the total assets and 104 % of the total equity. Valuation of goodwill was a key audit matter because:

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

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

How our audit addressed the Key Audit Matter

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

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

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

Key Audit Matter

Valuation of Deferred tax assets

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

As of balance sheet date 31 December 2021, the group had deferred tax assets arising from the unused tax losses carry forward amounting to 4.6 M€ and from the consolidation entries 0,2 M€.

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

How our audit addressed the Key Audit Matter

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

As part of our audit procedures we

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

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

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

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

Auditor's Responsibilities for the Audit of Financial Statements

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

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

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

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

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

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

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

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

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

Other Reporting Requirements

Information on our audit engagement

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

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

Helsinki 9.3.2022

Ernst & Young Oy
Authorized Public Accountant Firm

Juha Hilmola

Authorized Public Accountant

Additional Information

Key Figures per Share

| | 2021 | 2020 |
|--|------------|------------|
| Highest price of the share (EUR) | 2.07 | 1.44 |
| Lowest price of the share (EUR) | 1.24 | 0.51 |
| Market value of the shares (EUR thousand) | 56,643 | 47,670 |
| Turnover of shares (pcs) | 32,546,031 | 20,099,421 |
| Turnover of shares (%) | 87.0 | 53.8 |
| Weighted average of the number of shares during the financial period | 37,388,225 | 37,388,225 |
| Own shares held by the company | 762,000 | 0 |
| Number of shares at the end of the financial period | 37,388,225 | 37,388,225 |
| Earnings per share (EUR) | 0.1208 | 0.0471 |
| Shareholders' equity per share (EUR) | 0.6813 | 0.6270 |
| Dividend payout and return of capital (%) | 66% | 85% |
| Effective dividend yield (%) | 5% | 3% |
| Price/earnings ratio (P/E) | 1,259% | 2,717% |

Shareholding

On December 31, 2021, Innofactor Plc had 12,343 shareholders including the administrative registers (10). The share of administratively registered shares was 8.05% of the total number of shares.

Distribution of shareholding at December 31, 2021

| Shares | Number of shareholders | Percentage of shareholders | Number of shares | Percentage of shares |
|----------------|------------------------|----------------------------|-------------------|----------------------|
| 1-100 | 6,251 | 50.64 | 188,121 | 0.50 |
| 101-1 000 | 3,687 | 29.87 | 1,662,179 | 4.45 |
| 1 001-10 000 | 2,090 | 16.93 | 6,704,086 | 17.93 |
| 10 001-100 000 | 277 | 2.24 | 6,744,601 | 18.04 |
| over 100 000 | 38 | 0.31 | 22,089,238 | 59.08 |
| Total | 12,343 | 100.00 | 37,388,225 | 100.00 |

Shareholders by shareholder group December 31, 2021 (% of shares)

| | |
|--------------------------------------|---------------|
| Private households | 75.52 |
| Enterprises | 9.34 |
| Administratively registered | 8.05 |
| Public entities | 4.81 |
| Financial and insurance institutions | 2.04 |
| Other foreign | 0.12 |
| Non-profit organizations | 0.12 |
| Total | 100.00 |

Calculation of Key Figures

Percentage of Return on Equity:

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

Percentage of Return on Investment:

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

Net Gearing:

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

Equity Ratio, %:

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

Result / Share:

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

Shareholders' Equity / Share:

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

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

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

Effective dividend yield, %

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

Price/earnings ratio (P/E)

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

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