GOFORE

Annual Report
2020

GOFORE

Contents

Our 2020 reporting consists of the following publications:

Annual Report 2020

Sustainability Report 2020

The reports have been published in Finnish and English. They are available in PDF format at www.gofore.com

Gofore in Brief

Gofore is a growing and profitable digital transformation consultancy delivering digital solutions that have a positive impact on the society.

We have developed digital services for our customers since the company started its operations in 2002. Gofore aims for annual revenue growth exceeding 20%, of which organic growth accounts for approximately half. In terms of profitability, the target is an adjusted EBITA margin of 15%. We can meet these targets through our tech-native culture that supports efficiency, our resilient client base with strong customer satisfaction and our next generation offering. We are ideally positioned as a digi-native in the accelerating digital transformation.

Gofore is committed to making the world a better place. We **pioneer an ethical, digital world** by encouraging and helping our customers to find new ways of thinking and doing. The advancement of digitalisation in society and within businesses means that in addition to leveraging cutting-edge technology, customers must have the ability to implement change in their business, organisations, and practices.

Gofore aims to differentiate itself from its competitors by serving its customers extensively as a partner in agile digital transformation. We strive for growth in all our operating areas and customer segments.

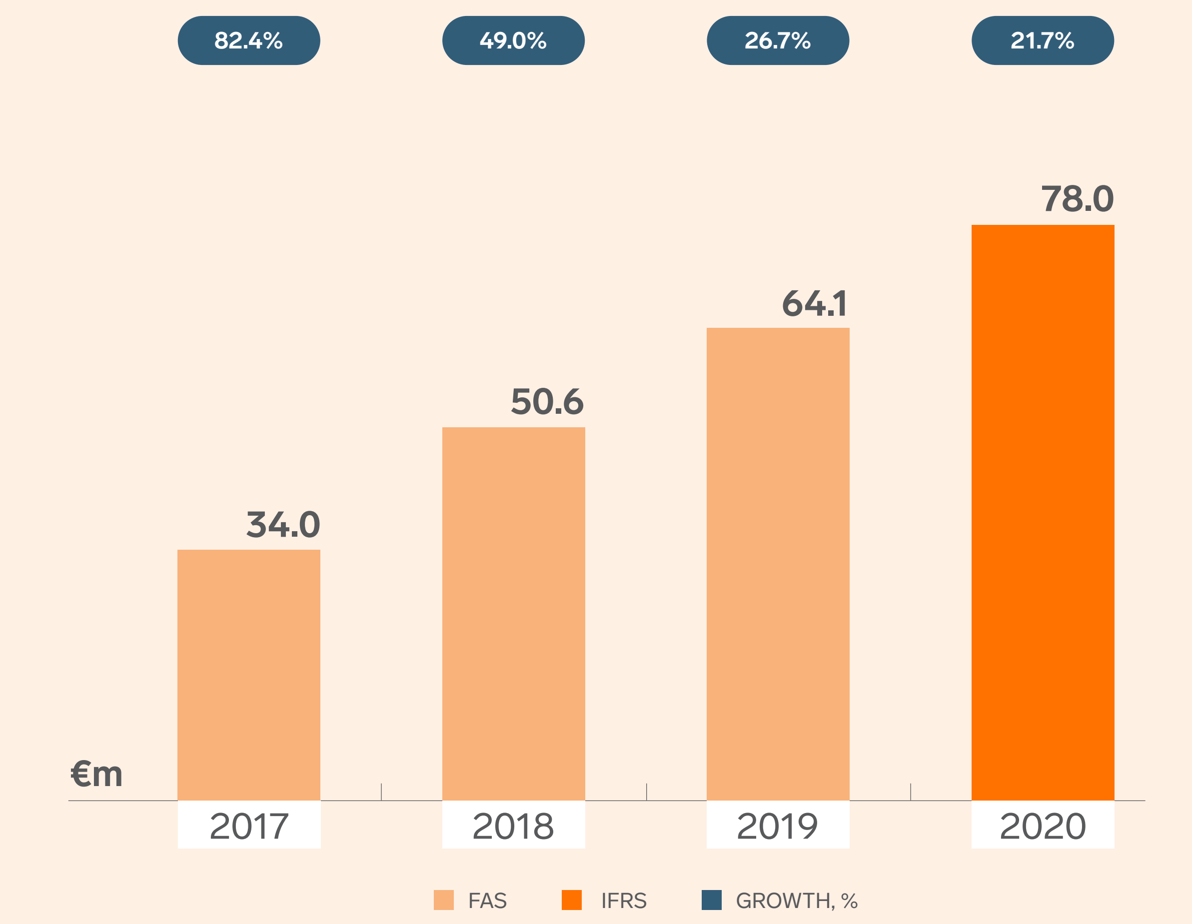
Our offering:

- Digital transformation advisory
- Implementation of digital services: agile software development, service design, cloud technology, data and analytics
- Digital quality assurance and testing automation

Gofore's vision is to be one of the most significant digital transformation consultancies in Europe. Gofore of the future is an international and diverse company that is able to serve its large international customers in the best possible way. International business targets to serve both the public and the private sector clients.

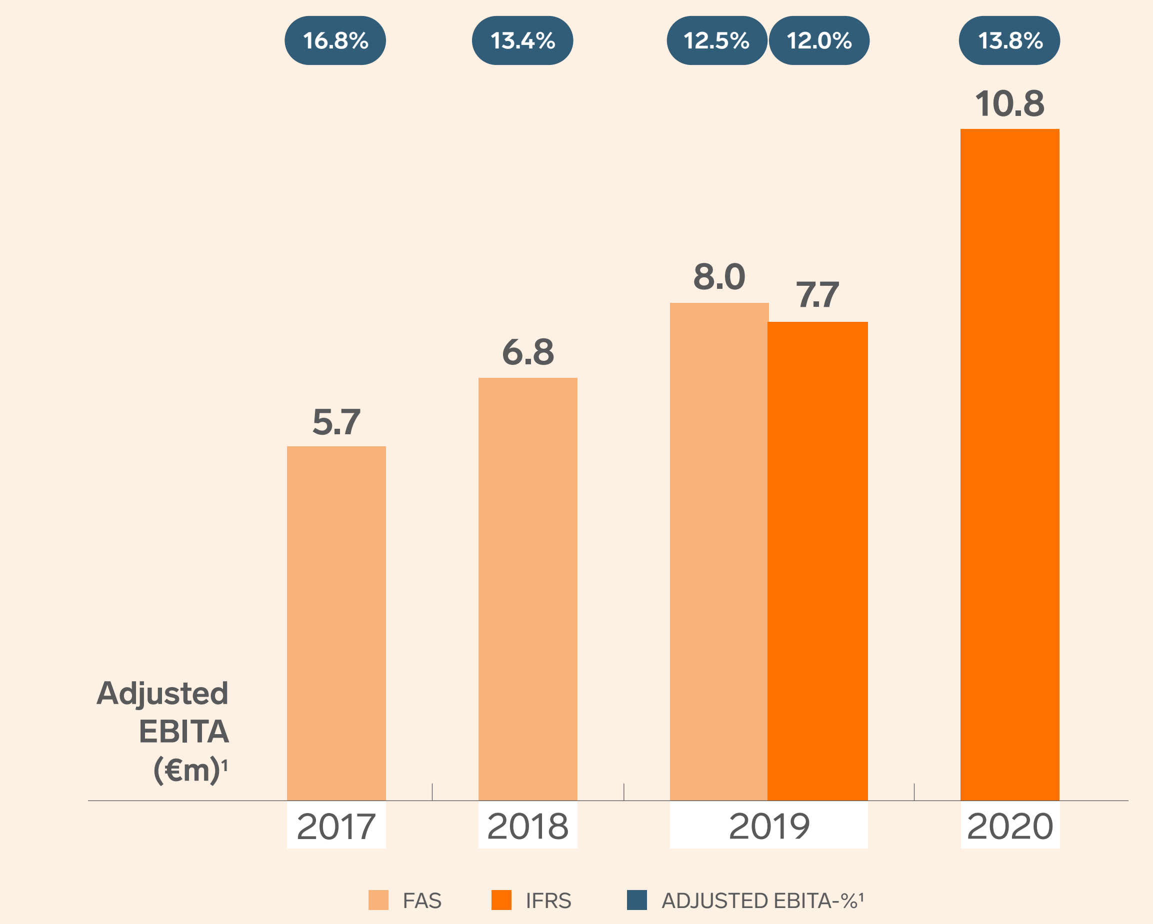
People are at the core of our business. We strive to deliver exceptional customer value through shared successes, thereby deepening customer relationships. We also want to be the best workplace for our employees now and in the future.

Revenue development 2017–2020 (MEUR)



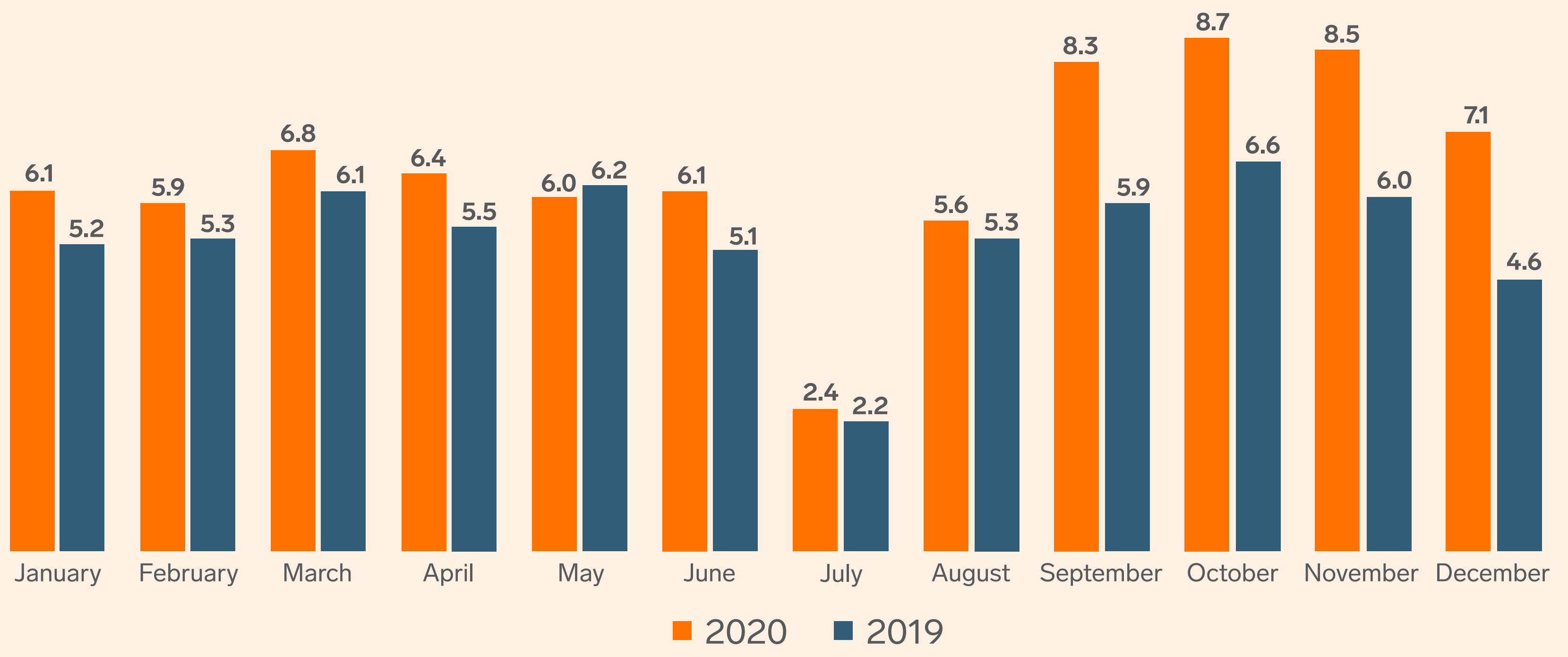
Revenue 2019 and 2020 under FAS and IFRS are equal.

Adjusted EBITA (MEUR) and adjusted EBITA-% 2017–2020

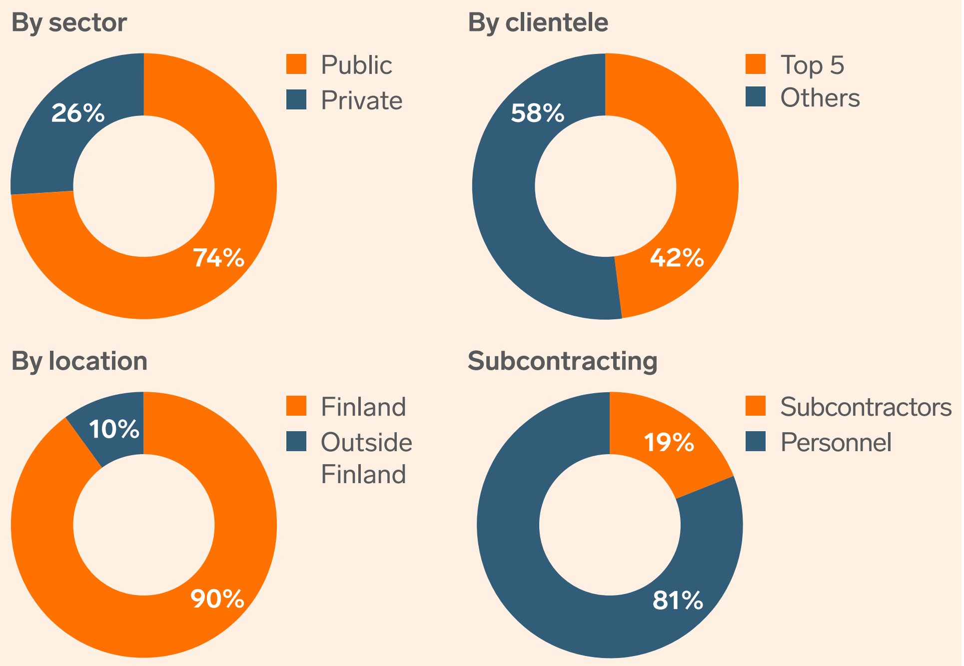


[1] Reported FAS EBITA is equal to adjusted EBITA in 2017-2019.

Monthly revenue in 2020 and 2019 (MEUR)



Revenue split, 2020-%



CEO's Review

Mikael Nylund
CEO

2020 did not let us and our customers off very easy, but we managed the roller coaster caused by the Covid-19 pandemic well. Continuous change and agility are the strengths of Gofore's culture that helped us even in this new situation.

The pandemic that characterised the whole year had an impact on our operating environment in many ways. At Gofore, the transition to working remotely was a great success, and this further deepened our strengths: our sense of community, transparency, and openness. We invested significantly in maintaining the positive special features of our culture and supported employees in remote working.

The longer-term impacts of the pandemic will be seen this year and thereafter. Experiences during the pandemic in many fields have shown the importance of digital services and business models. In many areas, consumer behaviour has changed irrevocably to favour digital services. The conditions for the digital implementation of basic services in our society have improved substantially.

The large-scale remote working experiment brought on by the pandemic shows that a more location-independent operating model is feasible. It is not possible to do all work remotely or virtually even in the future, but in an industry plagued by a talent shortage, new opportunities are opening up to us now to find the right expertise for our customers' needs.

Strong growth despite the Covid-19 pandemic

Although general uncertainty in the operating environment increased, 2020 was a good year in business terms. Compared to the previous year, our revenue grew by approximately 22% to EUR 78 million and adjusted EBITA grew by approximately 40% to EUR 10.8 million. Revenue growth has now continued for 16 consecutive financial years. Our customer projects were mainly carried out as planned, and demand in different business areas developed well. We estimate that the Covid-19 pandemic will accelerate the digitalisation of societies and businesses in both the short and long term.

Especially in Finland, we strengthened our position as an agile expert partner to our customers that creates sustainable value. We are a trusted partner of the public sector in particular – it accounted for as much as 74% of our revenue in 2020. Our international business also grew and developed especially supported by our large customers. In 2017–2020, the revenue to our public sector customers have risen annually by an average of 45% and to the private sector by 24%.

We were pleased to report several new and deepening public sector customer relationships during the year. Projects that are important to the society provide us with an opportunity to use technology to reform thinking and operating models and to develop more sustainable solutions. Our new "Good Growth" model, developed in 2020, enables us to support sustainable development and create measurable impact in customer projects. This is one way we support our aim to change the world for the better.

Qentinel Finland diversifies our offering

With Qentinel Finland Oy's acquisition, completed in September, we expanded our service offering to digital quality assurance and testing automation. This improves significantly our ability to serve our customers throughout the value chain and act as the lead provider in demanding, large-scale projects. The acquisition makes Gofore a major provider of digital quality assurance expert services in Finland.

Strategy update steers our growth story

In December, we published the updated strategy and long-term financial targets. Gofore's vision is to be one of the most significant digital transformation consultancies in Europe.

Business growth is pursued in three areas: continued growth in Finland, growth in international markets and growth through acquisitions. Supported by the updated strategy, we are seeking to continue profitable growth and to strengthen our position as an agile, culturally strong and continuously evolving top digital transformation consultancy.

Our international business is based on large globally-operating customers whom we serve mainly location independently. Additionally, we will invest particularly in Germany, where a large-scale digital transformation of society and industry is in progress. It will offer great opportunities for an agile and experienced consultancy like Gofore. Our goal is to increase our presence in Germany both organically and through acquisitions.

In Finland, both public and private sector demand for services will continue to grow. Through both our offering and capabilities, we have an excellent chance to strengthen our market position further.

People are at the core of digitalisation

Gofore lives by the successes of its employees and customers. People and a shared culture are our strengths, and we are proud of them and try to nurture them in many ways. We work actively to develop the best employee experience. In 2020, in the Young Professional Attraction Index (YPAI) survey, students in higher education institutions considered Gofore one of the most attractive workplaces in Finland.

In the spring and autumn, customer satisfaction surveys were carried out. Overall satisfaction remained at a high level throughout the year. Our customers especially valued our expertise, cooperability, and flexibility. Development areas were also identified; we have analysed these and reviewed them together with our customers.

Main market opens new doors

In December, we specified the schedule to transfer to Nasdaq Helsinki main market, which will take place during Q1/2021. The transition will improve our visibility and awareness of us as well as elevate us both domestically and internationally to a new reference group in the eyes of customers, partners, and investors.

Thank you goes to you

In 2020, Gofore faced significant changes that we will manage and make the most of. The year was demanding for us goforeans and our customers, but cooperation and trust in the future took us forward. Together, we will continue to build a better world; this work's motto is well aligned with our new brand promise "Pioneering an ethical digital world". It speaks of our constant and enduring passion to lead the way towards a digital future on a human and sustainable basis.

I would like to thank all our stakeholders, especially goforeans and customers, for 2020 – the new year has begun and I believe that 2021 will be a successful year!

Information for Shareholders

Gofore share

Gofore Plc's shares are quoted in the First North Growth Market Finland maintained by Nasdaq Helsinki Ltd. The share trading code is GOFORE and ISIN code FI4000283130.

The company has one share series, and there are no voting restrictions applicable to the shares. On 31 December 2020, Gofore Plc's registered share capital was EUR 80,000.00 and the number of shares was 14,036,927.

Share information 2020

- Highest at: **EUR 17.80**
- Lowest at: **EUR 4.80**
- Volume weighted average price: **EUR 10.16**
- Trading volume in 2020: **2.95 million shares**
- At close: **EUR 17.15**
- Market capitalisation: **EUR 240.7 million**

The company's shares are included in the book-entry system operated by Euroclear Finland Ltd. The shareholder register is maintained and available at Euroclear Finland Ltd's office on Urho Kekkosen katu 5 C, 8th floor, Helsinki, Finland.

Gofore aims to transfer to the Nasdaq Helsinki main market during Q1/2021.

Annual General Meeting in 2021

The Annual General Meeting is held on Friday, 26 March 2021.

Notice to the meeting has been published as a company announcement and is available on the company website.

For more information: https://gofore.com/en/invest/governance/general-meetings/

Dividend policy

Gofore aims to distribute at least 40% of its net profit as dividends annually. However, the distribution and amount of dividends is affected by at least the following factors: the company's financial results and standing, future growth investments, cash flow from operations, the amount of net debt, the need for debt servicing and other factors considered relevant by the Board of Directors.

The Board of Directors proposes to the Annual General Meeting 2021 the distribution of a dividend of EUR 0.24 per share for the financial period ended 31 December 2020.

Dividend history	2019	2018	2017
	EUR 0.20 per share	EUR 0.19 per share	EUR 0.15 per share

- Record date: **30 March 2021**
- Payment date: **8 April 2021**

Financial reporting in 2021

Gofore Plc will publish its financial information as follows:

- Financial Statements Release for the year 2020 Fri, 5 March 2021
- Business Review Q1/2021 Mon, 19 April 2021
- Half-year financial report H1/2021 Fri, 13 August 2021
- Business Review Q3/2021 Thu, 14 October 2021

Additionally, Gofore publishes a monthly business review that includes the number of employees and monthly revenue with comparable information, management's assessment of the development of the business during the review period, and other key figures that facilitate the monitoring of the company's growth strategy.

Silent period

Gofore observes a 30-day silent period preceding the publication of its financial results. During this period, the Gofore's representatives refrain from meeting with or contacting capital market representatives and the financial media. The silent periods and financial information release dates are published on the company website under Investor Calendar.

Equity research

The analysts listed below prepare equity analyses of Gofore. Gofore does not comment on the accuracy of these analyses, and will not be held accountable for the financial outcome of investment decisions made based on them.

- Inderes, Joni Grönqvist, tel. +358 40 515 3113
- Evli Bank, Jerker Salokivi, tel. +358 9 4766 9149
- Danske Bank, Panu Laitinmäki, tel. +358 (0)10 236 4867 and Poul Ernst Jessen, tel. +45 45 12 80 48

Board of Directors' Report

Gofore in brief

Gofore is a digital transformation consultancy. The company's clientele includes private and public sector companies and organisations in its main market in Finland, as well as in Germany, Spain and Estonia. The services offered include digital transformation advisory and the implementation of digital services, as well as digital quality assurance and testing automation. Competence and service offering are continuously developed so that the needs and expectations of customers can be met in the best possible way at every stage of digital change.

Strategy

Gofore published the company's updated strategy and long-term financial targets on 16 December 2020.

Gofore's vision is to be one of the most significant digital transformation consultancies in Europe. Gofore strives for growth in all areas of its operating areas and customer segments. The advancement of digitalisation in society and within businesses means that in addition to leveraging cutting-edge technology, customers must have the ability to implement change in their business, organisation and operating practices. Gofore aims to differentiate itself from its competitors by serving its customers extensively as a partner in agile digital transformation.

Business growth is pursued in three areas: continued growth in Finland, growth in international markets and growth through acquisitions.

Long-term financial targets

Gofore aims for annual revenue growth exceeding 20%, of which organic growth accounts for approximately half. In terms of profitability, Gofore's target is an adjusted EBITA margin of 15%.

Market outlook and operating environment

Gofore estimates that the IT services market in Finland will be divided into a public sector market of approximately EUR 1 billion and a private sector market of approximately EUR 3.2 billion. Gofore's market shares in these sectors are estimated at approximately 4% and approximately 1%, respectively.

In Finland, the public sector's investment in digitalisation is estimated to continue previous growth. The long time span inherent in public sector IT investments and long cooperation agreements make demand relatively predictable. Future public sector restructurings will create new opportunities to invest in digital services. The investment in the green transition and digitalisation enabled by the EU's recovery instrument for 2021–2023 (Finland's Sustainable Growth Program) is estimated to create more demand for Gofore's services in the form of public investment. In Finland, public sector customers are mainly competed by traditional large Finnish and global IT service providers as well as agile, domestic providers of new digital services.

In the private sector in Finland, digitalisation has become one of the most important strategic priorities at present. The dip in business caused by the coronavirus pandemic is levelling off in many industries. IT development is still partly an internal activity within companies and organisations, and specialists in the field are hired by companies and organisations for various IT tasks. The provision of top external expertise to private sector in Finland is carried out by both domestic and international IT service providers.

The development of the market outside Finland relevant to Gofore broadly follows the development of the market in Finland. Outside Finland, Gofore's customers are mainly in the private sector. These customers have been affected by the pandemic, but in the longer term, the company expects the demand for its services to increase due to their high market potential.

Covid-19

The coronavirus pandemic has caused uncertainty in the operating environment. In the public sector, which is important to Gofore, the immediate effects of the pandemic have been minor. Government administration organisations have kept their development projects going. The transition to remote working has affected customers' ability to continue their development projects, but less than expected. For municipalities and joint municipal authorities, the impact has been greater, but especially the largest customers have kept major development projects going. The company estimates that the situation in the public sector will remain similar in 2021 and the impact of the pandemic on demand will vary greatly. In the longer term, demand is influenced by the development of public sector finances and political decisions on investing in digitalisation.

In the private sector, the pandemic has had a greater direct impact, which has been reflected as delays in development projects and cancellations of projects in single cases. Disruptions in customers' own business have also affected customer prices.

The labor market is expected to normalise from lower activity caused by the coronavirus pandemic. Demand is expected to remain strong for skilled employees. The competition for experts continues, with traditional IT companies as well as small and medium, agile companies participating in it.

The company believes that in the long term, the coronavirus pandemic will accelerate digitalisation. Challenges faced by organisations in working remotely and the change in the behaviour of end customers due to the pandemic have shown that digital solutions are increasingly replacing traditional solutions. However, customers' willingness to invest in digital transformation depends on economic development in both the public and private sector.

Significant events during the review period

The year 2020 was operationally and financially successful year for Gofore, despite the turbulence caused by the coronavirus pandemic. The transition to a new location-independent operating model was successful while maintaining customer and employee satisfaction.

During the year, significant new or continued agreements were announced with the Finnish National Agency for Education, the Finnish Transport and Communications Agency, the Finnish Patent and Registration Office, the Finnish Centre for Pensions, the Finnish Digital and Population Data Services Agency, the Finnish KEHA Centre and the Finnish Tax Administration. The public sector accounted for 74% of Gofore's revenue and the private sector for 26%.

At the beginning of the year, a decision was taken to divest the UK subsidiary due to its weak market outlook and loss-making business. Operations ended in the first quarter of the year. In the autumn, Qentinel Finland Oy's acquisition strengthened the company's digital services portfolio.

In mid-December, Gofore's updated strategy, long-term financial targets and changes to the composition and responsibilities of the Group's Executive Team were announced. At the same time, the plan to transfer to the Nasdaq Helsinki main market was specified. Preparations for the transfer progressed well during 2020 and according to the specified schedule, Gofore aims to transfer to the main market during the first quarter of 2021.

Financial review

Revenue development in January—December 2020

In January—December 2020, revenue grew by 21.7% from the previous year, amounting to EUR 78.0 (64.1) million. The increase was mainly due to the increase in demand, but also to the acquisition of Qentinel Finland Oy as of September.

74% (70%) of Gofore's revenue came from public sector customers, amounting to EUR 57.8 million (EUR 44.8 million) and 26% (30%) from private sector customers, amounting to EUR 20.1 million (EUR 19.3 million). In geographical terms, 90% (91%) of combined revenue came from Finland, amounting to EUR 69.9 million (EUR 58.6 million), and a total of 10% (9%) from other countries, amounting to EUR 8.1 million (EUR 5.5 million). Subcontracting accounted for 19% (16%) of revenue, amounting to EUR 14.6 million (EUR 9.9 million).

Profitability in January—December 2020

Adjusted EBITA in January—December 2020 was EUR 10.8 million (EUR 7.7 million), corresponding to 13.8% of revenue (12.0%). EBITA in January—December 2020 was EUR 9.9 million (EUR 7.3 million), corresponding to 12.7% of revenue (11.4%).

Operating profit (EBIT) in January—December 2020 was EUR 8.8 million (EUR 6.6 million), corresponding to 11.2% of revenue (10.3%).

Profit for the period was EUR 6.9 million (EUR 5.1 million).

Due to the growth of the number of personnel, the Group's employee benefit expenses increased to EUR 44.4 million (EUR 37.1 million) in January—December 2020, corresponding to 57.0% of revenue (57.8%).

Other operating expenses amounted to EUR 9.8 million (EUR 9.4 million). The largest expense items were other indirect employee expenses, facility expenses and expenses for machinery and equipment. Other operating expenses for the review period include a non-recurring expense of EUR 0.6 million related to the divestment of the operations of the UK subsidiary (Gofore UK Ltd.).

Business review in January—December 2020

Month (2020)	Revenue, MEUR (revenue 2019)[1]	Number of employees[2]	Number of working days in Finland (number of working days 2019)	Overall capacity, FTE[3]	Subcontracting FTE[4]
January	6.1 (5.2)	587	21 (22)	548	60
February	5.9 (5.3)	578	20 (20)	539	68
March	6.8 (6.1)	585	22 (21)	549	73
April	6.4 (5.5)	596	20 (20)	559	80
May	6.0 (6.2)	606	19 (21)	572	75
June	6.1 (5.1)	610	21 (19)	579	71
July	2.4 (2.2)	609	23 (23)	569	33
August	5.6 (5.3)	612	21 (22)	579	64
September	8.3 (5.9)	716	22 (21)	666	107
October	8.7 (6.6)	718	22 (23)	663	127
November	8.5 (6.0)	727	21 (21)	670	128
December	7.1 (4.6)	724	21 (18)	669	105

[1] Revenue, MEUR (revenue in 2019) indicates the revenue (unaudited) for the month concerned.
[2] The number of employees at the end of the review period.
[3] Overall capacity, FTE (Full Time Equivalent) figure shows the overall capacity of the Group's personnel, converted into a value corresponding to the number of full-time employees. The figure includes the entire personnel, regardless of their role. The figure is not affected by annual leave, time-off in lieu of overtime, sick leave or other short-term absences. Part-time agreements and other long-term deviations from normal working hours reduce the amount of overall capacity in comparison with the total number of employees. The capacity of acquired companies personnel has been considered as of the acquisition date.
[4] Subcontracting, FTE (Full Time Equivalent) figure shows the overall amount of subcontracting used in invoiced work, converted into a value corresponding to the number of full-time employees. Subcontracting used by acquired companies has been included as of the acquisition date.

Balance sheet, funding and cash flow

The Group's balance sheet total at the end of December 2020 was EUR 78.4 million (EUR 57.5 million), of which equity amounted to EUR 36.1 million (EUR 32.4 million). Net debt at the end of the review period was EUR -3.8 million (EUR -12.7 million).

The Group's liquidity was good and its financial position strong. The equity ratio was 47.0% (58.1%), with a net gearing of -15.4% (-31.9%).

Cash flow from operating activities in January—December 2020 was EUR 9.0 million (EUR 12.3 million). Cash flow from investments during the review period was EUR -7.1 million (EUR -4.3 million).

Cash flow from financing activities during the period was EUR -1.8 million (EUR -2.0 million), including dividends paid of EUR -2.8 million, repayment of lease liabilities EUR -2.2 million, proceeds from borrowings EUR 10.0 million, repayment of borrowings of EUR -6.4 million and treasury shares acquired of EUR -0.5 million.

Group structure

At the end of the review period, the Gofore Group consisted of the parent company Gofore Plc and the 100% owned subsidiaries Gofore Germany GmbH, Gofore Spain SL, Gofore Estonia Oü, Silver Planet Oy, Gofore Vantaa Oy, Gofore UK Limited and Qentinel Finland Oy, which joined the Group in an acquisition completed on 1 September 2020. Additionally, the Group included Rebase Consulting Oy, which is 70% owned by the parent company, established during the review period. The operations of Gofore UK Limited were divested in the first quarter of 2020. The name of Silver Planet Oy has changed to Gofore Lead Ltd as of 1 January 2021.

Research and development

In 2020, Gofore was engaged in the "Robins" research project funded by Business Finland. In addition to the Tampere Universities and Gofore, the project consortium includes five other expert companies in Finland. Gofore's "Robins" project consists of the strategic development projects called "Capability Accelerator" and "Digital Gofore". The Capability Accelerator project entails researching methods for the continuous renewal of the company's competencies and, thereby, of its service offering. The Digital Gofore project entails studying the company's transformation into an internationally operating player that serves as more of a platform. The Business Finland subsidy is no more than 40% of the acceptable overall costs of the project, which are estimated to amount to approximately EUR 1.6 million from 1 April 2019 to 30 April 2021.

Additionally, in 2020, the company was engaged in another project funded by Business Finland, which aims to support business continuity in the coronavirus pandemic and to find new ways to generate customer value in a changed environment. In the project new methods for remote working has been developed, among others. The Business Finland subsidy is no more than 80% of the acceptable overall costs of the project, which are estimated to amount to approximately EUR 0.13 million from 24 March 2020 to 31 March 2021.

In 2020, the company completed the information security management system development project launched in late 2019, as a result of which Gofore Plc's information systems and data processing-related processes were awarded the ISO / IEC 27001 certificate at the end of December 2020.

Capital expenditure

The company's largest investments comprised the purchase of subsidiary shares and investments in tangible and intangible assets. Investments amounted to EUR 15.1 million in the financial year ended 31 December 2020, 19.4% of revenue.

In 2020, the most significant single investment was the ERP development project launched in 2019. The project aimed to improve the Group's financial reporting and the formation of a continuous situational picture. Approximately EUR 0.7 million of the project's costs have been capitalised as intangible assets to the consolidated balance sheet during the review period.

Acquisitions

On 1 September 2020, Gofore completed the acquisition of Qentinel Finland Oy, a specialist in digital quality assurance and testing automation, announced on 10 August 2020. The debt-free purchase price was EUR 8.9 million, paid in cash. The transaction also included an additional purchase price based on EBITDA for the financial year 2020, which amounted to EUR 3.4 million, as well as a correction related to working capital and net debt of EUR 0.7 million. The additional purchase price will be paid in March 2021. Qentinel Finland Oy operates as an independent company as part of the Gofore Group and it has been reported as part of the Group as of 1 September 2020.

Resolutions of the Annual General Meeting

The Annual General Meeting of Gofore Plc was held in Tampere on 29 April 2020. The Annual General Meeting resolved to adopt the financial statements for the financial year 2019 and discharged the members of the Board of Directors and the CEO from liability for the financial year 2019. The Annual General Meeting authorised the Board of Directors to resolve on the acquisition of the company's own shares and the issuance of shares as well as the issuance of option rights and other special rights entitling to shares. The Annual General Meeting resolved to adopt the remuneration policy for governing bodies of the company.

The Annual General Meeting resolved, in accordance with the proposal of the Nomination Committee, that the members of the Board be paid a fee of EUR 1,500 per month and the Chairman of the Board EUR 2,500 per month and, in addition, the Chairman of the Audit Committee be paid a fee of EUR 500 per month provided that he or she does not act as the Chairman of the Board at the same time.

The Annual General Meeting elected five members to the company's Board of Directors. Timur Kärki, Sami Somero and Stefan Baggström were re-elected as members of the Board of Directors and Mammu Kaario and Juha Eteläniemi were elected as new members. The Board of Directors elected Timur Kärki to continue as its Chairman. The Board of Directors' term of office will continue until the end of the next Annual General Meeting.

KPMG Oy Ab was elected as the company's auditor for a term that will continue until the end of the next Annual General Meeting. KPMG Oy Ab has announced that Lotta Nurminen, APA, will be the auditor with principal responsibility.

The Annual General Meeting resolved that a Shareholders' Nomination Board be established, and the rules of procedure of the Shareholders' Nomination Board as proposed by the Board of Directors were approved.

In accordance with the proposal of the Board of Directors, the Annual General Meeting resolved to pay a dividend of EUR 0.20 per share, totaling EUR 2,800,973, based on the adopted financial statements for the financial period ended 31 December 2019. The dividend payment date was 11 May 2020.

Authorisation of the Board of Directions on the acquisition of the company's own shares and the issuance of shares, share options and other special rights

The Annual General Meeting of 29 April 2020 authorised the Board of Directors to resolve on the acquisition of the company's own shares in one or more tranches. The maximum number of shares to be acquired and/or accepted as a pledge is 1,401,280 shares, which corresponds to approximately 10% of the total number of shares of the company as at the date of the notice of the Meeting.

Additionally, the Annual General Meeting authorised the Board of Directors to resolve on the issuance of shares as well as the issuance of option rights and other special rights entitling to shares referred to in chapter 10, section 1 of the Finnish Limited Liability Companies Act, in one or several tranches, either against payment or without payment. The total number of shares to be issued, including shares under options and other special rights, may amount to a maximum of 1,401,280 shares, equivalent to approximately 10% of the total number of shares of the company on the date of the notice of the meeting.

These authorisations are valid until 30 June 2021 and revoke the previous authorisations given by the Annual General Meetings.

Changes in the Group Executive Team

Teppo Talvinko was appointed CFO and member of the Group Executive Team on 17 April 2020. He took up his position and as a member of the Group Executive Team on 1 May 2020. At the same time, Petteri Venola, who previously held the position of CFO, left his position and the Group Executive Team.

Elja Kirjavainen was appointed Director, Digital transformation and a member of the Group Executive Team on 17 April 2020. He took up his position and as a member of the Group Executive Team on 1 May 2020.

Share-based commitment and incentive plans

In connection with the personnel offering in the company's listing on First North Growth Market Finland in 2017, a Matching Share plan was offered for personnel. In the plan, employees who subscribed for shares in the personnel offering would receive one matching share for every three shares subscribed, provided they remain employed by the Group three years after the start of share subscription, and that they have held the acquired shares for the entire period.

At the end of the Matching Share plan 2017 on 30 November 2020, it included 172 persons entitled to a total of 78,156 additional shares under the plan. Under the terms of the plan, approximately half of the amount will be transferred in shares and half will be paid in cash to be used for withholding taxes. The share reward was paid on 30 November 2020 and consisted of a total of 33,859 shares.

In autumn 2018, Gofore's Board of Directors resolved to launch the CrewShare share savings plan for Group personnel. The Board of Directors decides annually on any savings periods to be initiated under the plan. As an incentive for participants in the plan, Gofore will offer one matching share per three shares acquired with savings after a two-year share ownership period. Dividends paid on shares purchased with savings are automatically used to purchase the shares on the next possible purchase date.

At the end of 31 December 2020, there were three savings periods in the CrewShare share savings plan. The first savings period was from 1 November 2018 to 28 February 2019. On 31 December 2020, the company had 128 employees entitled to a total of 5,109 matching shares. In the second savings period from 1 March 2019 to 29 February 2020, there were 152 employees entitled to 14,743 matching shares on 31 December 2020.

On 12 February 2020, the company's Board of Directors decided on the third savings period to be launched under the share savings plan for 2020–2021. The third savings period was from 1 March 2020 to 28 February 2021.

On 11 September 2020, the company's Board of Directors decided to issue a total of 24,125 new shares as part of the CrewShare share savings plan. The new shares are the matching shares acquired for the participants with the savings accumulated during the savings period from 1 March to 31 August 2020. The shares were subscribed for at a price of EUR 7.9466 per share, based on the volume-weighted average share price on Nasdaq Helsinki Oy's First North Growth Market Finland in the period 1–31 August 2020 and a 10% discount calculated therefrom. As at 31 December 2020, 171 Group employees entitled to 7,914 matching shares participated in the share savings plan.

Additionally, based on the incentive program targeted at Silver Planet Oy's personnel, a total of 24,154 Gofore shares were granted without compensation to Silver Planet Oy's personnel on 28 April 2020.

Personnel and offices

At the end of December 2020, the Group employed 724 (582) people. The number of employees grew due to the organic growth of the business and the acquisition of Qentinel Finland Oy. A total of 692 (540) people worked in Finland and 32 (42) in other operating countries. In Finland, the company has offices in Helsinki, Espoo, Jyväskylä, Tampere and Turku. The overseas offices are located in Brunswick and Munich in Germany, Madrid in Spain and Tallinn in Estonia.

Shares and shareholders

At the end of December 2020, Gofore Plc's registered share capital amounted to EUR 80,000.00 (EUR 80,000.00), which corresponded to a total of 14,036,927 (14,012,802) shares. At the end of the review period, the company held 0 (174) own shares.

At the end of December 2020, the company had 5,101 (2,771) registered shareholders. There were 298,497 (54,753) nominee-registered shares, which corresponds to approximately 2.1% (0.4%) of total shares.

In January–December 2020, Gofore Plc's shares were quoted in the First North Growth Market Finland maintained by Nasdaq Helsinki Ltd using the share trading code GOFORE.

Share price development and share trading

During 2020, 2.95 (1.22) million of the company's shares were traded, which is approximately 21% (9%) of the average number of shares outstanding. The total value of the shares traded was EUR 30.0 (9.8) million.

At the end of December 2020, the company's market capitalisation was EUR 240.7 (105.1) million. The closing price on the last day of December (31 December 2020) was EUR 17.15 (7.50). The average price of the company's shares, as weighted by the trading volume, was EUR 10.16 (8.01). The highest share price was EUR 17.80 (9.28) and the lowest EUR 4.80 (7.00).

Repurchase of own shares

In the review period, Gofore carried out the repurchase programme of the company's own shares based on the authorisation given by the 2019 Annual General Meeting (26 March 2019). The shares were acquired between 26 March 2020 and 30 June 2020. During this time, the authorisation given by the Annual General Meeting held on 29 April 2020 revoked the authorisation given by the Annual General Meeting held on 26 March 2019.

During the repurchase program, the company acquired 57,839 of its own shares at an average price of EUR 7.08. The shares were acquired in public trading on Nasdaq Helsinki Oy at the market price at the time of acquisition. The purpose of the repurchase of shares is to use the shares as a part of purchase price in potential corporate acquisitions, as a part of the company's share-based incentive schemes, and otherwise to be transferred, held by the company, or nullified.

Significant events after the review period

As part of the updated company strategy, announced on 16 December 2020, Gofore also announced nominations to the Group Executive Team as follows, as of 1 January 2021: Kalle Mäki, General Counsel; Sanna Hilden, Director, People Operations, and Miika Nurminen, Director, Digital Quality Assurance and CEO of Qentinel Finland Oy.

On 21 January 2021, Gofore announced that the Tax Administration in Finland has selected Qentinel Finland, part of the Gofore Group, as its primary provider of technical project management services supporting the development and maintenance of information systems. The duration of the framework agreement is six years and assignments made during the framework agreement period may continue for four years after the end of the framework agreement. The estimated total value of the agreement is approximately EUR 10–12 million. The agreement is a continuation of an earlier agreement between Tax Administration and Gofore.

On 16 February 2021, Gofore announced that the Board of Directors has resolved on the fourth CrewShare share savings period targeted at Group's personnel. The details of the new plan period will mainly be conformed to follow the previous program period's particulars. The new period commenced on 1 March 2021 and end on 28 February 2022.

On 18 February 2021, Gofore announced that Gofore Plc and the sellers of CCEA Ltd., a company specialising in change execution consulting, have signed an agreement whereby Gofore will acquire 95% of the share capital of CCEA Ltd for a purchase price of EUR 6.4 million. The purchase price consisted of a debt-free price of EUR 6.175 million for the business and a compensation for net cash, estimated at EUR 0.255 million. The purchase price is paid in full as a cash consideration of EUR 6.4 million. Gofore estimates the revenue impact of the acquisition to be approximately EUR 6 million in the Group's financial statements for 2021. The acquisition was completed on 1 March 2021.

The digital transformation consultancy business of Gofore Plc was transferred to Gofore Lead Oy in a business transfer on 1 January 2021.

Gofore Group's revenue in January 2021 was EUR 7.5 million (EUR 6.1 million). The number of employees at the end of the review period was 727. The number of working days in Finland during the period was 19. The total capacity Full Time Equivalent (FTE) was 679 and the subcontracting FTE 109.

Short-term risks and uncertainties

The most significant short-term risks are related to changes caused by the coronavirus pandemic in the company's operating environment. The protracted pandemic situation creates uncertainty regarding the development of customer demand and the well-being of the company's personnel. Apart from the pandemic situation, the company's short-term risks are similar in relation to previous years.

The company sees that negative changes in the investments in public sector IT development would pose challenges to the implementation of the company's growth strategy. Similarly, the tightening of the competitive situation in the company's business areas could affect the company's profitability and growth. The success of recruiting skilled experts and ensuring employee satisfaction are of paramount importance where failure would have a negative impact on the achievement of the company's financial targets. Acquisitions and growing international business are an important part of the company's strategy. Both of these growth-oriented actions include risks that, if realised, would pose challenges in maintaining employee and customer satisfaction and, thus, achieving the company's financial objectives.

The company publishes a monthly business review, which also includes management's assessment of the development of the business during the review period. This means monthly monitoring of the potential realisation of risks.

Financial guidance for 2021

Gofore estimates its full-year 2021 revenue to grow compared to 2020 and its adjusted EBITA to grow in 2021 compared to 2020.

The company publishes a monthly business review, which includes management's assessment of business development during the review period. This facilitates monthly monitoring of the company's growth strategy.

Board of Directors' proposal for the distribution of dividend

The parent company's distributable equity as at 31 December 2020 amounted to EUR 36.3 million, including the profit for the period, EUR 6.3 million.

The Board of Directors proposes to the Annual General Meeting to be held on 26 March 2021, that a dividend of EUR 0.24 per share be distributed on the basis of the balance sheet for the financial year 1 January–31 December 2020. According to the proposal, a total of EUR 3.37 million will be distributed as dividends and the remaining profit for the period EUR 2.89 million will be retained in equity. The proposed dividend is 49% of earnings per share.

No material changes have taken place in the company's financial position after the balance sheet date, nor does the solvency test referred to in chapter 13, section 2 of the Limited Liability Companies Act affect the amount of distributable funds.

The dividend will be paid to a shareholder who is registered in the company's shareholder register maintained by Euroclear Finland Oy on the record date for the dividend payment, 30 March 2021. No dividend will be paid on treasury shares held by the company on the record date. It is proposed that the dividends be paid on 8 April 2021.

Month (2021)	Revenue, MEUR (revenue 2020)[1]	Number of personnel[2]	Number of working days in Finland (working days in 2020)	Overall capacity, FTE[3]	Subcontracting, FTE[4]
January	7.5 (6.1)	727	19 (21)	679	109

[1] Revenue, MEUR (revenue in 2020) indicates the revenue (unaudited) for the month concerned.
[2] The number of employees at the end of the review period.
[3] Overall capacity, FTE (Full Time Equivalent) figure shows the overall capacity of the Group's personnel, converted into a value corresponding to the number of full-time employees. The figure includes the entire personnel, regardless of their role. The figure is not affected by annual leave, time-off in lieu of overtime, sick leave or other short-term absences. Part-time agreements and other long-term deviations from normal working hours reduce the amount of overall capacity in comparison with the total number of employees. The capacity of acquired companies personnel has been considered as of the acquisition date.
[4] Subcontracting, FTE (Full Time Equivalent) figure shows the overall amount of subcontracting used in invoiced work, converted into a value corresponding to the number of full-time employees. Subcontracting used by acquired companies has been included as of the acquisition date.

Non-financial statement 2020

General

This section describes key aspects of Gofore's sustainability-related activities in accordance with the requirements of Chapter 3a of the Accounting Act (non-financial information). A more extensive description of the management and results of different areas of corporate responsibility can be found in Gofore's separate Sustainability Report for 2020.

In 2020, Gofore's sustainability strategy for 2021–2025 was adopted as part of the company's strategy update. Gofore aims to be a pioneer in digital solutions and responsible business that promote sustainable development. The aim is that a significant part of revenue comes from solutions that verifiably improve resource efficiency or reduce climate emissions, or solutions that support a robust, safe, democratic and open society. The company wants to be an attractive ESG investment.

From a sustainability perspective, the impacts of Gofore's business consist only of the direct impact of its own operations, but also through the customers and the result of their work. The company helps its customers in different fields to utilise the latest technology in developing more sustainable solutions and to renew their thinking and operating models towards a more sustainable direction. Through significant public sector customers, Gofore's operations have a particular impact on the sustainability of societies now and in the future.

Business operations

Gofore is a digital transformation consultancy. The company's clientele includes private and public sector companies and organisations in its main market in Finland, as well as in Germany, Spain and Estonia. The services offered include digital transformation advisory and the implementation of digital services, as well as digital quality assurance and testing automation. Competence and service offering are continuously developed so that the needs and expectations of customers can be met in the best possible way at every stage of digital transformation. Gofore's vision is to be one of the most significant digital transformation consultancies in Europe.

The Group's revenue in 2020 was EUR 78.0 million (2019: EUR 64.1 million) and adjusted EBITA EUR 10.8 million (EUR 7.7 million, in accordance with IFRS). Gofore employed a total of 724 (582) people at the end of the year. There were 692 (540) employees in Finland (540), 20 (17) in Germany, 10 (7) in Spain and 2 (1) in Estonia. The number of employees in 2020 does not include Gofore UK Ltd., a subsidiary, whose operations were abandoned during the first quarter of 2020.

In 2020, 19% (16%) of the Group's revenue was based on subcontracting. In addition to Finland, subcontracting was carried out in Romania, Italy, Estonia and Germany.

Sustainability management at Gofore

The key operating principles governing Gofore's responsible business are the "Sustainable Gofore" program, the code of ethics and the code of conduct, which together cover and form the principles underlying the sustainability themes of this statement. Additionally, sustainability work is guided by separate function-specific commitments, plans and policies.

Gofore's Board of Directors has approved the company's Code of Ethics and Code of Conduct. The Board acts as the main decision making body in the main corporate responsibility related matters, and the Group Executive Team is responsible for the management of operations in accordance with the principles governing corporate responsibility. Since 2019, assigned Chief Sustainability Officer has managed both the coordination and development of sustainability efforts, and monitoring of the achievement of the set targets.

Launched in 2019, Gofore's sustainability program "Sustainable Gofore" includes the most relevant aspects of corporate responsibility as well as qualitative and quantitative indicators in operations. The guidelines are based on a materiality analysis carried out in 2019, definition of stakeholders and the UN Sustainable Development Goals (SDGs).

In 2020, two customer satisfaction surveys were conducted, in spring and autumn. Overall satisfaction remained at a high level throughout the year. In particular, customers valued expertise, cooperability and flexibility. In the autumn study, the Net Promoter Score (NPS) was 34 (scale -100 / +100) and in the spring study 54. The results have been reviewed with customers with a particular focus on the impacts of remote working. The customer satisfaction survey also asked about the importance and relevance of corporate responsibility to customers. Responsibility was found to be one of the key criteria when choosing a service provider.

From 2021 onwards, the assessment of sustainability-related issues will continue as part of the customer satisfaction survey.

Aspects and indicators of the "Sustainable Gofore" program:

Aspect	Indicators monitored in 2020
Handprint through customer projects	• Meeting the EU Sustainable Finance taxonomy criteria* • Sustainability assessment as part of customer satisfaction survey • Net Promoter Score (NPS)
Ethical and environmentally sound work	• Raising environmental awareness • Reduction of greenhouse gas emissions (CO2-eq, tonnes)
Good corporate citizenship	• Tax footprint • Function-specific risk assessments
Responsibility as an employer	• Employee experience and employee engagement • Employees' absences due to sickness • Development of employees' professional skills • Employee turnover • Proportion of women among Group employees and in the Group Executive Team • Gender pay equality • Age distribution of employees • Compliance with the code of conduct for subcontracting

** The taxonomy criteria to be monitored will be updated in 2021 based on the latest available version.*

Risk management

Gofore's operations also include risks. Gofore's active risk register continuously collects both business risks effecting Gofore and sustainability risks, i.e. risks that Gofore itself poses to people, the environment and society. The identified sustainability risks and related management methods are described in more detail in the company's Sustainability Report 2020, section Sustainability Risks.

Social responsibility and personnel

Gofore's goal is to provide its employees with the best platform for growth and success – both professionally and personally. HR management is based on the People Strategy 2021–2025 and its guidelines updated in 2020, as well as the People Person manager operating model. The key objectives for 2020 in human resources management were to support growth by strengthening both recruitment capability and the transformation capability needed in mergers and acquisitions, and by increasing understanding of the elements of exceptional employee experience and culture.

In Gofore's corporate culture, excellent employee experience and customer experience build each other mutually. Gofore's strong growth also has an impact on culture and how it is experienced, which is why in 2020 it was studied what themes the personnel currently see as Gofore's cultural strengths. The study highlighted four strengths: work-life balance, cooperation with colleagues, autonomy in one's own work, and open communication and interaction.

Employee experience and employee engagement are also studied at Gofore from several other angles. In 2020, the Employee Net Promoter Score (eNPS) was replaced by a more comprehensive Engagement Index. The Engagement Index was introduced because it measures not only recommendation but also employee motivation, commitment to the organization now and in the coming years, and pride in working at Gofore.

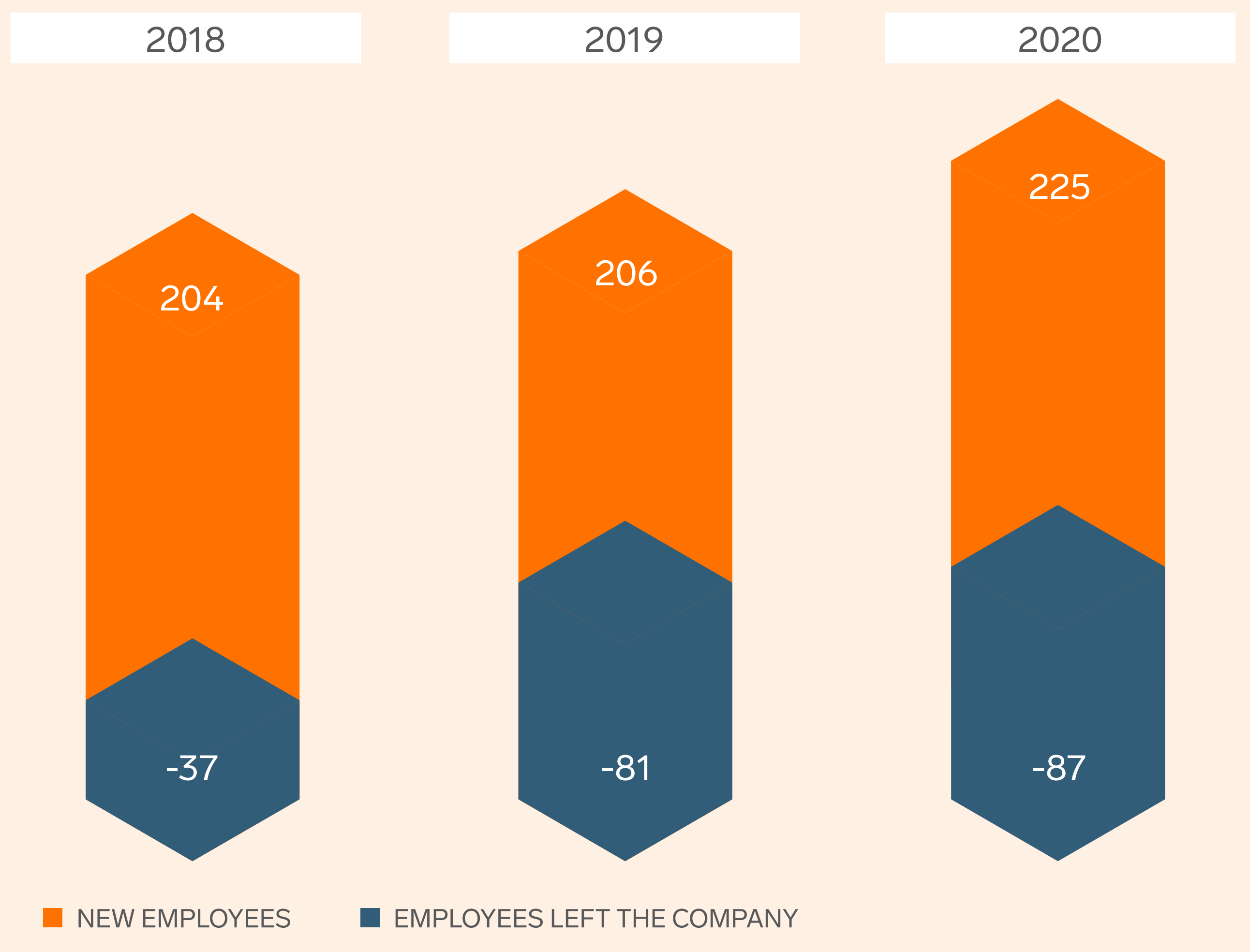
In 2020, the Engagement Index was divided as follows:

- 68%, promoters
- 20%, neutrals
- 12%, critics

83% of employees (601 persons) responded to the Engagement Index survey. Additionally to this study, employee experience is examined through regular personnel surveys and crew pulse measurements that respond quickly to any changes in job satisfaction.

Employee experience is also measured by employee turnover, especially outbound turnover. In 2020, there were no significant changes in the turnover from previous years.

Employee turnover 2018–2020



The employer's reputation and the number of applications for open positions also measure the employee experience. As an example of the good development in this regard, higher education students selected Gofore as one of the most attractive workplaces in Finland in 2020 in the Young Professional Attraction Index (YPAI). The attractiveness as an employer is also reflected in a 15% annual increase in the number of job applications.

Gofore develops the professional expertise of its employees in a goal-oriented and human-oriented manner. Employees are encouraged to use part of their working time to develop their skills through on-the-job learning (e.g. through their current work, new tasks and projects), learning from colleagues (e.g. guilds and peer support) and training (e.g. courses, coaching). Employees are also encouraged to apply to work at the company's other locations in Europe.

Internal training is provided by "Gofore Academy", which curriculum is determined based on the needs of the employees. In 2020, there were 43 (44) internally organised trainings. External coaching, online courses and training towards certifications were also utilised actively. In 2020, an average of 41 working hours per person were spent developing and sharing one's individual competence.

Key courses:
- consulting expertise
- change management skills
- development of self-awareness
- coaching
- management of jointly steered team efforts
- development of technical expertise.

At Gofore, employees' well-being at work is monitored closely. In general, Gofore's situation in 2020 was good in terms of work capacity, sick leave and safety, but at the end of the year, there was a slight increase in sick leaves in line with general national development.

The occupational well-being model created in 2019 was further developed in 2020. As a result, cooperation between different roles, activities and partners was strengthened. Discussions based on the early caring model take place, for example, in situations where a person has had long or recurrent absences due to illness. Well-being analytics is developed using bots and different systems.

From the point of view of Gofore's operations, social responsibility is also linked to the promotion of diversity and equality.

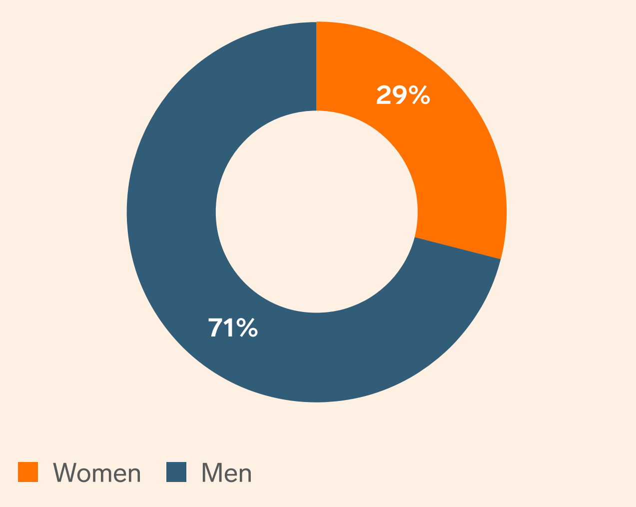
The company treats all employees equally, regardless of gender, ethnicity, religion, age and other similar factors. Diversity increases human capital, which supports well-being at work, productivity and the ability to renew. In 2020, the company updated its practices related to equality and equality. These practices will be established as a policy in early 2021.

In 2020, 29% (27%) of the Group's personnel were women, and the share of women in the Management Team was 38% (38%) and on the Board of Directors 20% (20%).

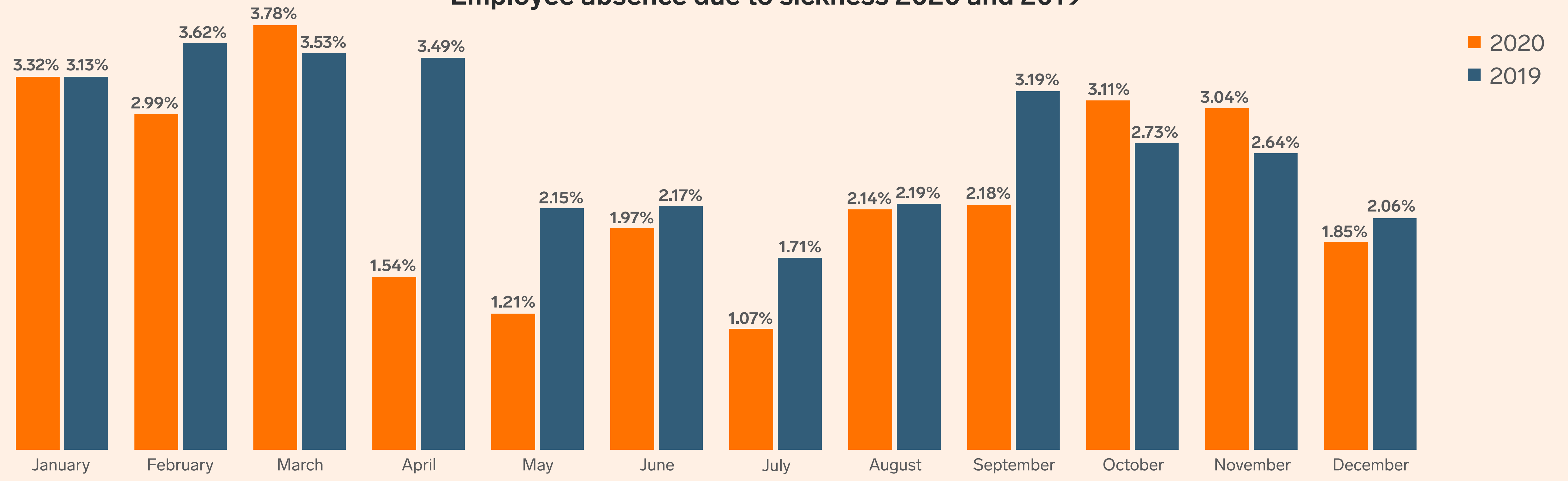
In 2020, the average salaries of women and men in billable customer work are almost the same: women's salary was 97% of men's. However, the average salary of all women was 94% of men's, as men and women work in different types of administrative positions with different level of remuneration.

The Group's personnel were divided by age group in 2020 as follows:
- 20–29 years: 84
- 30–39 years: 282
- 40–49 years: 260
- 50–59 years: 85
- 60–69 years: 13

Gender distribution 2020



Employee absence due to sickness 2020 and 2019

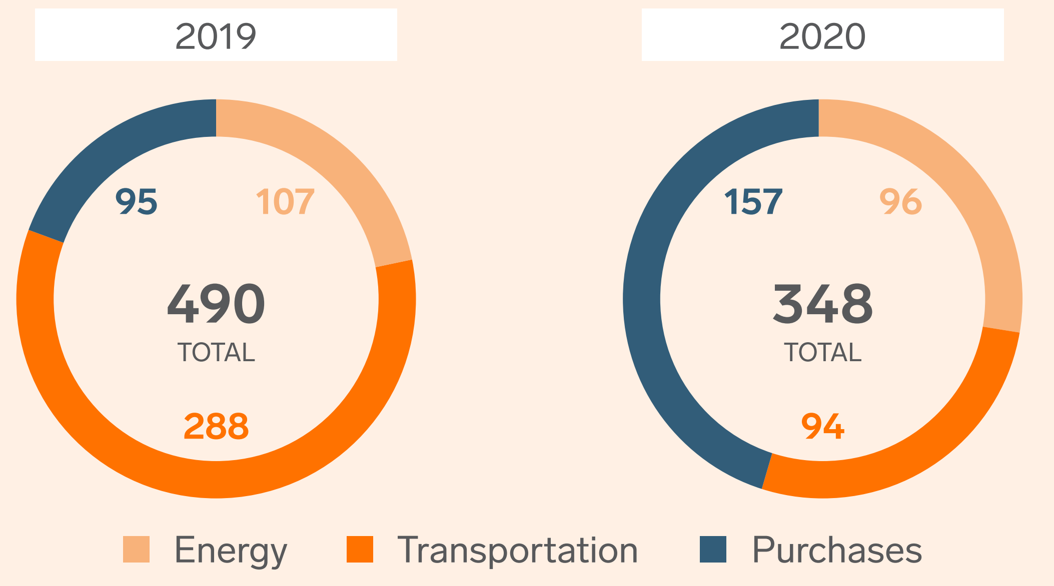


Environmental responsibility and sustainable development

Gofore strives to understand the environmental footprint of digitalisation comprehensively and to reduce it as efficiently as possible. The company has defined its environmental targets in 2019 and will report on the actions and targets as part of its sustainability reporting. The company has environmental guidelines included in the induction of all personnel, which includes instructions on waste treatment, travel, water use and procurement. All Gofore's operations comply with national environmental legislation and regulatory requirements.

Gofore's activities do not involve significant environmental risks. Gofore's most significant direct climate impacts are generated by commuting, business travel and the energy needs of the premises. The key objective of environmental responsibility is therefore to reduce the direct and indirect climate impacts of business. The carbon footprint in 2020 was approximately 29% lower than in the previous year. The change is based on reduced travel during the coronavirus pandemic that broke out in 2020 and the resulting restrictions.

Carbon footprint, tCO2



Gofore aims to achieve carbon neutrality during 2021. This applies to all Gofore's permanent activities in all operating countries. The aim is to reduce emissions from own activities and compensate for emissions that cannot yet be completely avoided. In 2020, most of the electricity used was produced carbon neutrally (mainly by hydropower), and other energy used by the offices is also largely of a low-emission type. Emissions in 2020 were compensated by 50% of the level of 2019. The compensation was carried out using the Carbon Exchange, entailing, besides investments in combatting climate change, also activities related to the protection of swamp nature and biodiversity in Finland.

Environmental issues are also taken into account in procurement and everyday activities as comprehensively as possible. Climate emissions from commuting are reduced by providing, among other things, an employee benefit for the use of public transport. The environmental friendliness of the premises was strengthened during 2020 by certifying all Finnish offices with WWF's Green Office certificate. The aim for 2021 is to certify offices in other operating countries as well.

An important new issue for Gofore's sustainability work was the adoption in 2020 of the EU's sustainable finance taxonomy and related criteria for climate change mitigation. The current sustainability goals for the ICT sector as defined by the taxonomy include, besides the reduction of energy use of data centers, how IT companies are able to support climate reductions in other industries through data-driven solutions. Gofore's goal for 2021 is to investigate the sustainabilty of the data center and cloud services used by the company from the perspective of the taxonomy. In addition, the extent to which Gofore's projects develop data-driven solutions that support the reduction of climate emissions will be assessed.

In addition, in 2020, the company started developing the Gofore Good Growth model as part of the "Sustainable Gofore" program. The model enables us to make the SDG a key part of customers' digital transformation projects. Its aim is to support sustainable development and create measurable impact in customer projects. The model also aims to find new ways to reduce the carbon footprint of digitalisation. In 2021, the goal is to offer the model for suitable customer projects and also to embrace it into active use internally.

Economic responsibility

Gofore generates economic benefit for its employees, customers, owners, partners and society. Sustainable growth and strong profitability form the basis on which Gofore operates in digitalising society and wielding a positive influence on it. The economic benefits to society are realised, for example, through the company's tax footprint. Any kind of tax evasion or tax planning in the grey area is unacceptable.

Taxes and tax-like payments, EUR 1,000	2020	2019
Corporate income taxes	1,927	1,603
Indirect taxes	12,534	11,316
Withholding taxes on salaries	10,384	7,913
Social security contribution	827	458
Total	**25,672**	**21,290**

Respect for human rights

Gofore operates in countries that are committed comprehensively to international human rights. At Gofore, the requirement to respect human rights applies not only to employees but also to all cooperation partners. The code of conduct covers the handling of incidents relating to respect for human rights. During 2020, there were no reports of compromised human rights, such as cases of discrimination against employees or other inappropriate treatment.

The company's code of conduct takes a position on respect for human rights and the rights of international employees. All activities are always guided by national legislation and internationally recognised human rights.

Prevention of corruption and bribery

The company's code of conduct prohibits corruption and bribery in all forms. The requirement to combat corruption and corruption applies not only to personnel but also to all cooperation partners.

The code of conduct also covers the handling of incidents related to corruption and bribery. There is a whistleblowing channel where personnel and other key stakeholders of the company can report suspected findings related to bribery and corruption. A report can be submitted anonymously. The reports are directed to the company's General Counsel, Chairman of the Board of Directors and CEO, who are committed to handling all reports confidentially.

During 2020, there were no reported cases of corruption or bribery or other violations related to unethical business practices.

Key figures (IFRS)

EUR thousand, unless otherwise specified	1–12/2020[2]	1–12/2019[1]
Revenue	77,953	64,066
Growth of revenue, -%	21.7%	26.7%
EBITDA	12,329	9,223
EBITDA margin -%	15.8%	14.4%
EBITA, adjusted	10,778	7,710
EBITA, adjusted, margin -%	13.8%	12.0%
EBITA	9,908	7,296
EBITA margin -%	12.7%	11.4%
Operating profit (EBIT)	8,750	6,620
Operating profit (EBIT) margin -%	11.2%	10.3%
Profit for the period	6,903	5,096
Earnings per share, EPS (diluted)[3]	0.49	0.37
Return on equity (ROE), -%	20.2%	18.7%
Return on investment (ROI), -%	17.6%	17.2%
Equity ratio -%	47.0%	58.1%
Net gearing -%	-15.4%	-31.9%
Average overall capacity, FTE	597	517
Average subcontracting, FTE	83	54
Number of employees at the end of the period	724	582

[1] Silver Planet Oy's figures have been combined with the Gofore Group figures from 15 February 2019 and mangodesign Finke-Anlauff & Anlauff GbR:n figures from 1 July 2019.
[2] Qentinel Finland Oy figures have been combined with the Gofore Group figures from 1 September 2020.
[3] Diluted EPS equals to undiluted EPS.

Alternative Performance Measures (APM)

Gofore applies ESMA (European Securities and Markets Authority) guidelines on alternative performance measures effective from 2016.

Gofore uses and presents the following alternative performance measuures to better illustrate the operative development of its business: operating profit before amortization of PPA (EBITA), EBITDA, ROI, ROE, equity ratio and net gearing. PPA amortizations arise from assets recognised in fair value in acquired business combinations.

The items included in the EBITA and adjusted EBITA consist of the following:

Adjusted EBITA and EBITDA	1.1.–31.12.2020	1.1.–31.12.2019
EBIT	**8,750**	**6,620**
Amortisation of intangible assets identified in PPA	1,158	677
EBITA	**9,908**	**7,296**
Transaction costs from business combinations	321	414
Restructuring costs	562	0
Gains or lossess from sales of fixed assets	-13	0
Adjusted EBITA	**10,778**	**7,710**
EBIT	**8,750**	**6,620**
Depreciations	2,421	1,926
Amortisation of intangible assets identified in PPA	1,158	677
EBITDA	**12,329**	**9,223**

Formulas of Key Figures

EBITDA	=	Operating profit + depreciations and amortisation	
EBITDA margin, %	=	Operating profit + depreciations and amortisation / Net sales	x 100
Operating profit before amortisation of intangible assets identified in PPA and impairment of goodwill (EBITA)	=	Operating profit + amortisation of intangible assets identified in PPA + impairment of goodwill	
Operating profit before amortisation of intangible assets identified in PPA and impairment of goodwill (EBITA) margin-%	=	Operating profit + amortisation of intangible assets identified in PPA + impairment of goodwill / Net sales	x 100
Operating Profit (EBIT) margin-%	=	Operating profit / Net sales	x 100
Earnings per share (EPS), diluted, euros	=	Profit for the period attributable for shareholders of the company / Weighted average number of shares outstanding during the period adjusted for share issues	x 100
Return on equity (ROE)-%	=	Profit for the period (annualised) / Average shareholder's equity	x 100
Return on investment (ROI)-%	=	Profit before taxes (annualised) + financial income and expenses (annualised) / Average shareholder's equity + average interest-bearing loans and borrowings	x 100
Equity ratio, %	=	Shareholders equity / Balance sheet total – advances received	x 100
Net gearing, %	=	Non-current interest-bearing liabilities + Non-current lease liabilities + Current interest-bearing liabilities + Current lease liabilities – Cash and cash equivalents – Other rights of ownership under Current and Non-current investments / Shareholder equity	x 100
Average overall capacity, FTE	=	The Average overall capacity, FTE (Full Time Equivalent) figure shows the overall capacity of the Group's personnel, converted into a value corresponding to the number of full-time employees. The figure includes the entire personnel, regardless of their role. The figure is not affected by annual leave, time-off in lieu of overtime, sick leave or other short-term absences. Part-time agreements and other long-term deviations from normal working hours reduce the amount of overall capacity in comparison with the total number of employees. The capacity of acquired companies personnel has been considered as of the acquisition date.	
Average subcontracting, FTE	=	The Average subcontracting, FTE (Full Time Equivalent) figure shows the overall amount of subcontracting used in invoiced work, converted into a value corresponding to the number of full-time employees. Subcontracting used by acquired companies has been included as of the acquisition date.	
Number of employees at the end of period	=	The number of employees at the end of the period.	

Alternative Performance Measures

The Company determines term "Adjusted EBITA" as follows:

Adjusted EBITA	=	Reported EBITA + (+ goodwill impairment +/- costs/gains directly related to acquiring business combinations + restructuring costs of business structure - gains of sales of fixed assets + losses of sales of fixed assets).

Financial Statements 2020

Consolidated Financial Statements (IFRS)

Consolidated Statement of Financial Position

EUR thousand	Notes	31.12.2020	31.12.2019	1.1.2019
Assets				
Non-current assets				
Goodwill	4.2	23,311	16,180	8,626
Other intangible assets	4.3	10,506	3,812	17
Tangible assets	4.4	461	585	541
Right-of-use assets	4.5	6,835	5,309	4,560
Investments	5.1; 5.2	0	51	51
Other receivables	5.2	772	0	0
Deferred tax assets	3.6	14	35	7
Total non-current assets		**41,899**	**25,971**	**13,802**
Current assets				
Trade receivables	4.6; 5.4	11,478	8,011	8,544
Contract assets	4.6; 5.4	434	190	179
Other current assets	5.2	2,441	1,343	1,104
Income tax receivables	3.6	174	20	0
Securities	5.2	544	631	0
Cash and cash equivalents	5.2; 5.4	21,394	21,358	15,424
Total current assets		**36,465**	**31,553**	**25,252**
Total assets		**78,363**	**57,524**	**39,054**

EUR thousand	Notes	31.12.2020	31.12.2019	1.1.2019
Equity and liabilities				
Equity				
Share capital	5.5	80	80	80
Translation differences		-12	21	0
Fund for unrestricted equity		20,515	20,323	12,859
Retained earnings		15,476	12,008	9,037
Equity attributable to equity holders of the parent		**36,059**	**32,432**	**21,976**
Non-controlling interests	1.1; 1.2	23	0	0
Total equity		**36,082**	**32,432**	**21,976**
Non-current liabilities				
Interest-bearing loans and borrowings	5.1–5.4	7,500	4,472	2,614
Other interest-bearing liabilities	5.1–5.4	0	0	516
Other payables	4.7	767	154	0
Lease liabilities	4.5; 5.3	4,495	3,305	2,952
Deferred tax liabilities	3.6	1,971	782	0
Total non-current liabilities		**14,733**	**8,712**	**6,082**
Current liabilities				
Trade and other payables	4.7	12,113	4,646	4,261
Contract liabilities	4.6; 4.7	1,685	1,734	36
Interest-bearing loans and borrowings	5.1–5.4	2,000	1,390	1,069
Other interest-bearing liabilities	5.1–5.4	0	497	0
Lease liabilities	4.5; 5.3	2,375	2,025	1,608
Accrued expenses	4.7	9,137	5,927	4,020
Income tax payable	3.6	239	161	2
Total current liabilities		**27,549**	**16,380**	**10,996**
Total liabilities		**42,282**	**25,092**	**17,078**
Total equity and liabilities		**78,363**	**57,524**	**39,054**

Consolidated Statement of Profit and Loss and Other Compehensive Income

EUR thousand	Notes	1.1.–31.12.2020	1.1.–31.12.2019
Revenue (net sales)	3.1	**77,953**	**64,066**
Production for own use		738	139
Other operating income	3.2	599	175
Materials and Services			
Purchases		-225	-178
External services		-12,519	-8,493
Total materials and services		-12,744	-8,671
Employee expenses			
Salaries and compensations	3.3–3.4	-37 344	-30 811
Pensions		-5,587	-5,034
Other indirect employee expenses		-1,502	-1,210
Total employee benefit expenses		-44,433	-37,056
Depreciations, amortisations and impairment	4.3–4.5	-3,579	-2,603
Other operating expenses	3.2	-9,785	-9,430
Operating profit (EBIT)		**8,750**	**6,620**
Finance costs	3.5	-202	-135
Finance income	3.5	67	42
Profit before tax		**8,615**	**6,526**
Income tax	3.6	-1,712	-1,430
Profit for the financial period		**6,903**	**5,096**
Other Comprehensive Income			
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations		-33	21
Other comprehensive income, net of tax		**-33**	**21**
Total comprehensive income for the financial period		**6,870**	**5,116**
Profit attributable to:			
Equity holders of the parent		6,895	5,096
Non-controlling interests		8	0
		6,903	**5,096**
Total comprehensive income attributable to:			
Equity holders of the parent		6,862	5,116
Non-controlling interests	1.1–1.2	8	0
		6,870	**5,116**
Earnings per share			
Earnings per shate, undiluted	3.7	0.49	0.37
Earnings per share, diluted	3.7	0.49	0.37

Consolidated Statement of Changes in Equity

2020	Attributable to the equity holders of the parent						
EUR thousand	**Share capital**	**Fund for unrestricted equity**	**Translation differences**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Equity on 1.1.2020	**80**	**20,323**	**21**	**12,008**	**32,432**	**0**	**32,432**
Profit for the period				6,895	6,895	8	6,903
Other comprehensive income			-33		-33	0	-33
Total comprehensive income	**0**	**0**	**-33**	**6,895**	**6,862**	**8**	**6,870**
Share-based payments (Note 3.4)		192		-189	2		2
Dividends (Note 5.5)				-2,801	-2,801		-2,801
Purchase of own shares				-468	-468		-468
Acquisition of a subsidiary paid in shares (Note 4.1)					0		0
Acquisition of non-controlling interests (Note 1.2)					0	15	15
Other changes				31	31		31
Equity on 31.12.2020	**80**	**20,515**	**-12**	**15,476**	**36,059**	**23**	**36,082**

2019	Attributable to the equity holders of the parent						
EUR thousand	**Share capital**	**Fund for unrestricted equity**	**Translation differences**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Equity on 1.1.2019 before IFRS adjustments	**80**	**12,859**	**11**	**9,055**	**22,006**	**0**	**22,006**
Adjustments of Expected Credit Losses				-30	-30		-30
Adjustments of IFRS 1 Translation differences			-11	11	0		0
Adjusted equity on 1.1.2019	**80**	**12,859**	**0**	**9,037**	**21,976**	**0**	**21,976**
Profit for the period				5,096	5,096		5,096
Other comprehensive income			21		21		21
Total comprehensive income	**0**	**0**	**21**	**5,096**	**5,116**	**0**	**5,116**
Share-based payments (Note 3.4)		314		360	674		674
Dividends (Note 5.5)				-2,496	-2,496		-2,496
Purchase of own shares					0		0
Acquisition of a subsidiary paid in shares (Note 4.1)		7,150			7,150		7,150
Acquisition of non-controlling interests (Note 1.2)					0		0
Other changes				12	12		12
Equity on 31.12.2019	**80**	**20,323**	**21**	**12,008**	**32,432**	**0**	**32,432**

Consolidated Statement of Cash Flows

EUR thousand	2020	2019
Operating activities		
Profit before tax	8,615	6,526
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and impairment	3,579	2,603
Finance income and expenses	149	73
Other adjustments	-21	751
Change in working capital	-1,203	4,155
Interest received and paid	-161	-137
Income tax paid	-2,003	-1,708
Net cash flow from operating activities	**8,955**	**12,263**
Net cash flow from investing activities		
Proceeds from sale of tangible and intangible assets	31	16
Purchase of intangible assets	-698	-139
Purchase of tangible assets	-75	-192
Proceeds from sale of financial instruments	139	0
Acquisition of a subsidiary, net of cash acquired	-6,492	-3,986
Net cash flow from investing activities	**-7,095**	**-4,301**
Net cash flow from financing activities		
Treasury shares acquired	-468	0
Repayment of lease liabilities	-2,192	-1,711
Proceeds from borrowings	10,000	3,500
Repayment of borrowings	-6,362	-1,321
Dividends paid to equity holders of the parent	-2,801	-2,496
Net cash flow from financing activities	**-1,823**	**-2,028**
Net increase in cash and cash equivalents	**36**	**5,934**
Cash and cash equivalents at 1.1.	21,358	15,424
Cash and cash equivalents at 31.12.	**21,394**	**21,358**

Notes to the Consolidated Financial Statements

1. Key Accounting Policies and Consolidation

1.1. General information

Corporate information

Gofore is a growth-seeking digitalisation services company with international growth plans. Gofore Group's parent company, Gofore Plc, is a public limited company constituted in accordance with Finnish law with a business ID of 1710128-9. Gofore is incorporated in Tampere, Finland, and its registered address is Kalevantie 2, 33100 Tampere, Finland. The shares of the Gofore Plc have been listed on Nasdaq First North Growth Market Finland.

The consolidated financial statements for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Board of Directors on 5. March 2021. Gofore's financial statements, Board of Directors' report and Auditor's report are available at the website www.gofore.com and in the Group's head office at Kalevantie 2, 33100 Tampere, Finland. In accordance with Finnish Limited Liability Act, shareholders may adopt or reject the financial statements at the Annual General Meeting held after the publication.

Gofore Group consist of the parent company Gofore Plc and its subsidiaries. Information on the Group's structure is provided in Note 1.1. Information on other related party relationships of the Group is provided in Note 6.1.

Group information

Information about subsidiaries

The consolidated financial statements of the Group include:

Name	Principal activities	Country of incorporation	Equity interest, % 2020	2019
Gofore Oyj	Parent Company/Production company	Finland	Parent	Parent
Gofore Vantaa Oy	Production Company	Finland	100%	100%
Gofore Spain SL	Production Company	Spain	100%	100%
Gofore Germany GmbH	Production Company	Germany	100%	100%
Gofore Estonia OÜ	Production Company	Estonia	100%	100%
Silver Planet Oy *	Production Company	Finland	100%	100%
Gofore UK Limited	Production Company, abandoned during 2020.	United Kingdom	100%	100%
Rebase Consulting Oy **	Production Company	Finland	70%	-
Qentinel Finland Oy ***	Production Company	Finland	100%	-

* Silver Planet Oy has been consolidated to Gofore Group per 14.2.2019. The name of the company has changed to Gofore Lead Ltd since 1.1.2021.
** Rebase Consulting Oy has been established in 20.2.2020.
*** Qentinel Finland Oy has been consolidated to Gofore Group per 1.9.2020.

1.2. Basis of preparation

Basis of preparation and adoption of IFRS

The consolidated financial statements of Gofore have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC Interpretations as adopted by European Union on December 31, 2020. The notes to the financial statements also comply with the Finnish accounting and corporate legislation.

The consolidated financial statements have been prepared on a historical cost basis, unless otherwise stated in the accounting policies below. The consolidated financial statements are presented in euros and all values are rounded to the nearest thousand, except when otherwise indicated. Therefore, the sum of individual numbers may deviate from the presented sum figure due to rounding differences. The comparative year information is presented in brackets after the information for the current financial year.

The consolidated financial statements as of December 31, 2020 are the Group's first financial statements prepared in accordance with International Financial Reporting Standards. The date of transition to IFRS being January 1, 2019. The consolidated financial statements as of December 31, 2020 contain comparative information for the period ended December 31, 2019. An additional statement of financial position as at January 1, 2019 is presented in these consolidated financial statements due to the first time adoption of IFRS. Previously Gofore has applied Finnish Accounting standards. Note 2. First Time Adoption of IFRS Standards discloses the impact of the transition to IFRS on the Group's reported financial position and financial performance.

Consolidation principles

The consolidated financial statements incorporate the financial statements of the Parent Company and entities controlled by Gofore Plc (its subsidiaries). Gofore has control of an entity when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Acquired subsidiaries are consolidated from the date on which control is transferred to the Group, and are no longer consolidated from the date that control ceases.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests are presented in the consolidated statement of financial position as within equity, separately from equity attributable to shareholders. Non-controlling interests are separately presented in the statement of other comprehensive income.

Non-controlling interests

Transactions with non-controlling interests are regarded as transactions with equity owners. In the case of purchases from non-controlling interests, the difference between any consideration paid and the relevant share of the carrying value of net assets acquired in the subsidiary is recorded in shareholders' equity. Gains or losses on disposal to non-controlling interests are also recorded directly in shareholders' equity.

Gofore has established Rebase Consulting Oy in February 2020. Gofore holds 70% of the company. The net sales of Rebase Consulting Oy during the financial period was EUR 336 thousand. Balance sheet total was EUR 266 thousand.

Segment reporting

Gofore Plc has only one reportable segment. The reported segment comprises of the Group and the segment figures are consistent with Gofore Group figures, see note 3.1 Revenue from contracts with customers.

Currencies

Items referring to the earnings and financial position of the Group's units are recognised in the currency that is the main currency of the unit's primary operating environment ('functional currency'). The consolidated financial statements are given in euros, which is the operating and presentation currency of the parent company. During the financial year, the Group has one subsidiary abroad, in the UK, which has different functional currency than euro. The business in UK has abandoned during the 2020.

In the Group financial statements, the income statements of foreign subsidiaries are translated into euros at the average rate for the financial period and balance sheets at the exchange rate of the balance sheet date. Average rate difference due to different exchange rates on the statement of comprehensive income and balance sheet are entered in other comprehensive income. Translation differences arising from the elimination of foreign subsidiaries and translation of equity items accumulated after the acquisition are entered in other comprehensive income. Foreign currency gains and losses from monetary items part of the net investment in a foreign unit are recognized in other comprehensive income and entered on the statement of comprehensive income when the foreign unit is divested.

Transactions in foreign currencies are recorded in the functional currency at the exchange rates at the transaction date. Monetary items are translated into functional currency using the exchange rates at the end of the reporting period. Non-monetary items are carried at the exchange rate at the date of transaction.

Impacts of COVID-19 pandemic

The COVID-19 pandemic has caused uncertainties in the operating environment. In the longer term, the pandemic is expected to accelerate digitalization bearing in mind that public and private sector customers' ability to invest in digital transformation depends on the development of the economy. The pandemic did not adversely affect the company's business during 2020, and customer demand has been at the expected level. There is continuing uncertainty about the pandemic and its market impact.

1.3. Accounting estimates and judgements applied in the preparation of the financial statements

The preparation of the Group's consolidated financial statements requires management to use judgement, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. The actual values may differ from these estimates and assumptions.

In the process of applying the Group's accounting policies, management has made various judgements. Those which management has assessed to have the most significant effect on the amounts recognised in the consolidated financial statements have been discussed in the individual notes of the related financial statement line items.

The most significant accounting policies requiring judgement by the management and the key factors of uncertainty related to estimates are presented in the following notes:

- Share-based payment transactions (Note 3.4)
- Business combinations, value of net assets acquired and contingent considerations (Note 4.1)
- Impairment testing (Note 4.2)
- Expected credit losses (Note 5.4)
- Leases (Note 4.5)

1.4. New and updated IFRS standards

Gofore adopts the new and amended standards and interpretations, if applicable, when they become effective. The new and amended standards that become effective of 1 January 2021 or later are not expected to have an impact on Gofore's consolidated financial statements.

The following new and amended standards have been issued and become effective on 1 January 2021 or later. Only the amendments relevant from Gofore's perspective have been included in the summary below.

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current
The amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current. This amendment will not have an impact on the classification of the liabilities.

Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use
Under the amendment, proceeds from selling items before the related item of PPE is available for use should be recognized in profit or loss, together with the costs of producing those items.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Costs of Fulfilling a Contract
Under the amendment, when assessing whether a contract is onerous or loss-making, an entity needs to include both the direct costs as well as incremental costs and an allocation of costs directly related to contract activities.

Amendments to IFRS 9 Financial Instruments: Fees in the '10 per cent' test for derecognition of financial liabilities
The amendment to IFRS 9 clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability to determine whether to derecognise the existing financial liability.

Interest Rate Benchmark Reform - Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
The amendment provides temporary reliefs related to financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR).

Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework
The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, to an updated version issued in 2018 without significantly changing its requirements.

Additionally IFRS 17 Insurance contracts and amendments IFRS 1 and IAS 41 have been issued but they will not have impact on Gofore's financial statements.

2. First Time Adoption of IFRS Standards

Gofore Plc has announced that the company is targeting to move to Nasdaq OMX Helsinki mainlist during the first quarter of 2021. As a part of the IPO process, Gofore has prepared its financial statements in accordance with the International Financial Reporting Standards (IFRS) for the period ended 31.12.2020.

2.1. IFRS impact: The transition effects and exemptions applied

The accounting policies that have had the most significant impact on the income statement and the statement of financial position of Gofore Group as a result of the transition to IFRS have been summarized below.

Gofore Group has applied the exemptions of IFRS 1 First-time Adaption of International Financial Reporting Standards relating to Leases, Business Combinations, Foreign Currency Translations and Share-based Payments. These are described more in detail below.

The alphabets in topics (A-F) refer to the columns in the calculation tables.

1. Leases, Gofore as a lessee (B)

Gofore Group has mainly leased offices, parking spaces, cars and office machinery. Under FAS, lease expenses have been recognized as other operating expenses in the statement of profit and loss on a straight-line basis over the lease period. The Group has not capitalized the leases in FAS and has thus not followed the option to apply IFRS 16 in FAS. Under FAS, the commitments relating to the lease agreements have been disclosed in the notes to the financial statements as off-balance sheet items as part of contingent liabilities.

In adoption of IFRS 16 standard Gofore has applied the exemption of IFRS 1 standard and it has measured the lease liability and right-of-use-asset at the date of transition to IFRSs. The right-of-use asset and the lease liability are calculated by discounting the future lease payments. The lease liabilities have been measured at the present value of the remaining lease payments as of 1 January 2019 and right-of-use assets have been recognized at an amount equal to the lease liability on 1 January 2019. The impact for the opening balance sheet 1.1.2019 was EUR 4,560 thousand with a the corresponding lease liability of which EUR 2,952 thousand was classified as non-current lease liability and EUR 1,608 thousand as current lease liability. On 31.12.2019 the right-of-use assets were recorded for an amount of EUR 5,309 thousand with the lease liability of EUR 5,330 thousand of which EUR 3,305 thousand was classified as non-current and EUR 2,025 thousand as current liability.

In applying IFRS 16, the lease expenses presented in FAS are replaced with the depreciation of the right-of-use asset. In addition, the interest costs of the lease liabilities are recognised as finance costs in the Statement of Profit and Loss. During 2019 the impact of the adjustment for the Group's statement of profit and loss totals to loss of EUR 16 thousands. The adjustment for the financial year includes EUR 1,732 thousand depreciations of right-of-use assets and EUR 51 thousand interest expense of lease liability. Lease payments made under FAS, EUR 1,762 thousand, have been reversed as other operating expenses. In addition, deferred tax was recorded for before mentioned adjustments as income tax and deferred tax assets.

Gofore has applied the exemption of IFRS 1 standard, which allows a first-time adopter that is a lessee not to apply the requirements of IFRS 16 standard for low-value leases and short-term leases (lease-term under 12 months). In addition, Gofore has used hindsight in determining the lease term for open-ended lease contracts in accordance with IFRS 1.

The effect of leases has been presented in column B, "Leases" in the Statement of Profit and Loss and Statement of Financial Position.

2. Business combinations (C)

Gofore has elected to apply the exemption of IFRS 1 and it is not applying IFRS 3 Business Combinations retrospectively to past business combinations that occured before the date of transition to IFRS. Use of this exemption means that the FAS carrying amounts of assets and liabilities, that are required to be recognised under IFRS, is their deemed cost at the date of the acquisition. Gofore did not recognise or exclude any previously recognised amounts as a result of IFRS recognition requirements. After the date of adoption of IFRS standards, the measurement is in accordance with IFRS.

Gofore has restated the business combinations, from the transition date 1.1.2019 onwards, to comply with the requirements of IFRS. The acquisitions made by Gofore during 2019, which have been recorded in accordance with IFRS 3 are mangodesign Finke-Anlauff & Anlauff GbR (Mangodesign) and Silver Planet Oy.

Gofore has measured the cost of the acquisitions at the fair value of the considerations paid, allocated that cost to the acquired identifiable assets and liabilities on the basis of their fair values and the rest of the cost has been recorded as goodwill. For the acquisitions of Silver Planet and Mangodesign, Gofore has identified customer relationships and non-compete agreements as key intangible assets and allocated the cost accordingly to these identified intangible assets. The fair value of identified intangible assets in connection with the acquisition of Mangodesign was EUR 265 thousand and EUR 4,075 thousand in the acquisition of Silver Planet. Furthermore, Silver Planet had other securities amounting EUR 88 thousand, which were recognised as other current assets under IFRS. Goodwill has been recorded as the residual of the net assets acquired and the purchase price paid. The goodwill recognised in connection with the acquisition of Mangodesign was EUR 334 thousand and the acquisition of Silver Planet resulted EUR 7,255 thousand goodwill.

These identified intangible assets are amortized within their underlying useful life between 5–6 years. The amortizations related to acquired intangible assets performed during the financial year 2019 were EUR 25 thousand for Mangodesign and EUR 651 thousand for Silver Planet.

Under FAS, transaction costs are included in the acquisition cost of the acquired company, while these items are expensed when incurred under IFRS. Accordingly, when preparing the PPAs for the business combinations in the conversion period, the transaction costs have been expensed for IFRS purposes. Transaction costs adjusted were EUR 45 thousand for Mangodesign and EUR 369 thousand for Silver Planet.

In addition, a deferred tax liability amounting EUR 774 thousand was recognised for above mentioned PPA-related adjustments.

The adjustments for business combinations recalculated in accordance with IFRS 3, have been presented in the column C, "Business combinations" in the Statement of Profit and Loss and in the Statement of Financial Position.

3. Reversal of goodwill amortizations (D)

Following the transition exemption of IFRS 1, the businesses acquired prior to the IFRS transition 1.1.2019 are recognised in Gofore's IFRS financial statements by using the carrying amount of goodwill as of 1.1.2019 as presented in the FAS Financial Statements. Gofore has reversed the FAS amortization in the conversion period by adjusting the goodwill amortizations in the Statement of Profit and Loss against the goodwill recognised in the Statement of Financial Position. In accordance with IFRS, goodwill shall no longer be amortized over its useful life but it will be tested for impairment in accordance with IAS 36 annually or whenever there are indications of impairment in the assets. The goodwill has been tested for impairment as of 1.1.2019 and 31.12.2019 and has not resulted any impairment recognition.

The adjustment for reversal of goodwill amotizations has been presented in adjustment column D, "Reversal of Goodwill amortizations". The goodwill amortization of EUR 1,903 thousand recognised in FAS financial statements for 1.1.-31.12.2019 has been reversed as an IFRS adjustment in the statement of profit and loss 1.1.-31.12.2019. In the statement of financial position the reversal of goodwill amortization increased the goodwill EUR 1,903 thousand.

4. Share-based payments (E)

Under local GAAP, the Group has recognised only the cost for the long-term incentive plan as an expense when incurred. IFRS requires the fair value of the share options to be determined using an appropriate pricing model and the expenses for the share-based payments are recognised over the vesting period. Gofore has applied the exemption in IFRS 1 and thus, it has not considered any share-based payment transactions that have vested prior to the adoption of IFRS standards.

Gofore has only equity settled share-based payment programs in 2019 and the expenses for these share based payment programs, have been recognised over the vesting period in IFRS. The adjustment has been recoded in Salaries and compensations and within Share-based payments in equity. The amount of expenses recognised in the period 2019 was EUR 360 thousand, which was recognised within equity. In addition, a deferred tax asset of EUR 27 thousand was recognised for the adjustment.

The effect of share-based payments has been presented in column "Share-based payments" in the Statement of Profit and Loss and Statement of Financial Position. Please see note 3.4. Share-based payments for more information.

5. Impairment of financial assets (F)

Under local GAAP, the Group has recognised only the cost for the long-term incentive plan as an expense when incurred. IFRS requires the fair value of the share options to be determined using an appropriate pricing model and the expenses for the share-based payments are recognised over the vesting period. Gofore has applied the exemption in IFRS 1 and thus, it has not considered any share-based payment transactions that have vested prior to the adoption of IFRS standards.

Gofore has only equity settled share-based payment programs in 2019 and the expenses for these share based payment programs, have been recognised over the vesting period in IFRS. The adjustment has been recoded in Salaries and compensations and within Share-based payments in equity. The amount of expenses recognised in the period 2019 was EUR 360 thousand, which was recognised within equity. In addition, a deferred tax asset of EUR 27 thousand was recognised for the adjustment.

The effect of share-based payments has been presented in column "Share-based payments" in the Statement of Profit and Loss and Statement of Financial Position. Please see note 3.4. Share-based payments for more information.

6. Financial assets (F)

In accordance with IFRS the financial assets shall be classified based on the business model.

In the transition to IFRS Gofore Group made an irrevocably decicion to classify its financial securities, which include shares in funds, at fair value through profit and loss. The effect of change in fair value of financial securities has been presented in column F, Other Adjustments in Statement of Profit and Loss and Statement of Financial Position. During the year 2019 the fair value of the financial assets increased EUR 42 thousand and decreased EUR 1 thousand and the corresponding amounts were recognised as finance income and cost in the statement of profit and loss. Deferred tax liability was recognised for this fair value adjustment.

Investments in other shares are measured at fair value through Statement of Other Comprehensive Income (OCI). During the year 2019 there was no changes in the fair values of other shares.

In FAS these have been presented at acquisition cost.

7. Deferred tax (B, C, E, F)

Gofore Group has recognised deferrred taxes in FAS relating to depreciation differences. In IFRS deferred tax assets and liabilities are recognised on all adjustments leading to temporary differences.

The most significant impacts on deferred taxes are resulting from the business combinations presented in accordance with IFRS 3, from which deferred tax liabilities have been recorded in the conversion period.

The deferred tax impacts of all IFRS adjustments have been presented in connection with each separate IFRS adjustment in the Statement of Profit and Loss and the Statement of Financial Position.

8. Foreign currency translation (F)

Under FAS, the Group has recognised translation differences on foreign operations in a separate component of equity. In the IFRS transition the cumulative currency translation differences for all foreign operations amounting EUR 11 thousand have been deemed to be zero as at 1 January 2019 applying the exepmtion of IFRS 1. Any gain or loss on a subsequent disposal of any foreign operation after the adoption of IFRS will exclude translation differences that arose before the date of transition but will include later translation differences. The resulting adjustment has been recognised against retained earnings.

Starting from the transition date 1.1.2019, the currency translation difference is presented through Statement of Other Comprehensive Income (OCI) in accordance with IFRS. The amount of foreign currency translation difference recognised through OCI was EUR 21 thousand for the period 2019.

The effect of the adjustment has been presented in column F, "Other Adjustments" in the Statement of Other Comprehensive Income and Statement of Financial Position.

9. Reclassifications (A)

The leasehold improvements have been reclassified from intangible assets in FAS to tangible assets in accordance with IFRS. The amount reclassified was EUR 89 thousand as of 1.1.2019 and EUR 128 thousand as of 31.12.2019.

Based on the nature of a savings account in Hypo Bank, presented within Other current assets in FAS, the Group has reclassified it to cash and cash equivalents as at 1 January 2019.

The effect of the reclassification have been presented in column "Reclassifications" in the Statement of Financial Position.

10. Contract assets (A)

The timing of invoicing may differ from the timing of revenue recognition. When revenue is recognised prior to invoicing from a client, Gofore recognises a contract asset. In accordance with IFRS 15, contract assets are presented as a separate item in the Statement of Financial Position. In FAS these items have been presented as trade receivables and other current assets. Thus, the sales, which is recognised as revenue but not yet invoiced from the client, is reclassified from trade receivables and other current assets to contract assets.

The effect of the contract asset adjustments have been presented in column "Reclassifications" in the Statement of Financial Position.

11. The impact of IFRS adoption on the Statement of cash flows

Transition to IFRS mainly affects the cash flow from operating activities and cash flow from financing activities in the statement of cash flows, as realized rent payments are allocated to cash flow from operating activities for the portion corresponding to finance costs and to cash flow from financing activities for the portion corresponding to part payment of debt.

2.2. IFRS impact: Consolidated Statement of Financial Position as at 31.12.2019 and 1.1.2019

Consolidated Statement of Financial Position as at 31.12.2019

EUR thousand	Notes	FAS as at 31.12.2019	Reclassifications (A)	Leases (B)	Business combinations (C)	Reversal of goodwill amortizations (D)	Share-based payments (E)	Other adjustments (F)	Effects of IFRS adjustments, total	IFRS as at 31.12.2019
Assets										
Non-current assets										
Goodwill	2, 3	18,206			-3,929	1,903			-2,026	16,180
Other intangible assets	2, 3, 9	277	-128		3,662				3,535	3,812
Tangible assets	9	457	128						128	585
Right-of-use assets	1	0		5,309					5,309	5,309
Investments		51							0	51
Deferred tax assets	1, 4, 5	0		4			27	3	35	35
Total non-current assets		**18,991**	**0**	**5,314**	**-267**	**1,903**	**27**	**3**	**6,981**	**25,971**
Current assets										
Trade receivables	5, 10	8,213	-184					-17	-202	8,011
Contract assets	10	0	190						190	190
Other current assets	2, 6, 10	1,870	-5		88			41	124	1,994
Cash and cash equivalents		21,358							0	21,358
Total current assets		**31,441**	**0**	**0**	**88**	**0**	**0**	**23**	**112**	**31,553**
Total assets		**50,432**	**0**	**5,314**	**-178**	**1,903**	**27**	**27**	**7,093**	**57,524**

→ Consolidated Statement of Financial Position as at 31.12.2019 (continues)

EUR thousand	Notes	FAS as at 31.12.2019	Reclassifications (A)	Leases (B)	Business combinations (C)	Reversal of goodwill amortizations (D)	Share-based payments (E)	Other adjustments (F)	Effects of IFRS adjustments, total	IFRS as at 31.12.2019
Equity and liabilities										
Equity										
Share capital		80							0	80
Share-based payments	4	0					360		360	360
Translation differences	8	32						-11	-11	21
Fund for unrestricted equity		20,323							0	20,323
Retained earnings	1, 2, 3, 4, 5, 6, 7, 8	11,016		-16	-953	1,903	-333	30	632	11,648
Total equity		**31,451**	**0**	**-16**	**-953**	**1,903**	**27**	**19**	**981**	**32,432**
Non-current liabilities										
Interest-bearing loans and borrowings		4,472							0	4,472
Other payables		148							0	148
Lease liabilities	1	0		3,305					3,305	3,305
Accrued expenses		6							0	6
Deferred tax liabilities	2, 6	0			774			8	782	782
Total non-current liabilities		**4,626**	**0**	**3,305**	**774**	**0**	**0**	**8**	**4,087**	**8,712**
Current liabilities										
Trade and other payables		5,143							0	5,143
Contract liabilities		1,734							0	1,734
Interest-bearing loans and borrowings		1,390							0	1,390
Lease liabilities	1	0		2,025					2,025	2,025
Accrued expenses		6,088							0	6,088
Income tax payable		0							0	0
Total current liabilities		**14,355**	**0**	**2,025**	**0**	**0**	**0**	**0**	**2,025**	**16,380**
Total liabilities		**18,980**	**0**	**5,330**	**774**	**0**	**0**	**8**	**6,112**	**25,092**
Total equity and liabilities		**50,432**	**0**	**5,314**	**-178**	**1,903**	**27**	**27**	**7,093**	**57,524**

Consolidated Statement of Financial Position as at 31.12.2019

EUR thousand	Notes	FAS 1.1.2019	Reclassifications (A)	Leases (B)	Business combinations (C)	Reversal of goodwill amortizations (D)	Share-based payments (E)	Other adjustments (F)	Effects of IFRS adjustments, total	IFRS as at 1.1.2019
Assets										
Non-current assets										
Goodwill		8,626							0	8,626
Other intangible assets	9	107	-89						-89	17
Tangible assets	9	452	89						89	541
Right-of-use assets		0		4,560					4,560	4,560
Investments		51							0	51
Deferred tax assets	5	0						7	7	7
Total non-current assets		**9,235**	**0**	**4,560**	**0**	**0**	**0**	**7**	**4,567**	**13,802**
Current assets										
Trade receivables	5, 10	8,761	-179					-37	-216	8,544
Contract assets	10	0	179						179	179
Other current assets	9	3,111	-2,007						-2,007	1,104
Cash and cash equivalents	9	13,417	2,007						2,007	15,424
Total current assets		**25,289**	**0**	**0**	**0**	**0**	**0**	**-37**	**-37**	**25,252**
Total assets		**34,524**	**0**	**4,560**	**0**	**0**	**0**	**-30**	**4,530**	**39,054**

→ Opening Consolidated Statement of Financial Position as at 1.1.2019 (continues)

EUR thousand	Notes	FAS 1.1.2019	Reclassifications (A)	Leases (B)	Business combinations (C)	Reversal of goodwill amortizations (D)	Share-based payments (E)	Other adjustments (F)	Effects of IFRS adjustments, total	IFRS as at 1.1.2019
Equity and liabilities										
Equity										
Share capital		80							0	80
Share-based payments		0							0	0
Translation differences	8	11						-11	-11	0
Fund for unrestricted equity		12,859							0	12,859
Retained earnings	5, 8	9,055						-19	-19	9,037
Total equity		**22,006**	**0**	**0**	**0**	**0**	**0**	**-30**	**-30**	**21,976**
Non-current liabilities										
Interest-bearing loans and borrowings		2,614							0	2,614
Other payables		516							0	516
Lease liabilities	1	0		2,952					2,952	2,952
Accrued expenses		0							0	0
Deferred tax liabilities		0							0	0
Total non-current liabilities		**3,130**	**0**	**2,952**	**0**	**0**	**0**	**0**	**2,952**	**6,082**
Current liabilities										
Trade and other payables		4,261							0	4,261
Contract liabilities		36							0	36
Interest-bearing loans and borrowings		1,069							0	1,069
Lease liabilities	1	0		1,608					1,608	1,608
Accrued expenses		4,020							0	4,020
Income tax payable		2							0	2
Total current liabilities		**9,388**	**0**	**1,608**	**0**	**0**	**0**	**0**	**1,608**	**10,996**
Total liabilities		**12,518**	**0**	**4,560**	**0**	**0**	**0**	**0**	**4,560**	**17,078**
Total equity and liabilities		**34,524**	**0**	**4,560**	**0**	**0**	**0**	**-30**	**4,530**	**39,054**

2.3. IFRS impact: Consolidated Statement of Profit and Loss and Other Comprehensive Income 1.1.–31.12.2019

EUR thousand	Notes	FAS 1.1.-31.12.2019	Reclassifications (A)	Leases (B)	Business combinations (C)	Reversal of goodwill amortizations (D)	Share-based payments (E)	Other adjustments (F)	Effects of IFRS adjustments, total	IFRS 1.1.-31.12.2019
Revenue (net sales)		**64,066**							**0**	**64,066**
Production for own use		139							0	139
Other operating income		175							0	175
Materials and Services										
Purchases		-178							0	-178
External Services		-8,493							0	-8,493
		-8,671	0	0	0	0	0	0	0	-8,671
Employee benefits expense										
Salaries and compensations	**4**	-30,452					-360		-360	-30,811
Pensions		-5,034							0	-5,034
Other indirect employee expenses		-1,210							0	-1,210
Depreciations, amortisations and impairment	**1, 2, 3**	-2,098		-1,732	-677	1,903			-505	-2,603
Other operating expenses	**1, 2, 5**	-10,799		1,762	-414			20	1,368	-9,430
Operating profit (EBIT)		**6,116**	**0**	**30**	**-1,090**	**1,903**	**-360**	**20**	**503**	**6,620**
Finance costs	**1, 6**	-84		-51				-1	-52	-135
Finance income	**6**	0						42	42	42
Profit before tax		**6,033**	**0**	**-20**	**-1,090**	**1,903**	**-360**	**61**	**493**	**6,526**
Income tax	**1, 4, 5, 6**	-1,588		4	138		27	-12	157	-1,430
Profit for the financial period		**4,445**	**0**	**-16**	**-953**	**1,903**	**-333**	**48**	**651**	**5,096**
Other Comprehensive Income										
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods										
Exchange differences on translation of foreign operations	**8**	0						21	21	21
Other comprehensive income, net of tax		**0**						**21**	**21**	**21**
Total comprehensive income for the financial period		**4,445**	**0**	**-16**	**-953**	**1,903**	**-333**	**69**	**671**	**5,116**

3. Gofore Group Performance

3.1. Revenue from contracts with customers

Accounting principles

Segment information

Gofore reports its business operations as one segment, which is in line with the internal reporting delivered to the chief operating decision maker. The chief operating decision maker of Gofore is the board of directors together with the CEO.

The Group is in the business of providing digital solution services and digitalization consultation services. Gofore's services consist of digital change, service design, software development and testing, as well as consultation in the utilization of cloud services. In addition, Gofore passes on third party cloud capacity and licenses. These service offerings have similar financial characteristics and are also similar in terms of the nature of service production processess, type of customer, and methods used in service distribution.

Since the Group is managed as one segment by the chief operating decision maker and the management reporting only consist of Gofore Group level reporting, Gofore only has one operating segment.

Revenue recognition

In accordance with IFRS 15, revenue from contracts with customers is recognised when control of the services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The control is transferred either at point in time or over time. Gofore Group acts mainly as a principal in its revenue arrangements, as it typically controls the goods or services being transferred to the customers. In some services provided, Gofore acts as an agent on behalf of third parties. These services have been described more in detail below.

Performance obligations

Gofore recognises revenue for the different revenue types over time, except for cloud capacity comissions and licences comissions which are recognized at a point in time.

Time and material based projects, which are based on an hourly or daily-based fee arrangements, are recognised as revenue on a cost-to-cost basis. The time and material charged on the projects is invoiced on a monthly basis. If Gofore has received prepayments, these are recorded as advances received and the revenue is recognised when services have been rendered.

For fixed fee projects, revenue is recognised over time based on actual costs or completed hours recorded on the project compared to the total estimated cost or total estimated hours for the project.

In maintenance services, the revenue is recognized over time on a straight-line basis, as the services are rendered. For the maintenance the invoicing cycle might vary, with services invoiced in advance. When the maintenance is invoiced in advance, the payment received is deferred and recognised as revenue monthly on a straight-line basis when the services are rendered.

Gofore also provides third party cloud capacity services and licences for its customers. In selling these Cloud computing services, Gofore acts as an agent and recognises revenue only for the agent commissions received. When providing related services and licences, Gofore purchases the SaaS-based cloud capacity and licences from the third-party supplier and provides these to the end customer. Based on the sales of the third-party SaaS based cloud capacity services and licences Gofore earns an agent commission. Since Gofore is not providing these services, it only acts as an agent and thus only records the agent commission as revenue at a point in time when the agent related services have been provided.

Variable consideration

Rendering of services may include variable consideration e.g. discounts, penalties for delay and customer claims. If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Gofore has no significant variable considerations.

Contract balances

Contract assets

A contract asset is a right to consideration in exchange for goods or services transferred to the customer. As the timing of invoicing may differ from the timing of revenue recognition, Gofore recognises a contract asset when revenue is recognised prior to invoicing the customer.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional, i.e., only the passage of time is required before payment of the consideration is due. Refer to accounting policies of financial assets in note 5.2. Financial assets and liabilities.

Contract liabilities

A contract liability is an obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. When Gofore recognises revenue subsequent to invoicing the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Other principles

Gofore's contracts with customers do not include significant financing components.

Gofore's contracts with customers do not include non-cash considerations.

Gofore does not provide any warranties to its customers that would have considered as separate performance obligations. Gofore's standard warranty clauses only guarantee that services performed comply with the agreed specifications.

Distribution of revenue

Net sales by customer sector

EUR thousand	2020	2019
Private sector sales	20,116	19,300
Public sector sales	57,837	44,766
Net sales, Group total	**77,953**	**64,066**

Net sales by origin of customer

EUR thousand	2020	2019
Finland	69,880	58,554
Other countries	8,073	5,513
Net sales, Group total	**77,953**	**64,066**

Timing of revenue recognition

EUR thousand	2020	2019
Goods transferred at a point in time	273	121
Services transferred over time	77,680	63,945
Net sales Group total	**77,953**	**64,066**

Summary of contract balances

EUR thousand	31.12.2020	31.12.2019	1.1.2019
Trade receivables (Note 4.6)	11,478	8,011	8,544
Current contract assets (Note 4.6)	434	190	179
Current contract liabilities (Note 4.7)	1,685	1,734	36

Trade receivables are non-interest bearing and are generally on terms of 14 to 30 days. At the end of reporting period 31.12.2020 Gofore had a provision for expected credit loss of trade receivables and contract assets amounting to EUR 32 thousand (2019: EUR 17 thousand). The profit and loss impact of the change in the provision for 2020 amounted EUR 14 thousand (2019: EUR -20 thousand). Please refer to note 5.4. Financial risk management for further information regarding the ECL calculations.

EUR thousand	2020	2019
Revenue recognised from amounts included in contract liabilities at the beginning of the year	1,727	36

Contract liabilities consist mainly of short-term customer contracts, which are recognised as revenue during the next financial period.

3.2. Other operating income and expenses

Other operating income

Other operating income includes income that does not directly relate to income from Gofore's operating activities.

Gofore's other operating income include mainly received government grants (note 4.8). At the acquisition of Mangodesign, Gofore estimated the contigent consideration payable to the former owners of Mangodesign to amount EUR 100 thousand and recorded corresponding liability. However, at the end of the measurement period, it was concluded that no earn-out would be paid out as the conditions for the contingent consideration were not met. As the 12 month measurement period for adjusting the PPA allocation had expired, the recorded liability was reversed and recognised as other operating income for the period ending 31.12.2020.

EUR thousand	2020	2019
Government grants	485	175
Contingent considerations	100	0
Other income	14	0
Total other operating income	**599**	**175**

Other operating expenses

Other operating expenses include other expenses than costs of services sold.

Other operating expenses include the cost for the ECL amounting to EUR -14 thousands (EUR 20 thousands). Please see note 5.4 Financial risk management for further information on ECL.

The other expenses consist mainly of ICT expenses EUR 2,095 thousand (EUR 1,565 thousand), sales and administrative expenses EUR 3,369 thousand (EUR 2,695 thousand) and other maintenance costs related to Gofore's premises EUR 488 thousand (EUR 437 thousand).

EUR thousand	2020	2019
Change in expected credit losses (ECL)	-14	20
Transaction costs from business combinations	-321	-414
Short-term leases	-24	-62
Low-value leases	-1,163	-1,243
Voluntary personnel expenses	-1,381	-1,534
Other expenses	-6,881	-6,198
Total other operating expenses	**-9,785**	**-9,430**

Audit fees

EUR thousand	2020	2019
Audit services	142	68
Auditor's certificates and statements	1	5
Tax services	32	11
Other services	6	14
Total audit fees	**182**	**97**

3.3. Employee benefits expenses

Accounting principles

Gofore provides pension benefits in accordance with local statutory regulation.The current plans are defined contribution based plans and therefore the contributions payable are recognised as expenses in the income statement for the period to which the payments relate.

Average number of employees

	2020	2019
Average number of employees during the period	**639**	**558**

Employee benefits expense

EUR thousand	2020	2019
Wages and salaries	-36,985	-30,452
Social security costs	-1,502	-1,210
Pension expenses	-5,587	-5,034
Share-based payments	-359	-360
Total employee benefits expense	**-44,433**	**-37,056**

Share-based payments

Please see information share-based payment information in note 3.4. Share-based payments.

Salaries, fees and benefits paid for the Board of Directors and for the Group management

Key management personnel consist of the members of the Board of Directors, Group CEO and members of the Group management team.

Compensation of the members of the Board of Directors

EUR thousand	2020	2019
Timur Kärki (Chairman of the board of directors since 11.12.2019)	121	7
Ali U. Saadetdin (Chairman of the board of directors until 11.12.2019)	0	29
Stefan Baggström (from 26.3.2019)	18	14
Sami Somero	18	18
Juha Eteläniemi (from 29.4.2020)	12	0
Mammu Kaario (from 29.4.2020)	16	0
Kristiina Michelsson (until 29.4.2020)	6	18
Mika Varjus (until 29.4.2020)	6	18
Anne-Mari Silvast (until 26.3.2019)	0	5
Total	**197**	**108**

In addition to compensation presented above the share-based payment of EUR 10 thousand was paid for Stefan Baggström, EUR 33 thousand for Sami Somero and EUR 10 thousand for Anne-Mari Silvast during the reporting period totaling to EUR 53 thousand. During 2019 there were not any share-based payments paid for the board of directors. More information of share-based payments is provided in note 3.4.

Group CEO

EUR thousand	2020	2019
Timur Kärki (2010–10.12.2019)		
Wages and salaries	0	167
Share-based payments	0	0
Mikael Nylund (from 11.12.2019)		
Wages and salaries	176	9
Share-based payments	12	0
Total	**188**	**176**

Group management team

EUR thousand	2020	2019
Wages and salaries	794	631
Share-based payments	10	0
Total	**804**	**631**

3.4. Share-based payments

Accounting principles

A compensation cost pursuant to IFRS 2 is recognised for share-based payments based on the entire program being an equity-settled payment. Share-based incentive programs are valued at fair value on the grant date based on the gross number of shares awarded, recognised as an expense in the statement of profit and loss during the period in which the conditions are met (the vesting period) and with the corresponding adjustment to the equity. The withholding tax is paid by the company and thus, participants receives shares net of tax. Net settlement feature is applied and the share-based payments are classified in their entirety as equity-settled share-based payment transactions as they would have been classified in the absence of the net settlement feature.

Employees of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

At each reporting date, the Group revises its estimates on the amount of share-based payments that are expected to vest. The impact of the revision to previous estimates is accrued as other personnel expenses with corresponding entry directly to equity. The histrorical development of Gofore share price and the expected dividends have been taken into account when calculating the fair value.

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised in employee benefit expenses (Note 3.3), together with a corresponding increase in equity (share-based payments), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share. The board of directors makes the decision on a case by case basis whether to issue new shares or whether to purchase own shares. Hence, any dilutated effect from the CrewShare programs have not been taken into consideration.

Description of the share-based payments plans

Gofore Oyj has two separate share-based payment plans as compensation for employees with a share matching component: CrewShare and MSP 2017 (IRIS) programs. In addition, Gofore had share-based program in relation to the acquisition of Silver Planet Oy. All of these programs are equity settled transactions and thus, the Group does not have any cash-settled transactions.

CrewShare

In the autumn of 2018, Gofore's Board of Directors decided to implement a share savings program (Crew Share) for the entire Group's personnel. The objective of the plan is to motivate the Gofore employees to invest in the company's shares and to become shareholders in the company. The aim is also to align the interests and commitment of the employees and management to work for the good value development and increased shareholder value in the long-term. The Board of Directors decides annually on any savings periods to be launched under the program.

The plan is offered to all Gofore Group employees, who will be offered an opportunity to save a proportion of their regular salaries and use the savings for the acquisition of the company's shares at a 10 percent discount. The accrued savings will be used for the acquisition of the Gofore shares after the end of the plan period. Participation in the Plan is voluntary, and an employee will participate in the Plan for one plan period at a time. The first plan period commenced on 1 November 2018 and ended on 28 February 2019. The second plan period commenced on 1 March 2019 and ended on 29 February 2020. The third plan period commenced on 1 March 2020 and will end on 28 February 2021.

As an incentive to participants in the program, Gofore will offer one matching share as a gross incentive per three shares acquired through savings after a share ownership period of two years. The prerequisites for receiving matching shares are that a participant holds the acquired shares for the entire holding period, and that his or her employment at Gofore has not terminated before the end of the holding period. Dividends paid on shares acquired with savings are automatically used to acquire the shares on the next possible date of acquisition.

Gofore has three CrewShare program. The savings period for the first Crew Share scheme was from 1 November 2018 to 28 February 2019. On 31 December 2020, the company had 128 employees entitled to a total of 5,109 matching shares. The second Crew Share savings program from 1 March 2019 to 29 February 2020 carries 152 employees entitled to 14,743 matching shares at the end of reporting period. The third plan period commenced on 1 March 2020 and will end on 28 February 2021. At the end of reporting period on 31 December 2020 171 employees were entitled to the plan with 7,914 matching shares.

MSP 2017 (IRIS)

The second share matching plan, the MSP 2017 (IRIS) program, involves specific individuals employed by the company or a company belonging to the group in 2017. Participation in MSP 2017 (IRIS) means that the subscribers of shares receive one gross share for each of the three subscribed shares if they are employed by the group three years after the start of trading and have continuously held the shares subscribed for in the personnel offering throughout this period.

The company reserved the right to decide whether the reward payment was fully or partially settled with cash instead of company shares, but the employee was not able to ask for cash settlement. The share matching plan entitled to 78,156 additional shares. The withholding tax was paid by the company and thus, the participants receives shares net of tax. The plan was ended in December 2020.

Share compensation in relation to Silver Planet acquisition

In connection with the acquisition of Silver Planet Oy Gofore agreed equity-settled share-based payments to reward the former employees of Silver Planet with a share-based program cointaining a one-year vesting period and pre-determined service conditions. According to this program a variable number of shares was awarded to 28 employees based on a basis of division agreed in connection with the acquisition. The number of shares awarded to employees ranges from 439 shares to 4,306 shares. The final number of shares awarded was 24,154. The grant date was defined as 9 April 2019 in relation to the acquisition of Silver Planet.

Plan	**Employee Share Savings Plan (CrewShare)**			**Matching Share Plan 2017**	**Silver Planet**
Type	Equity	Equity	Equity	Equity	Equity
Instrument	**CrewShare 2018**	**CrewShare 2019**	**CrewShare 2020**	**Matching Share Plan 2017**	**Silver Planet**
Starting date for the service period	14.11.2018	19.3.2019	1.3.2020	15.11.2017	9.4.2019
Vesting date	28.2.2021	28.2.2022	28.2.2023	15.11.2020	8.4.2020
Maximum contractual life, years	2.6	3	3	3	1
Remaining contractual life, years	0.2	1.2	2.2	0	0
Number of persons at the end of reporting year	128	152	171	0	0
Payment method	Shares	Shares	Shares	Shares	Shares

	CrewShare 2018	**CrewShare 2019**	**CrewShare 2020[1]**	**Matching Share Plan 2017**	**Silver Planet**
1.1.2020					
Outstanding in the beginning of the period	6,088	7,393	0	85,327	24,593
Changes during period					
Granted	0	9,099	8,042	0	0
Forfeited	979	1,749	128	7,171	439
Vested	0	0	0	78,156	24,154
31.12.2020					
Outstanding at the end of the period	5,109	14,743	7,914	0	0

[1] The number of shares outstanding at the reporting date exclude an estimated number of 4800 matching rights to be determined on the basis of savings made during the savings period September 1, 2020 and February 29, 2021.

Fair value determination

The fair value of share based incentives have been determined at grant date and the fair value is expensed until vesting.
The pricing of the share based incentives granted during the period was determined by the following inputs and had the following effect:

	CrewShare 2018	**CrewShare 2019**	**CrewShare 2020**	**Matching Share Plan 2017**	**Silver Planet**
Share price at grant, EUR	7.39	6.94	10.15	6.35	7.9
Expected discounted dividends, EUR	0.37	0.38	0.47	0.46	0.18
Fair value 31.12.2020, EUR	**7.02**	**6.56**	**9.68**	**5.89**	**7.72**

Effect of Share-based Incentives on the result and financial position during period:

EUR thousand	**2020**	**2019**
Expenses for the financial year, share-based payments, equity-settled	-359	-360

Significant judgement related to share-based payments

At each reporting date, Gofore's management revises its estimates on the number of shares that is expected to vest. As a part of this evaluation, Gofore takes into account the changes in the forecasted performance of the Group, its expected turnover of the personnel benefiting from the share-based payment programs and other information impacting the number of shares to be vested.

3.5. Finance income and finance expenses

Accounting principles

Finance income and expense are recognised in the period during which they are incurred.

Finance income

EUR thousand	2020	2019
Gains from fair valuation of financial instruments	67	42
Other finance income	0	0
Total finance income	**67**	**42**

Finance costs

EUR thousand	2020	2019
Interest on debts and borrowings	-69	-72
Interest expenses from leases	-59	-51
Total interest expenses	**-128**	**-123**
Losses from fair valuation of financial instruments	-61	-1
Other finance costs	-13	-11
Total finance costs	**-74**	**-12**
Total interest costs and finance costs	**-202**	**-135**

Information regarding the financial instruments is presented in the sections 5.1, 5.2 and 5.4.

3.6. Income tax

Accounting principles

Current income tax

Income taxes comprise of tax recognized on the taxable income for the financial year as well as deferred taxes. Taxes for the items recognised in the statement of profit and loss are included in income taxes in the statement of profit and loss. For items recognised directly in the other comprehensive income statement (OCI), also the tax effect is recognised in other comprehensive income (OCI).

Taxes based on taxable income are recorded according to the local tax rules of each country using the applicable tax rate. If there is uncertainty included in interpretations of the income tax rules, Gofore estimates if a company is able to fully utilize the tax position that is stated in income tax computation. If necessary, tax bookings are adjusted to reflect the changes in tax position.

Deferred tax

Deferred tax asset or liability is recorded on temporary differences arising between the tax bases of assets and liabilities and their financial statement carrying amounts at the reporting date. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Typical temporary differences arise mainly from leases, business combinations, share-based payments and fair valuation of financial assets and liabilities through profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax liabilities are recognised in the balance sheet in full.

The Group offsets the deferred tax assets and deferred liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority on either the same taxable entity.

Direct taxes

The major components of income tax expense for the years ended 31 December 2020 and 2019 are:

EUR thousand	2020	2019
Income tax on operations	-1,989	-1,622
Tax for previous accounting periods	62	32
Deferred taxes	215	160
Income tax total	**-1,712**	**-1,430**

Tax rate reconciliation

EUR thousand	2020	2019
Profit before income tax	**8,615**	**6,526**
Tax calculated at parent's tax rate of 20% (2019 20%)	-1,723	-1,305
Tax for previous years	-3	0
Effect on different tax rates in foreign subsidiaries	-24	-1
Non-deductible expenses	-529	-439
Income not subject to tax	567	315
Income taxes	**-1,712**	**-1,430**

Income tax receivables and payables

EUR thousand	2020	2019	1.1.2019
Income tax receivables	174	20	0
Income tax payable	239	161	2

Deferred tax

Deferred tax assets 2020

EUR thousand	1.1.2020	Recognised in profit or loss	31.12.2020
Leases	4	3	8
Share-based payments	27	-27	0
Expected credit losses	3	3	6
Total	**35**	**-21**	**14**

Deferred tax assets 2019

EUR thousand	1.1.2019	Recognised in profit or loss	31.12.2019
Leases	0	4	4
Share-based payments	0	27	27
Expected credit losses	7	-4	3
Total	**7**	**28**	**35**

Deferred tax liabilities 2020

EUR thousand	1.1.2020	Recognised in profit or loss	Business acquisitions	31.12.2020
Revaluation of financial assets at fair value through profit and loss	-8	-1	0	-9
Allocation of fair value on purchases	-774	237	-1,425	-1,962
Total	**-782**	**236**	**-1,425**	**-1,971**

Deferred tax liabilities 2019

EUR thousand	1.1.2019	Recognised in profit or loss	Business acquisitions	31.12.2019
Revaluation of financial assets at fair value through profit and loss	0	-8	0	-8
Allocation of fair value on purchases	0	138	-912	-774
Total	**0**	**130**	**-912**	**-782**

3.7. Earnings per share

Accounting principles

Undiliuted earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

EUR thousand	2020	2019
Profit attributable to the share holders of the parent, EUR thousand	6,895	5,096
Profit attributable to the non-controlling interests, EUR thousand	8	0
Weighted average number of the shares during the period, thousand	14,000	13,744
Earnings per share, undiluted	0.49	0.37

The weighted average number of shares takes into account the weighted average effect of changes in treasury share transactions during the reporting period. Dilution has no effect on Gofore's earnings per share and undiluted earnings per share equals to diluted earnings per share.

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

4. Capital Employed

4.1. Business Combinations

Accounting principles

Acquired subsidiaries are consolidated in the Group financial statements from the date when Gofore obtained control over the acquired entity. Business combinations are accounted for using the acquisition method in accordance with IFRS 3. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Gofore measures the identifiable assets acquired and the liabilities assumed at their acquisition date fair values.

Acquisition-related costs are expensed as incurred and included in the statement of profit and loss as other operating expenses.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to Group's cash-generating unit that is expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to that unit. More information about goodwill and imparment testing is provided in the note 4.2. Goodwill and impairment testing.

A contingent consideration recognised in a business combination is initially measured at its fair value. Subsequently, it is measured in accordance with the requirements in IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Acquisitions in 2020

Acquisition of Qentinel Finland Oy

On 1 September 2020, Gofore acquired 100% of the shares of Qentinel Finland Oy, an unlisted company based in Finland and specialising in the software testing automation, in exchange for a cash consideration. The acquisition significantly enlarges the range of services in the digital quality assurance that can be offered by Gofore to its clients. The identifiable assets acquired and liabilities assumed are measured at fair value as of the acquisition date. As a part of the allocation of fair values, Gofore recognised customer relationships, trademarks and non-compete agreements as intangible assets identified in connection with the acquisition of Qentinel Finland as specified in the table below. Residual goodwill EUR 7.1 million includes e.g. assembled workforce, future customer relationships and buyer-specific synenergies such as cross-selling to Gofore's existing customers.

The group has expensed acquisition related transaction costs of EUR 321 thousand. Transaction costs are included in other operating expenses in the statement of profit and loss.

The net sales of the acquired business included in the Group's statement of profit and loss since the acquisition date amounted EUR 5,858 thousand and result for the period was EUR 689 thousand. Net sales of Qentinel Finland for the year 2020 would have been EUR 15,921 thousand and the operating profit EUR 2,245 thousand, if the company would have been part of the group from the beginning of the year.

The fair values of the identifiable assets and liabilities at the date of acquisition have been presented in the table below.

Acquisitions in 2019

Acquisition of Silver Planet Oy

On 14 February 2019, the Group acquired 100% of the shares of Silver Planet Oy, a company based in Finland, specialising in the transformation consulting services. With the acquisition, Gofore strengthened its position as an advisor in digital change and as one of the most significant builders of digital societies. The acquisition was paid partly in Gofore shares and partly in cash. Gofore provided 852 001 shares with a share price of EUR 8.392 totaling to value EUR 7.1 million. The total value of the shares was determined based on share purchase agreement. The identifiable assets acquired and liabilities assumed are measured at fair value as of the acquisition date. As a part of the allocation of fair values, Gofore recognised customer relationships and non-compete agreements as intangible assets identified in connection with the acquisition of Silver Planet as specified in the table below. Residual goodwill EUR 7.2 million includes e.g. assembled workforce, future customer relationships and buyer-specific synenergies such as cross-selling to Gofore's existing customers.

The group has expensed acquisition related transaction costs of EUR 369 thousand. Transaction costs are included in other operating expenses in the statement of profit and loss.

Acquisition of mangodesign Finke-Anlauff & Anlauff GbR

On 1 July 2019, the Group acquired 100% of the shares of mangodesign Finke-Anlauff & Anlauff GbR (Mangodesign), a company based in Germany, offering product, interface and graphic design services. Gofore acquired this business to strengthen its capability to serve its German clients in the industrial segment to transform their business to digital services. The company was merged into Gofore Germany immediately after the acquisition date. The acquisition was paid in cash and in addition, it included a contingent consideration related to the Mangodesign's future performance. The identifiable assets acquired and liabilities assumed are measured at fair value as of the acquisition date. As a part of the allocation of fair values, Gofore recognised customer relationships and non-compete agreements as intangible assets identified in connection with the acquisition of Mangodesign as specified in the table below. Residual goodwill EUR 334 thousand includes e.g. assembled workforce, future customer relationships and buyer-specific synenergies such as cross-selling to Gofore's existing customers.

The group has expensed acquisition related transaction costs of EUR 45 thousand. Transaction costs are included in other operating expenses in the statement of profit and loss.

Table below sets forth the purchase prices and the fair value of the identifiable assets and liabilities of the acquisitions and the cash flow impact of the acquired companies:

EUR thousand	Mango-design	Silver Planet	Qentinel Finland
Purchase price			
Consideration paid in cash	580	7,150	13,011
Consideration paid in shares	0	7,150	0
Fair value of assets and liabilities recognised on acquisitions			
Assets			
Intangible assets			
Customer relationships	195	3,077	5,200
Trademarks	0	0	414
Non-compete agreements	70	997	1,510
Intangible assets	**265**	**4,075**	**7,124**
Tangible assets	17	57	39
Other assets	81	1,969	1,785
Cash and cash equivalents	0	3,596	1,463
Total assets	**363**	**9,696**	**10,411**
Liabilities			
Interest and non-interest bearing liabilities	38	1,819	3,107
Deferred tax liability (Note 3.6)	79	796	1,425
Total liabilities	**118**	**2,615**	**4,532**
Total identifiable net assets at fair value	**246**	**7,081**	**5,879**
Goodwill arising on acquisition (Note 4.2)	334	7,219	7,132
Purchase consideration transferred	**580**	**14,300**	**13,011**
Cash flow impact of acquisitions			
Consideration paid in cash	580	7,150	13,011
Cash and cash equivalents	0	-3,596	-1,463
Expenses related to the acquisition	45	369	321
Net cash flow on acquisition	**625**	**3,923**	**11,869**

Contingent considerations

As part of the purchase agreement with the previous owner of Mangodesign, a contingent consideration was agreed based on pre-determined future events and conditions for the twelve months after the closing date. The value of the estimated earnout at the acquisition date amounted to EUR 100 thousand and was recognised in connection with the purchase price allocation. Based on the final outcome the criteria of the contingent consideration was not met and thus, no additional payment was made for the acquisition.

In connection with the acquisition with Qentinel Finland, Gofore agreed on contingent consideration based on the performance of the acquired company in the financial year ending 31.12.2020. Gofore has estimated the contingent consideration to a amount EUR 1.1 million 31.12.2020 included in the acquisition price at the acquisition date.

Contingent consideration at the acquisition date

EUR thousand	Mangodesign	Qentinel Finland
Contingent consideration liability	100	1,111
Total consideration	**100**	**1,111**

Accounting estimates and the management's judgement

Net assets aqcuired in the business combinations are measured at fair value, which is determined based on the market value of similar assets (tangible assets) or an estimate of the expected future cash flows (intangible assets). This valuation is based on the current repurchase values, expected cash flows or estimated selling prices and it has required management's judgement. Gofore's management believes that the estimates and assumptions used are sufficiently reliable for determination of fair values.

4.2. Goodwill and impairment testing

Goodwill

Accounting principles

Goodwill arises from the business combinations, and it corresponds to the amount that the consideration transferred exceeds the fair value of identifiable net assets as of the acquisition date.

Goodwill from business combinations is allocated for impairment testing to the cash generating unit that is expected to gain benefit from the synergies created by the business combination.

Goodwill is reviewed for impairment annually or whenever events or changes in circumstances indicate to a possible impairment. The carrying amount of the cash-generating unit (CGU) including goodwill is compared to the recoverable amount which is the higher of the fair value less costs of disposal or the value in use. Possible impairment is recognised as an expense in the statement of profit and loss with immediate effect, and it will not be reversed later.

If the recoverable amount of an asset is less than its carrying amount, the impairment loss is recorded so that the carrying amount of the asset is equal to its recoverable amount.

EUR thousand	31.12.2020	31.12.2019
Acquisition cost at 1.1.	**16,180**	**8,626**
Goodwill from business acquisitions	7,132	7,553
Acquisition cost at 31.12.	**23,311**	**16,180**

Goodwill is tested following the IFRS guidance for impairment testing. Gofore does not possess any intangible assets that has indefinite useful life. Impairment testing is carried out at group level as the Gofore Group has centralised steering model and reporting structure and the identified cash generating unit (CGU) also follows the method how the management follows the operative business. Gofore monitors goodwill internally at group level and as Gofore only has identified one CGU, all goodwill recognised is allocated to this cash generating unit.

Gofore has in the reporting period tested goodwill for impairment at 31.12.2020, 31.12.2019 and 1.1.2019. The recoverable amount from the cash generating unit is determined based on value-in-use calculations. The calculations are prepared following the discounted cash flow method using the management approved estimates for the following year and subsequent development derived from the strategic plans. Terminal year value has been defined based on the long-term strategic plans.

Cash flows beyond the 5-year period are calculated using the terminal value method. The terminal growth rate of 1.0% percent (1.0%) used in projections is based on management's assessment on conservative long term growth. Key driver for the valuation is the revenue growth based on the Group's performance and future strategic growth plans, market position as well as the potential in key markets.

The applied discount rate is the weighted average pre-tax cost of capital (WACC). The components of the WACC are risk-free rate, market risk premium, company specific factor, and industry specific beta, cost of debt and debt/equity ratio. The WACC of 11.27% percent (11.35%) has been used in the calculations.

As a result of the impairment test, no impairment loss for the CGU was recognized for the financial periods ended 31.12.2020, 31.12.2019 and the opening balance as of 1.1.2019.

When assessing the recoverable amounts of cash generating units, management believes that no reasonably possible change in any of the key variables used would lead to a situation where the recoverable amount of the units would fall below their carrying amount.

Accounting estimates and determinations based on management's judgement

The management uses significant estimates and judgement when determining whether there are indications of impairment of goodwill. Management judgement has also been used when defining the amount of cash generating units but since one cash generating unit has been identified, no further allocation of goodwill is required.

The cash flow projections are based on budgets and financial estimates approved by management covering a 5-year period. Cash flow forecasts are based on Gofore Group's existing business structure, actual results and the management's best estimates on future sales, cost development, general market conditions and applicable tax rates. The growth rates are based on the management's estimates on future growth of the business.

Management tests the impacts of changes in significant estimates used in forecasts by sensitivity analyses as described above in this note.

4.3. Intangible assets

Accounting principles

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

For the Group's accounting policy on impairment for goodwill, refer to Note 4.2. Goodwill and impairment testing. The group does not have intangible assets with indefinite life.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

A summary of the policies applied to the Group's intangible assets is, as follows:

	Amortization principle	Useful life (years)
Trademarks	Straight line amortizations	2
Customer relationships	Straight line amortizations	5–10
Non-compete agreement	Straight line amortizations	6
Other intangible assets	Straight line amortizations	5

EUR thousand	Trademarks	Customer relationships	Non-compete agreement	Other intangible assets	Other intangible assets total	Goodwill	Intangible assets total
Cost							
1.1.2019	**0**	**0**	**0**	**17**	**17**	**8,626**	**8,644**
Additions	0	0	0	139	139	0	139
Business combinations	0	3,272	1,067	0	4,339	7,553	11,892
31.12.2019	**0**	**3,272**	**1,067**	**157**	**4,496**	**16,180**	**20,676**
Additions				738	738		738
Business combinations	414	5,200	1,510	0	7,124	7,132	14,256
31.12.2020	**414**	**8,472**	**2,577**	**895**	**12,359**	**23,312**	**35,670**
Amortisation and impairment							
1.1.2019	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Amortisation	0	-532	-144	-7	-684	0	-684
31.12.2019	**0**	**-532**	**-144**	**-7**	**-684**	**0**	**-684**
Amortisation	-69	-828	-262	-10	-1,169	0	-1,169
31.12.2020	**-69**	**-1,360**	**-406**	**-17**	**-1,853**	**0**	**-1,853**
Net book value							
31.12.2020	345	7,112	2,171	878	10,506	23,312	33,818
31.12.2019	0	2,740	923	150	3,812	16,180	19,992
1.1.2019	0	0	0	17	17	8,626	8,644

Trademarks

Gofore has been granted the right to use Qentinel trademark free of charge. Trademark of Qentinel has been valued using relief from royalty method.

Customer relationships

Customer relationships of the acquired companies have been recognized as the main intangible asset in connection with the acquisitions.

Non-compete agreements

The non-compete agreements prevent key employees of the acquired companies from performing any competitive actions for agreed time post transaction.

Other intangible assets

Other intangible assets include mainly capitalised development costs of ERP systems.

4.4. Tangible assets

Accounting principles

Tangible assets are measured at cost less accumulated depreciation and possible impairment. The useful lives of tangible assets are 3–7 years. Tangible assets consist mainly of ICT and office equipment. The useful life of an asset is reviewed at least at the end of each financial year and adjusted, if appropriate. Sales gains and losses on disposal or transfer of tangible assets are presented in other operating income and expenses. Sales gains or losses are calculated as the difference between the sales price and the remaining acquisition cost.

EUR thousand	Machinery and equipment	Other tangible assets	Total
Cost			
1.1.2019	**710**	**236**	**946**
Additions	75	87	161
Business combinations (Note 4.1)	74	0	74
Disposals	-3	0	-3
31.12.2019	**856**	**323**	**1,179**
Additions	7	73	80
Business combinations (Note 4.1)	39	0	39
Disposals	-22	0	-22
31.12.2020	**879**	**396**	**1,275**
Depreciation and impairment			
1.1.2019	**-304**	**-101**	**-405**
Depreciation charge for the year	-154	-34	-189
Disposals	0	0	0
31.12.2019	**-458**	**-136**	**-594**
Depreciation charge for the year	-155	-48	-203
Disposals	-18	0	-18
31.12.2020	**-631**	**-184**	**-815**
Net book value			
31.12.2020	248	212	461
31.12.2019	397	187	585
1.1.2019	406	135	541

4.5. Leases

Accounting principles

Group as a lessee

Right-of use assets

Gofore's capitalised lease agreements consists mainly of buildings as office spaces and vehicles. Right-of-use assets are measured at cost comprising the amount of the lease liability and those assets are depreciated over the lease term. For contracts that comprise both lease components and non-lease components, the payments are splitted between these components and non-lease components are expensed as incurred.

Subsequently, the right-of-use assets are measured at initial measurement less accumulated depreciation and impairment losses. The right-of-use assets are depreciated and recognised as an expense in the statement of profit and loss.

Lease liabilities

The nominal lease liability is initially measured at the present value of lease payments over the lease term. Lease payments include the amount of fixed payment and variable lease payments based on index and penalties resulting from terminating the lease. The Group is not exposed to any potential cash outflows that are not reflected in the measurement of lease liabilities.

Lease payments are discounted by using the lessee's incremental borrowing rate since the interest rates are not easily available in the lease contracts. The Group's incremental borrowing rate is determined based on financing offers received and market conditions and it is reviewed annually. Further information regarding the incremental borrowing rate has been disclosed in the note 5.4 Financial risk management.

The Group has several lease contracts that include extension options. The Group applies judgement to evaluate whether it is reasonably certain to excercise the option to extend those lease contracts. Extensions for the leases are included in the lease liability when the lease is reasonably centain to be extended.

Interest expense on lease liabilities are recognized in financial items in the statement of profit and loss over the lease term. The lease liabilities are subsequently measured at initial recognition less lease payments that are allocated to the principal.

The maturity analysis of lease liabilities is disclosed in Note 5.3. Borrowings and lease liabilities.

Short-term lease contracts and contracts of low-value assets

The Group applies the exemptions applicable to short-term lease contracts (lease period less than 12 months), and for lease contracts for which the underlying asset is of low value. These lease contracts are not recognized in the statement of financial position but booked as expense when the costs are incurred, following the exceptions determined in IFRS 16. Lease expenses regocnised for short term leases and low value assets are presented more in detailed in note 3.2. Other operating income and expenses.

Right-of use assets

For the identified lease contracts, Gofore has applied modified retrospective approach by recognising the cumulative effect of initially applying the standard in connection with the IFRS transition in the opening balance sheet as at 1 January 2019. More information regarding the first-time adoption is presented in note 2. First-time adoption of IFRS Standards.

Gofore has no sub-lease arrangements.

EUR thousand	Right-of-use assets, buildings	Right-of-use assets, vehicles	Total
1.1.2019	4,457	103	4,560
Additions	2,456	25	2,481
Disposals	0	0	0
Depreciations for the financial year	-1,687	-45	-1,732
31.12.2019	**5,227**	**83**	**5,309**
1.1.2020	5,227	83	5,309
Additions	3,690	76	3,766
Disposals	-29	-4	-33
Depreciations for the financial year	-2,158	-50	-2,207
31.12.2020	**6,730**	**105**	**6,835**

Accounting estimates and management's judgements

The most significant management judgment relates to open-ended lease agreements. For these contracts, management needs to estimate the lenght of lease term, which may significantly affect the amounts of right-of-use asset and lease liability as well as the related depreciation and interest expense. Management judgment is also applied in defining the incremental borrowing rate used to calculate the present value of the future lease payments.

4.6. Trade receivables and contract assets

Accounting principle

The Group recognizes credit loss provisions for expected credit losses (ECL) on trade receivables in accordance with IFRS 9. For analysing and recognition of ECL regarding trade receivables, the simplified approach for determining the expected credit losses of IFRS 9 is applied. In this approach the credit losses are based on predetermined credit loss rates by customer category. The rates are determined by past events and external sources.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL. For measurement of ECL for trade receivables the Group uses a provision matrix, where it has specified fixed provision rates depending on the number of days that a trade receivable is past due. The provision matrix is based on historical observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates specific to the client sector based risk analysis.

At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. Expected credit losses have not been recorded from the value added tax that is included in trade receivables. Loss allowances for ECL are presented in the statement of financial position as a deduction from the gross carrying amount of the assets. In the statement of profit and loss, the amount of ECL (or reversal) is recognised as an impairment gain or loss in other operating expenses.

Trade receivables

EUR thousand	2020	2019	1.1.2019
Trade receivables from external customers	11,509	8,029	8,582
Provision for expected credit losses	-31	-17	-37
Total trade receivables	**11,478**	**8,011**	**8,544**

Trade receivables are non-interest bearing and are generally on terms of 14 to 30 days.

For terms and conditions relating to related party receivables, refer to Note 6.1. At the reporting date there were no any open receivables from the related parties.

Contract assets

Accounting principle

The timing of invoicing may differ from the timing of revenue recognition. When revenue is recognised prior to invoicing from a client, Gofore recognises a contract asset. In accordance with IFRS 15, contract assets are presented as a separate item in the Statement of Financial Position. Thus, the sales, which is recognised as revenue but not yet invoiced from the client, are presented as contract assets.

As at 31.12.2020, the Group has contract assets of EUR 434 thousand (2019: EUR 190 thousand) which is net of an provision for expected credit losses of EUR 1 thousand (2019: EUR 0).

Movement in the provision for expected credit losses of trade receivables and contract assets:

EUR thousand	2020	2019
1.1.	17	37
Change in expected credit loss provision	14	-20
31.12.	**32**	**17**

The significant changes in the balances of trade receivables and contract assets are disclosed in Note 3.1 Revenue from contracts with customers while the information about the expected credit losses are disclosed in Note 5.4. Financial risk management.

4.7. Trade and other payables and contract liabilities

EUR thousand	31.12.2020	31.12.2019	1.1.2019
Other non-current payables			
Other liabilities	763	148	0
Accrued liabilities	4	6	0
Other non-current payables total	**767**	**154**	**0**

Other non-current payables consist of escrow account and related accrued interest.

EUR thousand	31.12.2020	31.12.2019	1.1.2019
Current trade and other payables			
Trade payables	2,859	1,667	2,112
Contract liabilities	1,685	1,734	36
Other payables	9,254	3,475	2,149
Accrued expenses	9,376	6,088	4,020
Current trade and other payables total	**23,174**	**12,964**	**8,317**

Other payables consist of VAT liabilities EUR 2,184 thousand (2019: EUR 504 thousand), EUR 4.8 million related to the acquisition of Qentinel Finland Oy, withholding tax and social security pay EUR 1,448 thousand (EUR 134 thousand). The accrued expenses consist mainly of personnel related expenses.

The definitions for contract liabilities is presented in note 3.1 Revenue from contracts with customers.

4.8. Government grants

Accounting principles

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it will reduce the carrying amount of the asset, and be recognized in profit and loss through lower depreciation charges over the useful life of the asset.

In April 2019, the company launched a research project funded by Business Finland. The project will continue until 30 April 2021.The project explores ways to continuously renew the company's capabilities and thus its service offering. The goal of the project is to study the company's transformation into a more internationally operating digital service provider. The costs of the project from 1 January to 31 December 2020 were approximately EUR 1.0 million. Business Finland's grant is a maximum of 40% of the total eligible costs of the project, which are estimated to be approximately EUR 1.6 million from 1 April 2019 to 30 April 2021.

Additionally, with the development funding from Business Finland for the disruption caused by the coronavirus pandemic, a project was launched in the spring of 2020 to support business continuity over the corona crisis and to find new ways to generate customer value in the changed environment. The project will continue until the end of March 2021, and its costs are approximately EUR 0.13 million. Business Finland's share of this is 80%.

5. Capital Structure and Management

5.1. Fair value measurement

Gofore measures financial instruments at fair value at each balance sheet date. Aside from this note, additional fair value related disclosures, including the valuation methods, significant estimates and assumptions are also provided in notes 3.4. Share-based payments and 4.1. Business combinations.

Accounting principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by Gofore.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Gofore uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Fair value estimation

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1:
The fair value of these assets or liabilities is based on available quoted (unadjusted) market prices in active markets for identical assets or liabilities. Financial instruments in level 1 fair value include:

- Securities

Level 2:
The fair value of these assets or liabilities is based on valuation techniques, for which the lowest level input that is significant to the fair value measurement and it is directly or indirectly observable. The inputs for the valuation arebased on quoted or other readily available source. Financial instruments in level 2 fair value include:

- Contingent considerations

Level 3:
Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable and require independent consideration and judgement from the valuation perspective. Gofore had no material instruments that would be classified as Level 3 fair value instruments in 31.12.2020. In 31.12.2019 and 1.1.2019 Gofore had level 3 financial instruments, which include:

- Investments

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, Gofore determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At the balance sheet date, Gofore has only Level 1 and 2 financial instruments and there has not been any transfers between levels during the financial periods.

At each reporting date, Gofore's management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies.

For the purpose of fair value disclosures, Gofore has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair values

Set out in the Financial instruments tabular presentation (Note 5.2. Financial assets and liabilities) is a comparison, by class, of the carrying amounts and fair values of the Gofore's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values.

Valuation methods and assumptions

The management assessed that cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The following methods and assumptions were used to estimate the fair values:

- Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the estimated losses of these receivables.

- The fair value of unquoted instruments, loans from banks and other financial liabilities, as well as other non-current financial liabilities such as contingent considerations is estimated by using rates currently available for debt on similar terms, credit risk and remaining maturities. Management regularly assesses a range of reasonably possible alternatives for those significant unobservable inputs and determines their impact on the total fair value.

- The fair values of remaining financial assets are derived from quoted market prices in active markets.

Reconciliation of fair value measurement of non-listed equity instruments classified as equity instrument and designated at fair value through OCI

The fair value of the investment to Ilves Hockey Oy shares is based on the acquisition price of the shares. Gofore has not made any revaluations regarding the instruments and has not received any distributions from the company. Gofore sold Ilves Hockey shares in December 2020. For more information, please see note 6.1. Related party transactions.

Gofore does not hold any level 3 financial assets at 31.12.2020. Gofore does not have any other transfers between fair value levels.

5.2. Financial assets and liabilities

Accounting principles
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets
Gofore's Financial assets are measured at fair value at initial recognition at trade date, and are classified as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), or fair value through profit or loss. The classification is based on the contractual cash flow characteristics of the financial asset and Group's business model for managing the instruments. The impairment of the financial assets is discussed in detail in the risk management section in Note 5.4 Financial risk management.

Amortized cost
Financial assets are classified at amortized cost, if the objective of holding the asset is to collect contractual cash flows and if the cash flows are solely payments of principal and interest. Financial assets which fulfill both of the conditions are subsequently measured using the effective interest rate method (EIR) and are subject to impairment. Any gains or losses from these financial assets are recognized in profit or loss when the asset is derecognized, modified or impaired.

Group's financial assets at amortized cost include cash an cash equivalents, trade receivables, and other receivables.

Financial assets at fair value through profit and loss
Financial assets are classified at fair value through profit and loss when the financial assets are held for trading and when the collection of cash flows are not based on payments of principal and interest and do not pass the SPPI test. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Gofore values the investment in securities at fair value through profit and loss.

Financial assets at fair value through Other comprehensive income (OCI)
Financial assets are classified at fair value through other comprehensive income if the objective of holding the financial asset fulfills both to collect contractual cashflows and to sell the financial asset, and if the cash flows are solely payments of principal and interest. Financial assets at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

At initial recognition the group can make an irrevocable election to classify and measure its equity investments as equity instruments designated at fair value through other comprehensive income when these instruments are not held for sale and when these financial instruments fulfill the requirements of investments to equity instruments under IAS 32.

For Ilves Hockey Oy shares, Gofore has decided to make an irrevocable election at initial recognition to measure the subsequent changes in fair value in other comprehensive income.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Derecognition of financial assets
Gofore derecognises a financial assets when, and only when the contractual rights to the cash flows from the financial asset expires or it transfers the financial asset and the transfer qualifies for de-recognition.

When Gofore has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability.

Impairment of financial assets
Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions
- Trade receivables, including contract assets

Gofore recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

Further information about ECL is presented in the Note 5.4. Financial Risk Management.

Financial liabilities

Gofore recognises a financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provision of the instrument. Gofore's financial liabilities are measured at fair value at initial recognition at trade date, and are classified as subsequently measured at amortised cost and fair value through profit or loss. The financial liabilities are classified to their respective current and non-current accounts.

At amortized cost

Gofore's financial liabilities classified at amortized cost, such as interest-bearing loans and borrowings are initially recognized at fair value less any related transaction cost, and are subsequently measured using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

Financial liabilities at fair value through profit and loss

Financial liabilities measured at fair value through profit and loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit and loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Currently, Gofore does not have derivative instruments.

This category applies to contigent considerations.

De-recognition of financial liabilities

Gofore de-recognizes financial liabilities when, and only when the obligation of a financial liability specified in its respective contract is discharged, cancelled or it expires. This includes a situation where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss. Gofore has not de-recognized any liabilities during the financial period or the comparable financial periods.

Contingent consideration

As part of the purchase agreement with the previous owner of Mangodesign and Qentinel Finland, a contingent consideration has been agreed.

The contingent consideration relating to the acquisition of Mangodesign was dependent on the sales revenue procured by Mangodesign until 1.7.2020. The financial liability amounted to 100 thousand euros and was recognized at fair value through profit and loss. In Q3 of 2020 the financial liability was derecognized since it was concluded that the criteria was not met. The profit from derocognizing the financial liability was recognized as other operating income in the statement of profit and loss.

The contingent consideration relating to the acquisition of Qentinel Finland Oy has been recored in accordance with IFRS 3. The contingent consideration is effective for 12-months after the initial acquisition and the acquistion cost shall be adjusted according to the resolution. The financial liability is specified in note 5.3. Borrowings and lease liabilities.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously. Gofore does not offset it's financial instruments.

→ 5.2. Financial assets and liabilities (continues)

Financial instruments by classification 31.12.2020

Financial Assets, 2020

EUR thousand	Notes	Level	Fair value through profit and loss	Fair value through OCI	At amortized cost	Book value	Fair value
Non-current financial assets							
Investments	5.1	3				0	0
Other receivables *					772	772	772
Non-current financial assets total			**0**	**0**	**772**	**772**	**772**
Current financial assets							
Trade receivables	4.6				11,478	11,478	11,478
Contract assets	4.6				434	434	434
Other receivables	4.6				2,615	2,615	2,615
Securities	5.1	1	544			544	544
Cash and cash equivalents	5.4				21,394	21,394	21,394
Current financial assets total			**544**	**0**	**35,921**	**36,465**	**36,465**
Financial assets total			**544**	**0**	**36,693**	**37,236**	**37,236**

*In non-current assets, Other receivables is mainly related to Qentinel Finland acquisition cost as part of the transaction price. The escrow deposit is considered to be a warranty of seller's commitments.

Financial Liabilities, 2020

EUR thousand	Notes	Level	Fair value through profit and loss	Fair value through OCI	At amortized cost	Book value	Fair value
Non-current financial liabilities							
Interest-bearing loans and borrowings	5.3				7,500	7,500	7,500
Other interest-bearing liabilities	5.3					0	0
Other payables *	4.7; 5.3				767	767	767
Non-current financial liabilities total			**0**	**0**	**8,267**	**8,267**	**8,267**
Current financial liabilities							
Interest-bearing loans and borrowings	5.3				2,000	2,000	2,000
Other interest-bearing liabilities	5.3					0	0
Contingent consideration	5.3	2	1,111			1,111	1,111
Trade payables	4.7				2,859	2,859	2,859
Contract liabilities					1,685	1,685	1,685
Other current liabilities	4.7; 5.3				8,143	8,143	8,143
Current financial liabilities total			**1,111**	**0**	**14,687**	**15,798**	**15,798**
Financial liabilities total			**1,111**	**0**	**22,954**	**24,065**	**24,065**

* In non-current financial liabilities, Other payables is related to Qentinel Finland acquisition as part of the transaction price. The escrow deposit is considered to be a warranty of seller's commitments.

→ 5.2. Financial assets and liabilities (continues)

Financial instruments by classification 31.12.2019

Financial Assets, 2019

EUR thousand	Notes	Level	Fair value through profit and loss	Fair value through OCI	At amortized cost	Book value	Fair value
Non-current financial assets							
Investments	5.1	3		51		51	51
Other receivables						0	0
Non-current financial assets total			0	51	0	51	51
Current financial assets							
Trade receivables	4.6				8,011	8,011	8,011
Contract assets	4.6				190	190	190
Other receivables	4.6				1,363	1,363	1,363
Securities	5.1	1	631			631	631
Cash and cash equivalents	5.4				21,358	21,358	21,358
Current financial assets total			631	0	30,922	31,553	31,553
Financial assets total			631	51	30,922	31,603	31,603

Financial Liabilities, 2019

EUR thousand	Notes	Level	Fair value through profit and loss	Fair value through OCI	At amortized cost	Book value	Fair value
Non-current financial liabilities							
Interest-bearing loans and borrowings	5.3				4,472	4,472	4,472
Other interest-bearing liabilities	5.3					0	0
Contingent consideration	5.3	2	100			100	100
Other payables	4.7; 5.3	1	48			48	48
Non-current financial liabilities total			148	0	4,472	4,620	4,620
Current financial liabilities							
Interest-bearing loans and borrowings	5.3				1,390	1,390	1,390
Other interest-bearing liabilities	5.3				497	497	497
Contingent consideration	5.3	2				0	0
Trade payables	4.7				1,667	1,667	1,667
Contract liabilities					1,734	1,734	1,734
Other current liabilities	4.7; 5.3				2,979	2,979	2,979
Current financial liabilities total			0	0	8,267	8,267	8,267
Financial liabilities total			148	0	12,739	12,887	12,887

→ 5.2. Financial assets and liabilities (continues)

Financial instruments by classification 1.1.2019

Financial Assets, IFRS opening balance sheet 1.1.2019

EUR thousand	Notes	Level	Fair value through profit and loss	Fair value through OCI	At amortized cost	Book value	Fair value
Non-current financial assets							
Investments	5.1	3		51		51	51
Other receivables						0	0
Non-current financial assets total			0	51	0	51	51
Current financial assets							
Trade receivables	4.6				8,544	8,544	8,544
Contract assets	4.6				179	179	179
Other receivables	4.6				1,104	1,104	1,104
Securities	5.1	1				0	0
Cash and cash equivalents	5.4				15,424	15,424	15,424
Current financial assets total			0	0	25,252	25,252	25,252
Financial assets total			0	51	25,252	25,302	25,302

Financial Liabilities, IFRS opening balance sheet 1.1.2019

EUR thousand	Notes	Level	Fair value through profit and loss	Fair value through OCI	At amortized cost	Book value	Fair value
Non-current financial liabilities							
Interest-bearing loans and borrowings	5.3				2,614	2,614	2,614
Other interest-bearing liabilities	5.3				516	516	516
Other payables	4.7; 5.3					0	0
Non-current financial liabilities total			0	0	3,130	3,130	3,130
Current financial liabilities							
Interest-bearing loans and borrowings	5.3				1,069	1,069	1,069
Other interest-bearing liabilities	5.3					0	0
Contingent consideration	5.3	2				0	0
Trade payables	4.7				2,112	2,112	2,112
Contract liabilities					36	36	36
Other current liabilities	4.7; 5.3				2,149	2,149	2,149
Current financial liabilities total			0	0	5,366	5,366	5,366
Financial liabilities total			0	0	8,496	8,496	8,496

5.3. Borrowings and lease liabilities

Interest-bearing debt and net debt

Net debt (excluding lease liability)

EUR thousand	31.12.2020	31.12.2019	1.1.2019
Non-current interest-bearing loans and borrowings	7,500	4,472	2,614
Non-current other interest-bearing liabilities	0	0	516
Current interest-bearing loans and borrowings	2,000	1,390	1,069
Current other interest-bearing liabilities	0	497	0
Trade and other payables	21,862	12,474	8,317
Trade and other receivables	-13,210	-9,564	-9,828
Liquid funds	-21,938	-21,989	-15,424
Net debt total	**-3,787**	**-12,720**	**-12,736**

Changes in the interest-bearing liabilities

31.12.2020

EUR thousand	Opening balance 1.1.	Cash flows	Acquisitions	Reporting date balance 31.12.
Non-current interest-bearing loans and borrowings	4,472	3,028	0	7,500
Non-current other interest-bearing liabilities	0	0	0	0
Current other interest-bearing liabilities	497	-497	0	0
Lease liabilities	5,330	1,352	188	6,870
Current interest bearing liabilities	1,390	610	0	2,000
Liquid funds	-21,989	1,515	-1,463	-21,938
Total changes in interest-bearing liabilities	**-10,301**	**6,008**	**-1,276**	**-5,568**

31.12.2019

EUR thousand	Opening balance 1.1.	Cash flows	Acquisitions	Reporting date balance 31.12.
Non-current interest-bearing loans and borrowings	2,614	1,858	0	4,472
Non-current other interest-bearing liabilities	516	-516	0	0
Current other interest-bearing liabilities	0	497	0	497
Lease liabilities	4,560	671	99	5,330
Current interest bearing liabilities	1,069	322	0	1,390
Liquid funds	-15,424	-2,379	-4,186	-21,989
Total changes in interest-bearing liabilities	**-6,666**	**452**	**-4,087**	**-10,301**

Other interest-bearing liabilities include the liability of the acquisition cost of Solinor Oy, which was merged into Gofore Oyj in 2019.
The liability was classified into non-current liabilities in the opening balance sheet 1.1.2019 and as a current liability in 31.12.2019, since it was paid off in 2020.

Liabilities of contingent considerations

EUR thousand	31.12.2020	31.12.2019	1.1.2019
Contingent liabilities	1,111	100	0

The acquisition of Mangodesign involved a liability for contingent consideration since the acquisition until 31.7.2020. Due to Mangodesign not meeting the set revenue requirements based on the acquisition contract the additional purchase price was eliminated. Thus, the liability for contingent consideration of EUR 100 thousand was recognized in other income through profit and loss and the liability for contingent consideration was de-recognized.

The aquisition of Qentinel Finland involves a similar liability for contingent consideration based on the acquisition agreement. Based on IFRS 3 the acquisition price can be modified druing the measurement period, being 12 months after the acquisition date. During the measurement period Gofore adjusts retrospectively the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

Maturity Distibution of Financial liabilities

The maturity distribution of the financial liabilities is presenting the cash outflows in relation to Gofore's financial liabilities. The objective is to present the liquidity requirements for meeting the upcoming outflows on an annual basis. The maturity analysis involves the interest-bearing financial liabilities and IFRS 16 lease liabilities in order to present the actual out flows in relation to all Gofore's liabilities.

Based on the maturity distribution position the Group management facilitates the credit position and liquidity requirement and adjusts the company's credit risk policy.

31.12.2020

EUR thousand	Book value	2021	2022	2023	2024	2025	Over 5 years	Total Cash Outflows
Interest-bearing loans and borrowings	9,500	-2,080	-2,061	-2,043	-2,025	-1,507	0	-9,717
Other interest-bearing liabilities	0							0
Lease liabilities	6,870	-2,387	-1,950	-1,701	-787	-170		-6,995
Trade and other payables	19,062	-19,062						-19,062
Contingent liabilities	1,111	-1,111						-1,111
Total	**36,542**	**-24,640**	**-4,011**	**-3,744**	**-2,812**	**-1,676**	**0**	**-36,884**

31.12.2019

EUR thousand	Book value	2020	2021	2022	2023	2024	Over 5 years	Total Cash Outflows
Interest-bearing loans and borrowings	5,862	-1,436	-1,410	-1,398	-1,386	-345	0	-5,976
Other interest-bearing liabilities	497	-497						-497
Lease liabilities	5,330	-2,035	-1,798	-1,307	-92	-92	-92	-5,416
Trade and other payables	11,230	-11,230						-11,230
Contingent liabilities	100	-100						-100
Total	**23,019**	**-15,298**	**-3,208**	**-2,705**	**-1,479**	**-437**	**-92**	**-23,219**

1.1.2019

EUR thousand	Book value	2019	2020	2021	2022	2023	Over 5 years	Total Cash Outflows
Interest-bearing loans and borrowings	3,683	-1,100	-1,076	-1,051	-522	0	0	-3,749
Other interest-bearing liabilities	516	-19	-497					-516
Lease liabilities	4,560	-1,617	-1,528	-1,170	-329	0	0	-4,645
Trade and other payables	8,281	-8,281						-8,281
Contingent liabilities	0							0
Total	**17,040**	**-11,018**	**-3,101**	**-2,221**	**-851**	**0**	**0**	**-17,191**

5.4. Financial risk management

Financial instruments risk management objectives and policies

Gofore's principal financial instruments are exposed to risk factors where the principal variables are changes in the market and customer behavior. Risks affecting Gofore's financial assets are mainly related to changes in counter parties payment behavior and credit risk.

Gofore' financial liabilities which comprise floating rate loans are effected by changes in the interest rate, and are thus exposed to interest rate risk.

The management is assessing the risk framework periodically and the senior management oversees the management of these risks in accordance to Gofore's financial risk governance framework. Gofore has appropriate policies and procedures and financial risks are identified, measured and managed in accordance with the Gofore's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Gofore Gofore does not have any derivatives, and therefore it does not use derivative instruments to hedge risks associated to financial instruments. Gofore does not apply hedge accounting.

Gofore considers Covid-19 impact on it's financial instruments to be insignificant due to the nature of it's business.

Sensitivity analysis

In relation to the risk managemenet policy the Gofore estimates the exposure to the relevant market risk's by performing a sensitivity analysis periodically at each reporting date. The sensitivity analyses have been prepared on the basis that variables, such as, the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies are all constant.

The sensitivity analyses in the following sections relate to the positions as at 31 December in 2020 and 2019.

The following assumption has been made in calculating the sensitivity analyses:

- The sensitivity of the relevant statement of profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2020 and 2019.

Market risk

Market risk is the risk that the fair value or future cash flows arising from financial instruments will fluctuate beacause of changes in market prices or market conditions. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings and deposits.

Due to the termination of the Gofore UK Ltd, the Gofore is no longer exposed to currency risk, since the Gofore companies operate under the parents home currency, which is EUR. During the reporting period Gofore had minor GBP nominated cash flows, which are defined in the currency risk section.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Gofore's exposure to the interest rate fluctuations relates primarily to the portion of Gofore's long-term debt obligations that have floating interest rates. Gofore's long-term bank loans that have floating interest rates are linked to Euribor rates. Changes in market interest rates have a direct effect on the Gofore's future interest payments.

Gofore's policy of reducing the effects of interest rate risk is to maintain a predefined balance between the total amount of loan facilities acquired and liquidity position. Gofore uses the debt financing mainly for company acquisitions purposes. The management assesses the interest rate risk at each reporting date to establish the actions required to maintain a stable interest rate environment. Gofore has the ability to renegotiate the terms of the financial instruments in case the market environment and interest rate environment changes.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. Sensitivity analysis has been performed based on the assumption of a positive reference interest rate and outstanding loan amount at the end of the reporting period excluding any future amortisations. The changes in the interest rate level are shown in full without considering the effects of possible contractual interest rate floors related to loans. With all other variables held constant and the interest rate is changed by 100 basis points, the Gofore's profit before tax and equity is affected through the impact on floating rate borrowings, as follows:

EUR thousand	Increase/ decrease in bps	Effect on profit before tax	Pre-tax effect on Equity
2020			
6 month Euribor	+100	-95	-95
6 month Euribor	-100	95	95
2019			
6 month Euribor	+100	-59	-59
6 month Euribor	-100	59	59
1.1.2019			
6 month Euribor	+100	-37	-37
6 month Euribor	-100	37	37

For interest bearing financial liabilities the interest rate range is between 0.85%–3% during the reporting period.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows will fluctuate because of changes in foreign exchange rates. The Gofore's exposure to the foreign currency risk relates primarily to the operating activities, when revenue or expense is denominated in a foreign currency.

Due to the termination of the Gofore UK Ltd, the Gofore is no longer exposed to currency risk, since the Gofore companies operate under the parent's home currency, which is euro. During the reporting period Gofore had GBP -245 thousand loss (GBP) (2019: -120 thousand) from Gofore UK Ltd.

The foreign currency risk is insignificant. Due to the operating activities performed in euros, foreing currency sensitivity analysis is not relevant for Gofore.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Gofore is exposed to credit risk from its operating activities, which primarily include trade receivables, and bank balances and short term investments.

In relation to the credit risk Gofore is exposed to a counter party risk, which is managed alongside the credit risk, by recognising the customer prior the trading or by receiving a prepayment for the services. Gofore Gofore trades only with recognised, creditworthy parties. Receivable balances are monitored and collected on an ongoing basis. The maximum exposure to credit risk at the reporting date is the carrying value of financial assets. There are no significant concentrations of credit risk within the Gofore.

Expected Credit losses

Gofore assessess the status of the trade receivables at each reporting date on a quarterly basis. The Gofore uses the simplified method of assessing the potential expected credit losses (ECL) from it's trade receivables, and the senior management uses the following metrics to judge the level of impairment for the trade receivables:

- Future economic conditions in relation to industry financial status
- Historical credit lossess
- Customers' historical payment behavior
- Customer type (public or private sector)
- The discounted cash flow effect of the matured and past due payments based on the time value of money.

All trade receivables over 360 days past due are considered to be defaulted and are subject to the expected credit loss provisions in full.

Trade receivables and contract assets

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due from different customer segments with similar loss patterns (i.e., by public sector and private sector). The calculation reflects the probability-weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Trade receivables which are over 360 days past due are considered as defaulted. Past due trade receivables are subject to enforcement activity and collection. The collection process is managed by the Gofore credit control unit.

Gofore's maximum exposure to credit risk at any given moment is it's trade receivables. Gofore's trade related transactions are both from private and public clients. The public sector sales are typically around 70% of the total sales. Gofore recognizes the underlying credit risk position, but the public sector receivables carry considerably less risk than the private sector sales.

The Gofore evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets. Thus the risks are not concentrated, which decreases the amount of expected credit losses.

The Gofore does not hold collateral as security.

Set out below is the information about the credit risk exposure on Gofore's trade receivables and contract assets using a provision matrix:

Expected Credit Loss 31.12.2020

EUR thousands	%	Gross value	Expected credit loss	Net value
Current	0.1 %	10,378	11	10,367
Overdue 1–14 days	0.4 %	815	1	813
Overdue 15–30 days	0.7 %	111	1	110
Overdue 30–90 days	3.0 %	169	2	167
Overdue 91–180 days	17.2 %	1	0	1
Overdue 181–360 days	50.0 %	36	16	20
Overdue > 360 days	100.0 %	0	0	0
Total		**11,509**	**31**	**11,478**

Expected Credit Loss 31.12.2019

EUR thousands	%	Gross value	Expected credit loss	Net value
Current	0,2 %	6,738	8	6,730
Overdue 1–14 days	0,3 %	909	2	906
Overdue 15–30 days	0,5 %	37	0	37
Overdue 30–90 days	2,8 %	326	7	319
Overdue 91–180 days	15,1 %	25	3	22
Overdue 181–360 days	50,0 %	-8	-4	-4
Overdue > 360 days	100,0 %	0	0	0
Total		**8,029**	**17**	**8,011**

Expected Credit Loss 1.1.2019

EUR thousands	%	Gross value	Expected credit loss	Net value
Current	0,0 %	6,271	0	6,271
Overdue 1–14 days	0,0 %	1,080	0	1,080
Overdue 15–30 days	2,4 %	243	5	238
Overdue 30–90 days	2,2 %	846	15	831
Overdue 91–180 days	9,3 %	80	6	74
Overdue 181–360 days	22,7 %	63	11	51
Overdue > 360 days	100,0 %	0	0	0
Total		**8,582**	**37**	**8,544**

There are no changes in the expected credit loss valuation methods or assumptions between the comparison periods. For the contract assets at the end of the reporting period 31.12.2020 totaling to EUR 435 thousand Gofore has calculated expected credit loss of EUR 1 thousand (0,2%), which totals to net value of EUR 434 thousand. Due to immaterial amount of the contract assets at 1.1.2019 and 31.12.2019 expected credit loss was not calculated for comparison periods.

Expected Credit Loss (ECL) calculation

The expected credit loss calculation is based on historical data and for the future parameters based on customers' payment behavior. The management estimates the customers' payment behavior and economic events quarterly. The sales receivables used in the expected credit loss calculations includes all of the open invoices from the sales ledger. The sales ledger is divided into two baskets of clients between public and private clients. Both of these client involve a separate careful estimate of the future expected credit losses. Gofore estimates the timeliness of the payment alongside the customers' payment profile in order to recognize the time value of money effect for the credit receivables. As Gofore does not use financing as part of their sales contracts in accordance with IFRS 15, the clients' time value of money is discounted separately for each past due bracket as presented in the ECL table above. The expected credit losses are calculated on a company level and are divided into public and private client basket, which are then combined into one table for presentation purposes. Gofore applies the simplified approach to calculate the estimated credit losses for each period.

The expected credit losses for contract assets include the expected credit losses from accrued revenues at each quartely reporting period. The expected credit loss rate of contract assets is assumed to match the rate used for current trade recevables. The ECL from contract assets are presented separately in accordance with IFRS 9 requirements.

In order to avoid excessive concentrations of risk, the Gofore's Group policies and procedures include specific guidelines to focus on the maintenance of a diversified customer portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Financial instruments and cash deposits

Liquid assets such as cash and cash equivalents and other short-term deposits, which are part of Gofore's liquidity management have a maturity of less than 3 months and debt investments have a maturity of less than 12 months. These assets are recognized at amortized cost. Investments to fund, such as OP, fund investments are recognized at fair value through profit and loss.

Gofores cash deposits and short-term investments to fund are deposited to banks with a low credit risk and funds with a low risk profile.

Liquidity risk

The Gofore monitors its available funds and maturity analysis as the basis for concluding the cash requirements. The management assesses the business forecast and the related cash flows to maintain the liquidity requirements.

The Gofore's objective is to maintain a balance between continuity of funding and flexibility through the use of bank balances, and if necessary bank loans. Approximately 25% of the Gofore's debt will mature in less than one year at 31 December 2020 (31 December 2019: 11%, 1 January 2019: 12%) based on the carrying value of borrowings reflected in the financial statements. The Gofore assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Gofore has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing or new lenders. Gofore has unsecured loans with underlying covenants, such as equity ratio and interest bearing debt to EBITDA.

Gofore has a considerable head room for covenants at their current position. Gofore has not had any repayment events caused by breaches of covenants. "

Gofore does not have any relevant concentrations in its operations. To reduce the concentration risk in relation to the liquidity position, Gofore's financial assets are distributed and secured in well established financial institutions, which carry a low risk of default.

The table below summarises the liquid assets available for Gofore:

Liquid Assets

EUR thousand	31.12.2020	31.12.2019	1.1.2019
Securities	544	631	0
Cash and bank accounts	21,394	21,358	15,424
Liquid assets total	**21,938**	**21,989**	**15,424**

The maturity analysis of the financial liabilities is presented in the note 5.3. Borrowings and lease liabilities, Maturity distribution table, which presents the relevant cash outflows for the forseeable future.

5.5. Equity

Accounting policy

Costs related to the issue or purchase of equity instruments are recorded as a reduction of shareholders' equity. Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity.

Dividends proposed by the Board of Directors are not recognized in the financial statements until they have been approved by the shareholders in the Annual General Meeting.

Number of shares	2020	2019
Total number of shares in the beginning of the period	**14,012,802**	**13,117,156**
Own shares held in the beginning of the period	174	174
Purchase of own shares	57,839	0
Transfer of own shares	-58,013	0
Shares issued	24,125	895,646
Total number of shares at the end of the period	**14,036,927**	**14,012,802**
Of which own shares held by the parent company	0	174
Shares outstanding at the end of reporting period	**14,036,927**	**14,012,628**

Equity and capital reserves

Equity consists of share capital, fund for unrestricted equity, exchange differences on translation of foreign operations and retained earnings net of treasury shares. Fund for unrestricted equity includes the other equity-related investments and share subscription prices to the extent not designated to be included in share capital.

Dividends

The Board of Directors proposes to the Annual General Meeting that for the financial year ended 31.12.2020 a dividend of EUR 0.24 per share. These financial statements do not reflect this dividend payable of EUR 3,369 thousand. A dividend of EUR 0,20 per share totaling to EUR 2,801 thousand was distributed on the profit for 2019.

5.6. Capital management

For the purpose of the Gofore's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to ensure continuity of operations (going concern) and increase the shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of strategy implementation and the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, make share repurchases or issue new shares. The Group monitors capital using an equity and net gearing ratios.

The Group monitors financial covenants as a part of the business planning process. The management assesses information on financial and risk positions and the headroom concerning covenant treshold values. Gofore has an adequate headroom on its covenants in the financial period ending 31 December 2020.

Interest-bearing net debt is presented separately in note 5.3. Borrowings and lease liabilities.

	2020	2019
Net debt total (note 5.3.)	-3,787	-12,720
Net gearing -%	-15.4%	-31.9%
EBITA margin -%	12.7%	11.4%

6. Other Notes

6.1. Related party transactions

Accounting principles

Gofore Group's related parties include the major shareholders, the Parent company, Group companies and the key management personnel and their close family members. A major shareholder is a shareholder who holds at least 10% of all company shares or the votes carried by all the shares. Key management personnel consist of the members of the Board of Directors, Group CEO and members of the Group management team. More information about remuneration of key management personnel is presented in note 3.3. Employee benefit expenses. Additionally, companies where the before mentioned persons have control, are also classified as related parties of Gofore Group.

The Parent company of Gofore Group is Gofore Oyj. The subsidiaries are listed in a separate Note 1.1. General infromation. Those transactions which are not eliminated in the consolidated financial statements are presented as related party transactions.

On December 2020 Timur Kärki has bought 10,000 shares of Ilves Hockey Oy totaling to EUR 45 thousand. There are no other sales, purchases, receivables or payables with related parties during the reporting period.

6.2. Other commitments

The other commitments includes financial commitmets, which are not presented on the statement of financial position due to the nature of the items.

EUR thousand	31.12.2020	31.12.2019
Lease commitments		
Maturing in less than 1 year	997	900
Maturing later	950	899
Pledges on loans	0	7,854
Other commitments	587	70
Total other commitments	**2,535**	**9,723**

Lease commitments include leases not recognized in the balance sheet in accordance with IFRS 16.

Gofore holds a lease guarantee limit of EUR 300 thousand of which EUR 286 thousand is in use at 31.12.2020.

The Company has made a 10 years rental commitment to new business premises at the end of 2020. Estimated time for the new premises is at the end of 2023.

Gofore has given a negative pledge on its financial loans.

Liabilities in accordance with section 33 of the Value Added Tax Act has been calculated for rental property renovations (EUR thousand):

Revision period ends 31.12.2026 and total liability under revision	5
Revision period ends 31.12.2027 and total liability under revision	10
Revision period ends 31.12.2028 and total liability under revision	3
Revision period ends 31.12.2029 and total liability under revision	8
Revision period ends 31.12.2030 and total liability under revision	21

6.3. Events after reporting period

Nominations to the Group management team

The following persons have been nominated for Gofore Group's management team as of January 1, 2021:

- Kalle Mäki — General Counsel
- Sanna Hilden — Director, People Operations
- Miika Nurminen — Director, Digital Quality Assurance and CEO of Qentinel Finland Oy

The fourth CrewShare program

The Board of Directors has resolved on the fourth CrewShare share savings plan. The details of the new program period will mainly be conformed to follow the previous program period's particulars. The new program will commence on March 1, 2021 and end on February 28, 2022. More information about the CrewShare program is provided in note 3.4. Share-based payments.

Acquisition of CCEA Limited

Gofore announced February 18, 2021 that it has signed an agreement whereby Gofore will acquire 95% of the share capital of CCEA Ltd., a company specialising in change execution consulting. With the acquisition, in line with its strategy, Gofore will strengthen its position as an adviser and main service provider in large digital transformation projects. The acquisition was implemented on March 1, 2021.

CCEA Ltd. provides expert services and consulting on executing demanding change processes, managing change portfolios and developing change capabilities. In these services the company is leading in Finland and currently employs approximately 50 experts at its offices in Espoo and Singapore.

CCEA Ltd.'s revenue was EUR 5.2 million and EBITDA was EUR 1.1 million in 2020. The acquisition also include Celkee Ltd., a fully-owned subsidiary of CCEA Ltd. specialising in measuring change, which had revenue of EUR 0.4 million and EBITDA of EUR 0.1 million in 2020. Gofore estimates the revenue impact of the acquisition to be approximately EUR 6 million in the Group's financial statements for 2021.

The purchase price of EUR 6.4 million of the share capital to be acquired consists of a debt-free price of EUR 6,175 million for the business and a compensation for net cash, estimated at EUR 0,255 million. The purchase price will be paid in full as a cash consideration of EUR 6.4 million.

The name of Silver Planet Ltd was changed to Gofore Lead Ltd

The name of Silver Planet was changed to Gofore Lead Ltd from January 1, 2021. The change was registered on January 28, 2021.

Financial Statements of the Parent Company (FAS)

Parent Company Income Statement (FAS)

EUR	1.1.–31.12.2020	1.1.–31.12.2019
Net sales	**60,882,113.98**	**54,838,319.25**
Manufacturing for own use	738,389.09	139,408.23
Other operating income	1,412,127.83	626,984.72
Materials and Services		
Purchases	-87,760.26	-142,292.80
External Services	-12,633,427.14	-9,214,001.74
	-12,721,187.40	-9,356,294.54
Personnel expenses		
Salaries and compensations	-28,543,942.36	-25,191,693.00
Pensions	-4,293,577.83	-4,448,795.98
Other personnel expenses	-1,046,590.50	-862,866.73
	-33,884,110.69	-30,503,355.71
Depreciations and amortisations	-1,063,751.01	-1,017,849.29
Other operating expenses	-10,228,604.17	-9,681,775.71
Earnings before interests and taxes	**5,134,977.63**	**5,045,436.95**
Financial income and expense, net	2,272,253.91	2,944,401.77
Profit before year-end allocations and taxes	**7,407,231.54**	**7,989,838.72**
Change in cumulative accelerated depreciation	0.00	12,095.62
Income taxes	-1,148,350.33	-1,182,939.04
Profit for the financial period	**6,258,881.21**	**6,818,995.30**

Parent Company Balance Sheet (FAS)

EUR	31.12.2020	31.12.2019
Assets		
Non-current assets		
Intangible assets	7,702,658.28	7,843,887.86
Tangible assets	237,912.84	343,453.22
Investments		
Holdings in group companies	28,076,680.22	14,803,449.32
Other investments	0.00	50,500.00
Total investments	**28,076,680.22**	**14,853,949.32**
Total non-current assets	**36,017,251.34**	**23,041,290.40**
Current assets		
Long-term receivables		
Receivables from group companies	1,325,000.00	1,362,000.00
Other receivables	763,295.59	0.00
Total long-term receivables	**2,088,295.59**	**1,362,000.00**
Short-term receivables		
Trade receivables	8,075,606.68	7,016,904.15
Receivables from group companies	1,037,012.52	322,641.86
Other receivables	1,566,565.98	486,897.67
Prepaid expenses and accrued income	756,765.09	675,990.09
Total short-term receivables	**11,435,950.27**	**8,502,433.77**
Cash and cash equivalents	13,463,685.11	15,712,169.46
Total current assets	**26,987,930.97**	**25,576,603.23**
Total assets	**63,005,182.31**	**48,617,893.63**

EUR	31.12.2020	31.12.2019
Equity and liabilities		
Shareholder's equity		
Share capital	80,000.00	80,000.00
Invested non-restricted equity reserve	20,515,186.08	20,323,474.32
Retained earnings	9,503,023.61	5,953,309.53
Profit for the financial period	6,258,881.21	6,818,995.30
Total shareholder's equity	**36,357,090.90**	**33,175,779.15**
Liabilities		
Non-current liabilities		
Loans from financial institutions	7,500,000.00	4,472,000.00
Other non-current liabilities	762,795.59	0.00
Accrued expenses and deferred income	3,813.97	5,650.00
Total non-current liabilities	**8,266,609.56**	**4,477,650.00**
Current liabilities		
Loans from financial institutions	2,000,000.00	1,390,285.78
Advances received	134,377.17	15,665.04
Trade payables	2,037,671.94	1,441,323.99
Payables to group companies	1,115,787.24	530,639.85
Other payables	7,650,745.25	2,720,213.61
Accrued expenses and deferred income	5,442,900.25	4,866,336.21
Total current liabilities	**18,381,481.85**	**10,964,464.48**
Total liabilities	**26,648,091.41**	**15,442,114.48**
Total equity and liabilities	**63,005,182.31**	**48,617,893.63**

Parent Company Cash Flow Statement (FAS)

EUR	1.1.–31.12.2020	1.1.–31.12.2019
Cash flow from operating activities:		
Profit before appropriations	7,407,231.54	7,989,838.72
Adjustments:		
Depreciations according to plan	1,063,751.01	1,017,849.29
Financial income and expenses (+/–)	-2,272,253.91	-2,944,401.77
Other adjustments (+/–)	212,580.60	408,482.27
Cash flow before working capital changes	6,411,309.24	6,471,768.51
Change in working capital:		
Increase (–) /decrease (+) in trade and other short-term non-interest-bearing receivables	-3,557,875.77	1,254,965.11
Increase (+) /decrease (–) in short-term non-interest-bearing debts	2,537,779.39	501,439.29
Cash flow before financing items and taxes	5,391,212.86	8,228,172.91
Interests and expenses paid from other operating finance costs (–)	-99,556.02	-86,163.01
Dividends received	2,400,000.00	3,000,000.00
Other finance income	13.78	28,001.29
Taxes paid (–)	-1,302,428.51	-1,319,213.31
Cash flow from operating activities (A)	**6,389,242.11**	**9,850,797.88**
Cash flow from investing activities:		
Investments to tangible and intangible assets (–)	-816,981.05	-298,924.72
Investments to shares in subsidiaries (–)	-8,311,678.41	-7,513,219.68
Capital gain of material and immaterial goods	0.00	368.34
Long-term loans granted (–)	-100,000.00	-762,000.00
Long-term loans received	177,000.00	0.00
Proceeds from sale of other investments (+)	45,500.00	0.00
Cash flow from investments (B)	**-9,006,159.46**	**-8,573,776.06**
Cash flow from financing activities:		
Purchase of own shares	-468,308.22	0.00
Long-term loan withdrawals	10,000,000.00	3,500,000.00
Short-term loan repayments (–)	-14,285.78	-14,285.60
Long-term loan repayments (–)	-6,348,000.00	-1,306,285.66
Dividends paid and other profit distribution (–)	-2,800,973.00	-2,496,178.77
Cash flows from financing activities (C)	**368,433.00**	**-316,750.03**
Change in cash and cash equivalents (A + B + C), increase (+) / decrease (–)	**-2,248,484.35**	**960,271.79**
Cash and cash equivalents at beginning of period (1 Jan)	15,712,169.46	13,615,352.15
Cash received in merger	0.00	1,136,545.52
Cash and cash equivalents at end of period (31 Dec)	**13,463,685.11**	**15,712,169.46**

Notes to the Parent Company's Financial Statements (FAS)

Accounting policies for the parent company's financial statements

The parent company financial statements have been prepared in accordance with the Finnish Accounting Standards (FAS) for the period 1.1.–31.12.2020. The financial statements are presented in euros.

Valuation principles

The book value of the company's intangible assets is their original acquisition cost, which is amortised according to plan. Investments, financial securities and subsidiary shares are valued at their acquisition cost. Current assets are valued at their nominal value or to lower probable value. Liabilities are valued at nominal value. The income statements of foreign subsidiaries are translated into euros at the average exchange rates of the reporting period. The balance sheets are consolidated using the end of period exchange rates.

Fixed assets

The acquisition cost of fixed assets belonging to the company's depreciable non-current assets is eliminated in accordance with a pre-planned plan. The depreciation plan is determined by experience. As an expense, the difference between the acquisition cost and the residual value is recognized as an expense as estimated over the economic life. Commodities with a probable economic life of less than three years, as well as small acquisitions are recognized as a full expense for the acquisition period.

Depreciation according to plan and their changes

No changes has occured in the company´s principles regarding depreciation according to plan.

Development expenditure	Straight line depreciation	5 yrs
Intangible assets	Straight line depreciation	5 yrs
Goodwill	Straight line depreciation	10 yrs
Other capitalised long term expenditure	Straight line depreciation	5 yrs
Machinery and equipment	Straight line depreciation	3–5 yrs

Revenue recognition

The company's net sales is mainly recognised as the month of service delivery and billing. Some of the company's services is made by agreements that specify more priced or scheduled delivery liability, to which also billing is tied to. The invoicing of such service is done in parts afterwards as the delivery phase progresses and typically the recognition is made at the time of invoicing.

If a delivery item is planned for completion and thus billed after the end of the financial year, it is estimated which portion of the work on the delivery has been made prior to the change in the financial year and is recognised for the current financial year.

Share-based payments

Gofore Oyj has two separate share-based payment plans as compensation for employees with a share matching component: CrewShare and MSP 2017 (IRIS) programs. In addition, Gofore had share-based program in relation to the acquisition of Silver Planet Oy. All of these programs are equity settled transactions and thus, the Parent Company does not have any cash-settled transactions.

Gofore recognises the cost for the long-term incentive plan as an expense when incurred. The salaries and compensation expenses for the financial period of 2020 include EUR 526 thousands expense from share-based payment plans.

CrewShare

In the autumn of 2018, Gofore's Board of Directors decided to implement a share savings program (Crew Share) for the entire Group's personnel. The objective of the plan is to motivate the Gofore employees to invest in the company's shares and to become shareholders in the company. The aim is also to align the interests and commitment of the employees and management to work for the good value development and increased shareholder value in the long-term. The Board of Directors decides annually on any savings periods to be launched under the program.

The plan is offered to all Gofore Group employees, who will be offered an opportunity to save a proportion of their regular salaries and use the savings for the acquisition of the company's shares at a 10 percent discount. The accrued savings will be used for the acquisition of the Gofore shares after the end of the plan period. Participation in the Plan is voluntary, and an employee will participate in the Plan for one plan period at a time. The first plan period commenced on 1 November 2018 and ended on 28 February 2019. The second plan period commenced on 1 March 2019 and ended on 29 February 2020. The third plan period commenced on 1 March 2020 and will end on 28 February 2021.

As an incentive to participants in the program, Gofore will offer one matching share as a gross incentive per three shares acquired through savings after a share ownership period of two years. The prerequisites for receiving matching shares are that a participant holds the acquired shares for the entire holding period, and that his or her employment at Gofore has not terminated before the end of the holding period. Dividends paid on shares acquired with savings are automatically used to acquire the shares on the next possible date of acquisition.

Gofore has three CrewShare program. The savings period for the first CrewShare scheme was from 1 November 2018 to 28 February 2019. On 31 December 2020, the company had 128 employees entitled to a total of 5,109 matching shares from the first CrewShare scheme. The second CrewShare savings program from 1 March 2019 to 29 February 2020 carries 152 employees entitled to 14,743 matching shares at the end of reporting period. The third plan period commenced on 1 March 2020 and will end on 28 February 2021. At the end of reporting period on 31 December 2020 171 employees were entitled to the plan with 7,914 matching shares.

The total amount of savings in the plan periods may not exceed EUR 1 million, which corresponds to approximately 64,787 shares calculated at the share price of EUR 17.15 per share closed and, 10% discount calculated therefrom, on 31 December 2020. 64,787 shares equals to 0.5 percent of the total number of shares outstanding. At the end of the reporting period 31 December 2020, 128 people employed by the Group, who participated to the first savings period, were entitled to receive a total of 5,109 gross shares after the holding period if they had continuously held the shares acquired through the first plan. At a closing price of EUR 17.15 per share at December 31, 2020 the value of the gross shares of the first savings plan would have been EUR 87,619.35.

Correspondingly, 152 people, who participated to the second savings period, were entitled to 14,743 gross shares after the holding period. At a closing price of EUR 17.15 per share at December 31, 2020, the value of the gross shares in the second savings plan would have been EUR 252,842.45.

Correspondingly, 171 people, who participated to the third savings period, were entitled to 7,914 gross shares after the holding period. At a closing price of EUR 17.15 per share at December 31, 2020, the value of the gross shares in the third savings plan would have been EUR 135,725.10.

As part of the Crew Share plan, Gofore issued a total of 24,125 new shares in September 2020, as well as a total of 22,844 new shares in September 2019.

MSP 2017 (IRIS)

The second share matching plan, the MSP 2017 (IRIS) program, involves specific individuals employed by the company or a company belonging to the group in 2017. Participation in MSP 2017 (IRIS) means that the subscribers of shares receive one gross share for each of the three subscribed shares if they are employed by the group three years after the start of trading and have continuously held the shares subscribed for in the personnel offering throughout this period.

The company reserved the right to decide whether the reward payment was fully or partially settled with cash instead of company shares, but the employee was not able to ask for cash settlement. The share matching plan entitled to 78,156 additional shares. The withholding tax was paid by the company and thus, the participants receives shares net of tax. The plan ended in December 2020.

Share compensation in relation to Silver Planet acquisition

In connection with the acquisition of Silver Planet Oy Gofore agreed equity-settled share-based payments to reward the former employees of Silver Planet with a share-based program cointaining a one-year vesting period and pre-determined service conditions. According to this program a variable number of shares was awarded to 28 employees based on a basis of division agreed in connection with the acquisition. The number of shares awarded to employees ranges from 439 shares to 4,306 shares. The final number of shares awarded was 24,154. The grant date was defined as 9 April 2019 in relation to the acquisition of Silver Planet.

Notes to the Parent Company Income Statement

Net sales

EUR	2020	2019
By sector		
Digital services and consulting	60,882,113.98	54,838,319.25
Total	**60,882,113.98**	**54,838,319.25**

Geographical distribution

EUR	2020	2019
Finland	53,278,982.87	52,349,163.77
Other countries	7,603,131.11	2,489,155.48
Total	**60,882,113.98**	**54,838,319.25**

Manufacturing for own use

EUR	2020	2019
Manufacturing for own use, intangible assets	738,389.09	139,408.23
Total	**738,389.09**	**139,408.23**

Other operating income

EUR	2020	2019
Received benefits and grants	473,630.83	174,398.65
Other	938,497.00	452,586.07
Total	**1,412,127.83**	**626,984.72**

Personnel expenses

EUR	2020	2019
Salaries and renumerations	28,543,942.36	25,191,693.00
Pension expenses	4,293,577.83	4,448,795.98
Other social security expenses	1,046,590.50	862,866.73
Total	**33,884,110.69**	**30,503,355.71**

Depreciations and reduction in value

EUR	2020	2019
Depreciations according to plan		
Development expenditure	4,057.05	5,622.36
Intangible assets	6,159.97	1,539.96
Goodwill	892,509.00	859,701.34
Other long-term expenditure	48,344.81	34,370.75
Machinery and equipment	112,680.18	116,614.88
Total	**1,063,751.01**	**1,017,849.29**

Other operating expenses

EUR	2020	2019
Expenses from business premises	2,557,466.52	2,264,975.97
Equipment and software expenses	2,921,211.61	2,205,101.81
Personnel expenses	1,375,557.71	1,613,305.31
Administrative expenses	1,605,219.47	1,493,739.48
Sales and marketing expenses	914,567.14	942,469.17
Other operating expenses	854,581.72	1,162,183.97
Total	**10,228,604.17**	**9,681,775.71**

Finance income

EUR	2020	2019
Dividends from group companies	2,400,000.00	3,000,000.00
Other interest income and other financial income		
From group companies	45,726.98	27,650.92
From others		
Interest income	13.78	290.50
Other finance income	0.00	59.87
Total	**2,445,740.76**	**3,028,001.29**

Interest and other financial expenses

EUR	2020	2019
Reduction in value of non-current assets		
From group companies	94,087.25	0.00
To others		
Interest expenses	67,941.10	72,352.76
Other interest expenses	11,458.50	11,246.76
Total	**173,486.85**	**83,599.52**

Notes to the Balance Sheet, Assets

Intangible assets

Development expenses

EUR	31.12.2020	31.12.2019
Acquisition cost 1.1.	38,021.49	38,021.49
Additions	0.00	0.00
Acquisition cost 31.12.	38,021.49	38,021.49
Accumulated amortisation in the beginning of the financial period	-33,964.44	-28,342.08
Amortisation for the financial period	-4,057.05	-5,622.36
Book-value 31.12.	0.00	4,057.05

Intangible rights

EUR	31.12.2020	31.12.2019
Acquisition cost 1.1.	147,108.23	7,700.00
Additions	738,389.09	139,408.23
Acquisition cost 31.12.	885,497.32	147,108.23
Accumulated amortisation in the beginning of the financial period	-1,539.96	
Amortisation for the financial period	-6,159.97	-1,539.96
Book-value 31.12.	877,797.39	145,568.27

Goodwill

EUR	31.12.2020	31.12.2019
Acquisition cost 1.1.	8,925,090.45	4,988,170.47
Additions	0.00	3,936,919.98
Acquisition cost 31.12.	8,925,090.45	8,925,090.45
Accumulated amortisation in the beginning of the financial period	-1,358,518.42	-498,817.08
Amortisation for the financial period	-892,509.00	-859,701.34
Book-value 31.12.	6,674,063.03	7,566,572.03

Other long-term expenditure

EUR	31.12.2020	31.12.2019
Acquisition cost 1.1.	263,289.02	190,705.21
Additions	71,452.16	72,583.81
Acquisition cost 31.12.	334,741.18	263,289.02
Accumulated amortisation in the beginning of the financial period	-135,598.51	-101,227.76
Amortisation for the financial period	-48,344.81	-34,370.75
Book-value 31.12.	150,797.86	127,690.51
Total intangible assets	**7,702,658.28**	**7,843,887.86**

Tangible assets

Machinery and equipment

EUR	31.12.2020	31.12.2019
Acquisition cost 1.1.	680,190.98	591,017.40
Additions	5,339.80	89,541.92
Deductions	0.00	-368.34
Acquisition cost 31.12.	685,530.78	680,190.98
Accumulated amortisation in the beginning of the financial period	-396,422.30	-279,807.42
Amortisation for the financial period	-112,680.18	-116,614.88
Book-value 31.12.	176,428.30	283,768.68

Other tangible assets

EUR	31.12.2020	31.12.2019
Acquisition cost 1.1.	59,684.54	45,730.00
Additions	1,800.00	13,954.54
Acquisition cost 31.12.	61,484.54	59,684.54
Total tangible assets	**237,912.84**	**343,453.22**

→ Notes to the Balance Sheet, Assets (continues)

Investments

Investments in subsidiaries

EUR	31.12.2020	31.12.2019
Acquisition cost 1.1.	14,803,449.32	5,125,221.96
Additions	13,367,318.15	14,668,862.07
Deductions	-94,087.25	-4,990,634.71
Acquisition cost at 31.12.	28,076,680.22	14,803,449.32

Other shares

EUR	31.12.2020	31.12.2019
Acquisition cost 1.1.	50,500.00	50,500.00
Additions	0.00	0.00
Deductions	-50,500.00	0.00
Acquisition cost at 31.12.	0.00	50,500.00

Long-term receivables

EUR	31.12.2020	31.12.2019
Long-term loan receivables from group companies	1,325,000.00	1,362,000.00
Other receivables	763,295.59	0.00
Total long-term receivables	2,088,295.59	1,362,000.00

Short-term receivables

EUR	31.12.2020	31.12.2019
Trade receivables	8,075,606.68	7,016,904.15
Trade receivables from group companies	375,721.87	111,728.89
Loan receivables from group companies	108,000.00	148,000.00
Other receivables from group companies	45,893.65	62,912.97
Prepaid expenses and accrued income from group companies	507,397.00	0.00
Other receivables	1,566,565.98	486,897.67
Prepaid expenses and accrued income	756,765.09	675,990.09
Total short-term receivables	11,435,950.27	8,502,433.77

Specification of prepaid expenses and accrued income

EUR	31.12.2020	31.12.2019
Income tax receivables	173,868.09	19,789.91
Prepaid expenses	268,192.93	295,644.52
Receivables from grants	135,227.48	103,217.65
Occupational healthcare compensation	123,684.95	210,779.88
Other	55,791.64	46,558.13
Total prepaid expenses and accrued income	756,765.09	675,990.09

Notes to the Balance Sheet, Equity and Liabilities

Changes in equity

EUR	31.12.2020	31.12.2019
Share capital 1.1.	80,000.00	80,000.00
Share capital 31.12.	80,000.00	80,000.00
Restricted equity	80,000.00	80,000.00
Invested non-restricted equity reserve 1.1.	20,323,474.32	12,859,310.22
Share issue subject to a charge	191,711.76	314,171.71
Share issue related to acquisitions	0.00	7,149,992.39
Invested non-restricted equity reserve 31.12.	**20,515,186.08**	**20,323,474.32**
Retained earnings 1.1.	5,953,309.53	3,694,029.70
Retained earnings transfer	6,818,995.30	4,755,458.60
Dividend distribution	-2,800,973.00	-2,496,178.77
Purchase of own shares	-468,308.22	0.00
Retained earnings 31.12.	**9,503,023.61**	**5,953,309.53**
Profit for the financial period	**6,258,881.21**	**6,818,995.30**
Non-restricted equity	**36,277,090.90**	**33,095,779.15**
Total equity	**36,357,090.90**	**33,175,779.15**

Distributable non-restricted equity

EUR	31.12.2020	31.12.2019
Invested non-restricted equity reserve	20,515,186.08	20,323,474.32
Retained earnings	9,503,023.61	5,953,309.53
Profit for the financial year	6,258,881.21	6,818,995.30
Capitalized development costs	0.00	-4,057.05
Distributable non-restricted equity	**36,277,090.90**	**33,091,722.10**

Appropriations

Depreciation reserve

EUR	31.12.2020	31.12.2019
Machinery and equipment 1.1.	0.00	12,095.62
Change in machinery and equipment	0.00	-12,095.62
Machinery and equipment 31.12.	0.00	0.00

Liabilities

Non-current liabilities

EUR	31.12.2020	31.12.2019
Loans from financial institutions	7,500,000.00	4,472,000.00
Other liabilities	762,795.59	0.00
Long-term accruals and deferred income	3,813.97	5,650.00
Total non-current liabilities	**8,266,609.56**	**4,477,650.00**

Current liabilities

EUR	31.12.2020	31.12.2019
Loans from financial institutions	2,000,000.00	1,390,285.78
Advances received	134,377.17	15,665.04
Trade payables	2,037,671.94	1,441,323.99
Trade payables to group companies	347,172.24	104,426.85
Accrued expenses and deferred income to group companies	768,615.00	426,213.00
Other liabilities	7,650,745.25	2,720,213.61
Accrued expenses and deferred income	5,442,900.25	4,866,336.21
Total current liabilities	18,381,481.85	10,964,464.48

Specification of accrued expenses and deferred income

EUR	31.12.2020	31.12.2019
Personnel expenses	5,120,726.23	4,567,920.70
Accrued expenses	322,174.02	298,001.28
Other	0.00	414.23
Total accrued expenses and deferred income	5,442,900.25	4,866,336.21
Total current liabilities	**18,381,481.85**	**10,964,464.48**

Commitments and contingencies

Liabilities secured with corporate mortgages or special pledges

EUR	31.12.2020	31.12.2019
Loans from credit institutions	9,500,000.00	5,862,285.78
Mortgages	0.00	7,840,000.00
Special pledge	0.00	14,285.66

Gofore has given a negative pledge on its financial loans.

Nominal amounts of rents for leasing and lease contracts

Lease commitments from machinery, equipment and cars

EUR	31.12.2020	31.12.2019
Current	979,172.43	911,093.04
Non-current	935,076.91	900,628.11
Total	**1,914,249.34**	**1,811,721.15**

Real-estate lease commitments

EUR	31.12.2020	31.12.2019
Current	2,128,932.56	2,091,203.14
Non-current	3,000,593.74	2,216,522.76
Total	**5,129,526.30**	**4,307,725.90**

Lease commitments of cars include VAT 24%.

One lease includes a commitment for renovation costs. If the lease expires before 28 February 2025, the lessee will be responsible for the remaining costs of the renovation, including financial costs. The premises will be renovated at the lessor's expense, with an estimated cost of up to EUR 450,000 + VAT.

The Company has made a 10 years rental commitment to new business premises at the end of 2020. Estimated time for the new premises is at the end of 2023.

Other commitments

Liabilities in accordance with section 33 of the Value Added Tax Act has been calculated for rental property renovations (EUR):

Revision period ends 31.12.2026 and total liability under revision	5,157.61
Revision period ends 31.12.2027 and total liability under revision	9,845.35
Revision period ends 31.12.2028 and total liability under revision	3,344.17
Revision period ends 31.12.2029 and total liability under revision	7,847.40
Revision period ends 31.12.2030 and total liability under revision	20,589.38

Gofore holds a lease guarantee limit of EUR 300 thousand of which EUR 286 thousand is in use at 31.12.2020.

Related party transactions

On December 2020 Timur Kärki has bought 10 000 shares of Ilves Hockey Oy totaling to EUR 45 000. There are no other sales, purchases, receivables or payables with related parties during the reporting period.

Notes on the Audit fee

EUR thousand	31.12.2020	31.12.2019
Auditing	123,200.00	58,000.00
Statements	1,200.00	5,000.00
Tax services	31,771.00	10,600.00
Other services	6,470.00	14,213.58
Total	**162,641.00**	**87,813.58**

Notes on the personnel and management

Average number of personnel during the financial year by function breakdown

	2020	2019
White collar	512	480

CEO and Board fees and management remuneration

	2020	2019
CEO and Board fees and management remuneration	384,195.63	283,446.50

Group companies

Name of the company	Domicile	Share
Gofore Oyj	Tampere, Finland	Group
Gofore Vantaa Oy	Tampere, Finland	100%
Gofore UK Ltd	Swansea, UK	100%
Gofore Spain SL	Madrid, Spain	100%
Gofore Germany GmbH	München, Germany	100%
Gofore Estonia OÜ	Tallinn, Estonia	100%
Silver Planet Oy (Gofore Lead Oy 1.1.2021)	Helsinki, Finland	100%
Qentinel Finland Oy	Espoo, Finland	100%
Rebase Consulting Oy	Helsinki, Finland	70%

The operations of Gofore UK Ltd has abandoned during the first quarter of 2020. The company will be terminated in the beginning of 2021.

During the financial year, the company acquired 100% of the share capital of Qentinel Finland Oy (September 1, 2020).

During the financial year, the company co-founded a new company, Rebase Consulting Oy, owning 70% of the share capital (February 20, 2020).

Company's own shares

At the end of finacial year the parent company does not hold any of its own shares.

Events after reporting period

Nominations to the Group management team

The following persons have been nominated for Gofore Group's management team as of January 1, 2021:

- Kalle Mäki — General Counsel
- Sanna Hilden — Director, People Operations
- Miika Nurminen — Director, Digital Quality Assurance and CEO of Qentinel Finland Oy

The fourth CrewShare program

The Board of Directors has resolved on the fourth CrewShare share savings plan. The details of the new program period will mainly be conformed to follow the previous program period's particulars. The new program will commence on March 1, 2021 and end on February 28, 2022. More information about the CrewShare program is provided in Parent's notes of Share-based payments.

Impacts of COVID-19 pandemic

The COVID-19 pandemic has caused uncertainties in the operating environment. In the longer term, the pandemic is expected to accelerate digitalization bearing in mind that public and private sector customers' ability to invest in digital transformation depends on the development of the economy. The pandemic did not adversely affect the company's business during 2020, and customer demand has been at the expected level. There is continuing uncertainty about the pandemic and its market impact.

Acquisition of CCEA Ltd

Gofore announced February 18, 2021 that it has signed an agreement whereby Gofore will acquire 95% of the share capital of CCEA Ltd., a company specialising in change execution consulting. With the acquisition, in line with its strategy, Gofore will strengthen its position as an adviser and main service provider in large digital transformation projects. The acquisition was implemented on March 1, 2021.

CCEA Ltd. provides expert services and consulting on executing demanding change processes, managing change portfolios and developing change capabilities. In these services the company is leading in Finland and currently employs approximately 50 experts at its offices in Espoo and Singapore.

CCEA Ltd.'s revenue was EUR 5.2 million and EBITDA was EUR 1.1 million in 2020. The acquisition also include Celkee Ltd., a fully-owned subsidiary of CCEA Ltd. specialising in measuring change, which had revenue of EUR 0.4 million and EBITDA of EUR 0.1 million in 2020. Gofore estimates the revenue impact of the acquisition to be approximately EUR 6 million in the Group's financial statements for 2021.

The purchase price of EUR 6.4 million of the share capital to be acquired consists of a debt-free price of EUR 6,175 million for the business and a compensation for net cash, estimated at EUR 0,255 million. The purchase price will be paid in full as a cash consideration of EUR 6.4 million.

Business transfer

Gofore Oyj has transferred business consultation services to Gofore Lead Oy in 1.1.2021 business transfer event.

Signatures to the Board of Directors' Report and the Financial Statements

Tampere, March 5, 2021

Timur Kärki
Chairman of the Board

Stefan Baggström
Member of the Board

Sami Somero
Member of the Board

Juha Eteläniemi
Member of the Board

Mammu Kaario
Member of the Board

Mikael Nylund
CEO

Auditor's note

A report on the audit performed has been issued today.

Tampere, March 5, 2021

KPMG Oy Ab
Authorised Public Accountant Firm

Lotta Nurminen
Authorised Public Accountant, KHT

Auditor's Report

To the Annual General Meeting of Gofore Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Gofore Plc (1710128-9) for the year ended 31 December, 2020. The financial statements comprise the consolidated statement of financial position, statement of profit and loss and other 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, cash flow statement and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and 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.

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

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 a 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 the Financial Statements

Our objectives are to obtain reasonable assurance about 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 the 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.

Other Reporting Requirements

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.

Tampere, 5 March 2021

KPMG OY AB

Lotta Nurminen
Authorised Public Accountant, KHT

Board of Directors

Timur Kärki

Chairman of the Board as well as the Nomination and Remuneration Committees

- Member of the Board since 2019
- Master of Science (Tech.), born 1971
- Main occupation: Chairman of the Board, Gofore Plc
- Primary work experience: Gofore's CEO 2010–2019 and Head of Project Management 2002–2010, one of the founders of Gofore
- Key positions of trust: Member of the Board of Finland Chamber of Commerce since 2021, member of the Board of Directors of Technology Industries of Finland since 2020 and Member of the Board of Directors of Ilves Hockey Oy since 2017
- Dependent on the company and its significant shareholders
- Company shares on 31 December 2020: 1,875,000

Mammu Kaario

Chairman of the Audit Committee

- Member of the Board since 29 April 2020
- LL.M. trained on the bench and MBA, born 1963
- Main occupation: Board professional
- Primary work experience: Board professional since 2018, working with different private equity companies 2005–2017 (Unicus Ltd., Korona Invest Ltd. and Partnera Ltd.), as an investment banker at Conventum Plc 1998–2005, and director at Prospectus Ltd. 1993–1998
- Key positions of trust: Vice Chairman of the Board of CapMan Plc and Robit Plc since 2017, of Ponsse Plc since 2010 and of Aspo Plc since 2012; Member of the Board of Nordic ID and Lapti Oy since 2019
- Independent of the company and its significant shareholders
- Company shares on 31 December 2020: –

Sami Somero

Member of the Nomination, Remuneration, and Audit Committees

- Member of the Board since 2014
- M.A. (Computer Science), born 1975
- Main occupation: CEO of Nurmiranta Holdings Oy and private investor
- Primary work experience: COO of Cybercom Finland Oy 2008–2010, business director positions at Almare and Plenware Groups 1999–2008. Extensive experience in ICT since 1997
- Key positions of trust: Chair of the Board of Nurmiranta Holdings since 2002, Tamturbo Oy since 2011 and Haarla Oy since 2019, as well as member of the Board in Anders Innovations Oy and VividWorks Oy since 2011
- Independent of the company and its significant shareholders
- Company shares on 31 December 2020: 145,523 (Through Nurmiranta Holdings Oy, a controlled corporation)

Stefan Baggström

Member of the Audit Committee

- Member of the Board since 2019
- Master of Science (Tech.), born 1973
- Main occupation: Business Lead, Welfare at Gofore Plc
- Primary work experience: Several management positions at Gofore e.g. as Business Lead of Healthcare and Welfare since 2017 and Solution Architect 2015–2017. Extensive experience in ICT since 1997 (e.g. Nokia Plc and GE Healthcare Oy).
- Key positions of trust: –
- Independent of significant shareholders, dependent on the company (employed by Gofore)
- Company shares on 31 December 2020: 2,948

Juha Eteläniemi

Member of Remuneration Committee

- Member of the Board since 29 April 2020
- Bachelor of Business Administration, born 1977
- Main occupation: CIO, Fazer Group
- Primary work experience: CIO of OpusCapita 2016–2019 and Head of IT at Citycon Oyj 2011–2016, extensive international ICT experience since 1998
- Key positions of trust: –
- Independent of the company and its significant shareholders
- Company shares on 31 December 2020: –

Former members of the Board until 29 April 2020: **Kristiina Michelsson** and **Mika Varjus.** Their bios are available in the 2019 Annual Report.

Group Executive Team

Mikael Nylund
CEO

- Member of the Group Executive Team since 2010, CEO since December 2019
- S. Tech., born 1975
- Previous work experience: Gofore's Director of M&A in 2017–2019, Director of Management Consulting 2015–2019, Business Manager for IT Management specialist services 2012–2015 and Senior Consultant 2010–2011; technology manager at Enfo in 2005–2010 and Technology Director at Capnova Oy in 2001–2005
- Key positions of trust: Member of the Board of CCEA Oy since 2020
- Company shares on 31 December 2020: 245,438

Teppo Talvinko
CFO

- Member of the Group Executive Team and the CFO since May 2020
- Master of Science (econ.), born 1966
- Previous work experience: CFO of Nurminen Logistics Plc in 2018–2019, CFO of Maintpartner Suomi Oy 2014–2018, CFO of Ixonos Plc 2013–2014, CFO of FCG Finnish Consulting Group Oy 2009–2013 and CFO of SITA Finland Oy 2005–2009
- Key positions of trust: –
- Company shares on 31 December 2020: 10,000

Former members of the Group Executive Team in 2020: **Petteri Venola** (CFO until 30 April 2020) and **Ville Tuominen** (Director, International Operations until 1 September 2020). Their bios are available in the 2019 Annual Report.

Kristiina Härkönen
Chief Sustainability Officer

- Member of the Group Executive Team since 2017
- Master of Science (tech.), born 1975
- Previous work experience: Director of Gofore's cloud business in 2017–2019, Director of Healthcare and Regional Public Administration 2016–2017, Senior Consultant 2015–2016, other specialist positions since 2003; software engineer at TJ Group 2000–2003
- Key positions of trust: –
- Company shares on 31 December 2020: 24,000

Elja Kirjavainen
Director, Digital transformation and MD of Gofore Lead Oy

- Member of the Group Executive Team since May 2020
- Master of Science (tech.), born 1974
- Previous work experience: CEO of Silver Planet Oy since 2017 (Gofore's fully owned subsidiary since 14 February 2019); director positions at Capgemini in 2004–2017
- Key positions of trust: –
- Company shares on 31 December 2020: 377 and through EMK Invest Oy 170,400 shares

Juha Virtanen
Director, Sales and customer value

- Member of the Group Executive Team since 2010
- Master of Science (econ.), born 1977
- Previous work experience: Gofore's Director of Software Development in 2012–2015 and Director of Sales and Marketing 2007–2011; previously Director of Sales and Marketing at DiCode Oy in 2005–2007 and Business Developer at ProApac Oy 2004–2005
- Key positions of trust: Chair of the Board of JV-Rakennus Oy since 2016
- Company shares on 31 December 2020: 243,696

Terhi Vesanen
Director, Growth and digitalisation

- Member of the Group Executive Team since August 2019
- Master of Science (tech.), born 1960
- Previous work experience: Responsible for Project Manager Services at Gofore in 2015–2019, Consultant at Hss Consulting Oy 2013–2014, Director of Projects at Symbio Oy 2010–2012, development management positions at Nokia Plc 1995–2009, Senior Researcher at VTT Technology Research Centre of Finland 1990–1994 and Software Designer at Hollming Oy 1986–1989 and Kone Plc 1984–1985
- Key positions of trust: –
- Company shares on 31 December 2020: 1,713

Petra Sievinen
Director, Marketing and Communications

- Member of the Group Executive Team since August 2019
- Bachelor of Business Administration, born 1969
- Previous work experience: Communications Strategist at Gofore in 2018–2019, Director of External Communications at Oy IBM Finland Ab 2016–2018, Marketing Director at Descom Oy 2014–2015, other positions in marketing and sales 2002–2014 at Descom Oy and Netwell Oy
- Key positions of trust: –
- Company shares on 31 December 2020: 730

Aki Koikkalainen
Director, Digital services

- Member of the Group Executive Team since August 2019
- Master of Science (tech.), born 1982
- Previous work experience: CEO of Solinor Oy in 2013–2019 (Gofore's fully owned subsidiary since 2019), COO of Effmag Oy 2010–2012, COO of Biozone Scientific International Oy 2009–2010
- Key positions of trust: –
- Company shares on 31 December 2020: 5,526

Shares and Shareholders

Investor Relations

Gofore's investor relations are managed by the CEO, CFO and IR Lead.

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CEO

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CFO

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IR Lead

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Meeting and call requests
InvestorRelations@gofore.com

Aims and principles of investor communications
The main task of Gofore's investor communications is to provide reliable and timely information to support the correct valuation of the company's share.

The company's key principle in managing investor relations is to act in all situations in a transparent, credible, proactive, and consistent manner and to ensure consistency in communications and compliance with high ethical guidelines and with regulations and guidelines for listed companies.

The goal is to respond to investor and analyst queries promptly and to meet with them regularly.

For more information, please see our disclosure policy:
https://gofore.com/en/invest/governance/disclosure-policy/

Largest shareholders on 31 December 2020

	Shareholders	Shares	% of shares
1	Kärki Timur Juhana	1,875,000	13.36
2	Varjus Mika	1,770,000	12.61
3	Venola Mika Petteri	1,770,000	12.61
4	Lammi Jani Markus	1,560,000	11.11
5	Ilmarinen Mutual Pension Insurance Company	835,485	5.95
6	Evli Finnish Small Cap Fund	633,817	4.52
7	Karjalainen Mika Juhani	597,578	4.26
8	Varma Mutual Pension Insurance Company	517,952	3.69
9	Nylund Tor Mikael	245,438	1.75
10	Virtanen Juha Jaakko	243,696	1.74
11	EMK Invest Oy	170,400	1.21
12	Taaleritehdas Mikro Markka Fund	160,000	1.14
13	Kallio Sami Juhani	154,411	1.10
14	Nurmiranta Holdings Oy	145,523	1.04
15	Huotarinen Juhana Henrikki	140,999	1.00
16	Kirkon Eläkerahasto	138,418	0.99
17	Salminen Erkki Juhani	130,000	0.93
18	Elo Mutual Pension Insurance Company	121,334	0.86
19	eQ Nordic Small Cap Mutual Fund	117,608	0.84
20	Kolehmainen Katariina	85,495	0.61
	20 largest shareholders total	11,413,154	81.31
	Nominee registered shares	298,497	2.13
	Other shares	2,325,276	16.57
	Total	14,036,927	100.00

Recent and historical shareholder information as well as information on the company share can be found on the company website.

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