

Gofore Plc: Transition to IFRS Reporting

Gofore Plc announced on 15.11.2019 that the company is targeting to transfer to Nasdaq OMX Helsinki Main list in 2021. As part of the process, the Company will prepare its annual financial statements in accordance with the International Financial Reporting Standards (IFRS) for the period ending 31.12.2020.

Gofore Plc has prepared the following unaudited IFRS financial information to provide investors with comparative information for the consolidated statement of comprehensive income, balance sheet and for the company's key figures as at and for the six months ended 30.6.2020 with comparatives for 2019. Additionally the corresponding information for the financial year ended 31.12.2019 as well as the opening balance for the IFRS transition date 1.1.2019 has been included in this transition release.

In addition, Gofore has prepared the IFRS key figures in the table below, as at and for the nine months ended 30.9.2020 with comparatives for 2019. Consolidated statement of financial position and consolidated statement of profit and loss are not presented for the nine months ended 30.9.2020 with comparatives for 2019. Key figures for the 1.1.-30.9.2020 include the acquisition of Qentinel Finland Oy made on 1.9.2020.

The financial information disclosed in this release is prepared based on IFRS Standards effective as at 31.12.2020. IFRS 1 First-time Adaption of International Financial Reporting Standards has been applied in the preparation of comparable key figures and transition calculations presented in this release. The financial information presented in the release is unaudited, except the income statement and statement of the financial position prepared in accordance with Finnish Accounting Standards (FAS) for the period ended 31.12.2019.

Gofore Plc will publish during Q1 2021 its annual report, which includes financial statements prepared in accordance with international financial reporting standards (IFRS) for the period ending 31.12.2020 with comparatives for the period ending 31.12.2019 as well as the opening balance for 1.1.2019.

The key differences between IFRS and FAS resulting from the transition to IFRS are described in accompanying notes to the release (Description of IFRS transition effects and exemptions applied) and contain periods 1.1.2019, 30.6.2019, 31.12.2019 and 30.6.2020.

Additional information on the historical financial information prepared in accordance with FAS is available on Gofore's website at www.gofore.com.

IFRS Key Figures

EUR thousand, unless otherwise specified	1.1.- 30.9.2020	1.1.- 30.9.2019	1.1.- 30.6.2020	1.1.- 30.6.2019	1.1.- 31.12.2019
Net Sales	53 668	46 800	37 376	33 453	64 066
EBITDA	8 275	6 979	6 102	5 405	9 223
EBITDA margin -%	15,4 %	14,9 %	16,3 %	16,2 %	14,4 %
EBITA, Adjusted	7 517	5 964	5 629	4 835	7 710
EBITA, Adjusted, margin -%	14,0 %	12,7 %	15,1 %	14,5 %	12,0 %
EBITA	6 495	5 550	4 911	4 466	7 296
EBITA margin -%	12,1 %	11,9 %	13,1 %	13,3 %	11,4 %
Operating Profit (EBIT)	5 789	5 082	4 495	4 205	6 620
Operating Profit (EBIT) margin -%	10,8 %	10,9 %	12,0 %	12,6 %	10,3 %
Profit for the period	4 203	3 868	3 236	3 217	5 096
Earnings per share, EPS (diluted) *	0,30	0,28	0,23	0,24	0,37
Equity ratio -%	47,1 %	59,2 %	56,9 %	54,8 %	58,1 %
Net gearing -%	-4,6 %	-21,3 %	-29,5 %	-13,3 %	-33,4 %

* EPS diluted equals to EPS undiluted

Consolidated Statement of Financial Position as at 30.6.2020, 30.6.2019, 31.12.2019 and 1.1.2019

Consolidated Statement of Financial Position as at 30.6.2020

EUR Thousand	Notes	FAS as at 30.6.2020	Re- classification (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 30.6.2020
Assets										
Non-current assets										
Goodwill	2, 3	17 149			-3 929	2 960			-969	16 180
Other intangible assets	2, 10	632	-155		3 246				3 091	3 723
Property, plant and equipment	10	357	155						155	512
Right-of-use assets	1	0		5 342					5 342	5 342
Investments		51							0	51
Deferred tax assets	1, 4, 5	0		6			0	9	16	16
Total non-current assets		18 188	0	5 349	-683	2 960	0	9	7 636	25 824
Current assets										
Trade receivables	5, 10	10 455	-199					-47	-246	10 209
Contract assets	10	0	214						214	214
Other current assets	2, 6, 10	2 129	-15		88			13	87	2 216
Cash and cash equivalents		19 496						0	0	19 496
Total current assets		32 080	0	0	88	0	0	-33	55	32 135
Total assets		50 268	0	5 349	-595	2 960	0	-24	7 691	57 958
Equity and liabilities										
Equity										
Share capital		80							0	80
Treasury shares	9	0						-409	-409	-409
Share-based payments	4	0					534	0	534	534
Translation differences	8	1						-11	-11	-10
Fund for unrestricted equity		20 323							0	20 323

Retained earnings	1, 2, 3, 4, 5, 6, 7, 8	10 600		-23	-1 283	2 960	-534	394	1 515	12 115
Equity attributable to equity holders of the parent		31 005	0	-23	-1 283	2 960	0	-27	1 628	32 633
Non-controlling interests		13						0	0	13
Total equity		31 018	0	-23	-1 283	2 960	0	-27	1 628	32 646
Non-current liabilities										
Interest-bearing loans and borrowings		3 784							0	3 784
Other non-current financial liabilities		148							0	148
Provisions		307							0	307
Lease liabilities	1	0		3 217					3 217	3 217
Accrued expenses		0							0	0
Deferred tax liabilities	2, 6	0			688			3	691	691
Total non-current liabilities		4 239	0	3 217	688	0	0	3	3 908	8 147
Current liabilities										
Trade and other payables		5 123							0	5 123
Contract liabilities		628							0	628
Interest-bearing loans and borrowings		1 376							0	1 376
Lease liabilities	1	0		2 155					2 155	2 155
Accrued expenses		7 885							0	7 885
Income tax payable		0							0	0
Total current liabilities		15 011	0	2 155	0	0	0	0	2 155	17 165
Total liabilities		19 250	0	5 372	688	0	0	3	6 063	25 313
Total equity and liabilities		50 268	0	5 349	-595	2 960	0	-24	7 691	57 958

Consolidated Statement of Financial Position as at 30.6.2019

EUR Thousand	Notes	FAS as at 30.6.2019	Reclassification (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 30.6.2019
Assets										
Non-current assets										
Goodwill	2, 3, 10	19 129	-432		-3 699	846			-3 285	15 844
Other intangible assets	2, 10	153	-120		3 814				3 694	3 846
Property, plant and equipment	10	506	120						120	627
Right-of-use assets	1	0		4 208					4 208	4 208
Investments		63							0	63
Deferred tax assets	1, 4, 5	0		3			8	7	19	19
Total non-current assets		19 852	-432	4 211	115	846	8	7	4 756	24 608
Current assets										
Trade receivables	5, 10	14 253	-131					-37	-168	14 085
Contract assets	10	0	131						131	131
Other current assets	2, 6, 10	1 805	432		88			13	534	2 338
Cash and cash equivalents		14 125							0	14 125
Total current assets		30 182	432	0	88	0	0	-24	496	30 678
Total assets		50 034	0	4 211	203	846	8	-16	5 252	55 286
Equity and liabilities										
Equity										
Share capital		80							0	80
Treasury shares									0	0
Share-based payments	4	0					153		153	153

Translation differences	8	-9						-11	-11	-20
Fund for unrestricted equity		20 163							0	20 163
Retained earnings	1, 2, 3, 4, 5, 6, 7, 8	9 662	0	-10	-577	846	-144	-8	107	9 769
Equity attributable to equity holders of the parent		29 896	0	-10	-577	846	8	-19	248	30 144
Non-controlling interests									0	0
Total equity		29 896	0	-10	-577	846	8	-19	248	30 144
Non-current liabilities										
Interest-bearing loans and borrowings		5 160							0	5 160
Other non-current financial liabilities									0	0
Provisions									0	0
Lease liabilities	1			2 472					2 472	2 472
Accrued expenses		6							0	6
Deferred tax liabilities	2, 6				780			3	783	783
Total non-current liabilities		5 166	0	2 472	780	0	0	3	3 255	8 420
Current liabilities										
Trade and other payables		5 690							0	5 690
Contract liabilities		293							0	293
Interest-bearing loans and borrowings		1 405							0	1 405
Lease liabilities	1	0		1 749					1 749	1 749
Accrued expenses		7 582							0	7 582
Income tax payable		2							0	2
Total current liabilities		14 972	0	1 749	0	0	0	0	1 749	16 722
Total liabilities		20 138	0	4 221	780	0	0	3	5 004	25 142
Total equity and liabilities		50 034	0	4 211	203	846	8	-16	5 252	55 286

Consolidated Statement of Financial Position as at 31.12.2019

EUR Thousand	Notes	FAS as at 31.12.2019	Reclassification (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, 10	277	-128		3 662				3 535	3 812
Property, plant and equipment	10	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
Equity and liabilities										
Equity										
Share capital		80							0	80
Treasury shares		0							0	0
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
Equity attributable to equity holders of the parent		31 451	0	-16	-953	1 903	27	19	981	32 432
Non-controlling interests									0	0
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 non-current financial liabilities		148							0	148
Provisions		0							0	0
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 1.1.2019 (Opening IFRS Statement of Financial Position at the date of transition to IFRS)

EUR Thousand	Notes	FAS 1.1.2019	Reclassification (A)	Leases (B)	Business combinatio ns (C)	Reversal of Goodwill amortization s (D)	Share- based Payment s (E)	Other adjustment s (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	10	107	-89						-89	17
Property, plant and equipment	10	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	10	3 111	-2 007						-2 007	1 104
Cash and cash equivalents	10	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
Equity and liabilities										
Equity										
Share capital		80							0	80
Treasury shares		0							0	0

Share-based payments		0						0	0	
Translation differences	8	11					-11	-11	0	
Fund for unrestricted equity	8	12 859						0	12 859	
Retained earnings	5, 8	9 055					-19	-19	9 037	
Equity attributable to equity holders of the parent		22 006	0	0	0	0	0	-30	-30	21 976
Non-controlling interests		0						0	0	
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 non-current financial liabilities		516						0	516	
Provisions		0						0	0	
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		4 297						0	4 297	
Contract liabilities		0						0	0	
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

Consolidated Statement of Profit & Loss and Consolidated Statement of Other Comprehensive Income for the period 1.1.-30.6.2020, 1.1.-30.6.2019 and 1.1.-31.12.2019
 Consolidated Statement of Profit & Loss and Consolidated Statement of Other Comprehensive Income 1.1.-30.6.2020

EUR Thousand	Notes	FAS 1.1.- 30.6.2020	Reclassification (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.- 30.6.2020
Revenue from contracts with customers (net sales)		37 376							0	37 376
Work performed by the entity and capitalised		331							0	331
Other operating income	1	245		1					1	246
Materials and Services										
Purchases		-55							0	-55
External Services		-5 278							0	-5 278
		-5 333	0	0	0	0	0	0	0	-5 333
Employee benefits expense										
Salaries and compensations		-18 026							0	-18 026
Pensions		-2 673							0	-2 673
Other personnel expenses	4	-754					-174		-174	-928
Depreciation and amortisation	1, 2, 3	-1 168		-1 081	-416	1 057			-440	-1 608
Other operating expenses	1, 5	-5 964		1 102				-29	1 073	-4 891
Operating profit (EBIT)		4 034	0	22	-416	1 057	-174	-29	460	4 495
Finance costs	1, 6	-33		-31				-61	-93	-126
Finance income	6	0						34	34	34
Profit before tax		4 001	0	-9	-416	1 057	-174	-57	402	4 403
Income tax	1, 2, 4, 5, 6	-1 241		2	86		-27	11	72	-1 169
Non-controlling interests		2						0	0	2
Profit for the financial period		2 763	0	-7	-330	1 057	-201	-45	473	3 236
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						-30	-30	-30
Other comprehensive income, net of tax		0						-30	-30	-30
Total comprehensive income for the financial period		2 763	0	-7	-330	1 057	-201	-76	443	3 206

Consolidated Statement of Profit & Loss and Consolidated Statement of Other Comprehensive Income 1.1.-30.6.2019

EUR Thousand	Notes	FAS 1.1.- 30.6.2019	Reclassification (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.- 30.6.2019
Revenue from contracts with customers (net sales)		33 453							0	33 453
Work performed by the entity and capitalised		19							0	19
Other operating income		36							0	36
Materials and Services										
Purchases		-55							0	-55
External Services		-4 610							0	-4 610
		-4 665	0	0	0	0	0	0	0	-4 665
Employee benefits expense										
Salaries and compensations		-15 386							0	-15 386
Pensions		-2 575							0	-2 575
Other personnel expenses	4	-597					-153		-153	-750
Depreciation and amortisation	1, 2, 3	-937		-849	-261	846			-263	-1 200
Other operating expenses	1, 2	-5 222		864	-369				495	-4 727
Operating profit (EBIT)		4 126	0	15	-629	846	-153	0	79	4 205
Finance costs	1, 6	-45		-28				-1	-29	-74
Finance income	6	0						15	15	15
Profit before tax		4 082	0	-13	-629	846	-153	13	65	4 146
Income tax	1, 2, 4, 6	-990		3	52		8	-3	61	-929
Non-controlling interests									0	0
Profit for the financial period		3 092	0	-10	-577	846	-144	11	125	3 217
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						-20	-20	-20
Other comprehensive income, net of tax		0						-20	-20	-20
Total comprehensive income for the financial period		3 092	0	-10	-577	846	-144	-10	105	3 196

Consolidated Statement of Profit & Loss and Consolidated Statement of Other Comprehensive Income for the year 1.1.-31.12.2019

EUR Thousand	Notes	FAS 1.1.- 31.12.2019	Reclassification (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 from contracts with customers (net sales)		64 066							0	64 066
Work performed by the entity and capitalised		139							0	139
Other operating income		175							0	175
Materials and Services										
Purchases		-178							0	-178
External Services		-8 493							0	-8 493
Employee benefits expense		-8 671	0	0	0	0	0	0	0	-8 671
Salaries and compensations		-30 452							0	-30 452
Pensions		-5 034							0	-5 034
Other personnel expenses	4	-1 210					-360		-360	-1 570
Depreciation and amortisation	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
Non-controlling interests									0	0
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

Description of IFRS 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 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 P&L 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. 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. The Group has adopted IFRS 16 standard by using the modified retrospective approach by recognising the cumulative effect of initially applying the standard in the opening balance sheet as at 1 January 2019. 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. 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. The standard contains practical expedients, under which low-value leases and short-term leases (lease-term under 12 months) can be exempted from recognition. Gofore Group applies both expedients. 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 occurred 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. After the date of the acquisition, measurement is in accordance with IFRS. Gofore did not recognise or exclude any previously recognised amounts as a result of IFRS recognition requirements.

Gofore has restated the business combinations from the transition date 1.1.2019 onwards, to comply with the requirements of IFRS. There are two acquisitions, Silver Planet Oy and Mangodesign (officially named mangodesign Finke-Anlauff & Anlauff GbR), that have been made by Gofore during the reporting period of this release. These acquisitions have been recorded in accordance with IFRS 3.

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 Silverplanet 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. These identified intangible assets are amortized within their underlying useful life between 5-6 years.

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.

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 amortizations has been presented in adjustment column D, "Reversal of Goodwill amortizations".

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 only equity settled share-based payment programs in the reporting period and the expenses for these share based payment programs, have been recognised over the vesting period in IFRS. The adjustment has been recorded in other personnel expenses and within share-based payments and retained earnings in equity.

The effect of share-based payments has been presented in column E, "Share-based Payments" in the Statement of Profit and Loss and Statement of Financial Position.

5. Impairment of financial assets (F)

The adoption of IFRS has changed the Group's accounting for impairment losses for financial assets by replacing incurred loss approach under FAS with a forward-looking expected credit loss (ECL) approach in accordance with IFRS 9. As a result Gofore has measured and recognised a loss allowance for expected credit losses for financial assets measured at amortized cost. The related change in the loss allowance during the conversion period has been recorded through profit and loss in other operating expenses.

The effect of ECL has been presented in column F, "Other Adjustments" in Statement of Profit and Loss and Statement of Financial Position.

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 decision 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.

Investments in other shares are measured at fair value through Statement of Other Comprehensive Income (OCI).

In FAS these have been presented at acquisition cost.

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

Gofore Group has recognised deferred taxes in FAS mainly 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 have been deemed to be zero as at 1 January 2019 applying the exemption 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 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. Treasury shares (F)

The own shares acquired are classified as treasury shares. At the end of June 2020, company held 33 859 shares which are valued at the purchase price on the acquisition date. Treasury shares are presented as a separate line item within equity under IFRS, while in FAS financial statements these have been presented within retained earnings.

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

10. Reclassifications (A)

On 1 July 2019, Gofore Group acquired 100% of the shares in Mangodesign (officially named mangodesign Finke-Anlauff & Anlauff GbR). Gofore made a prepayment for the acquisition on 30 June 2019 amounting to EUR 432 thousands that was recognised in FAS as goodwill. For IFRS purposes the pre-payment has been reclassified from goodwill into other current assets at 30 June 2019.

The leasehold improvements have been reclassified from intangible assets in FAS to property, plant and equipment in accordance with IFRS.

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.

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 reclassifications have been presented in column A, "Reclassifications" in the Statement of Financial Position.

Formulas of Key Figures

EBITDA	=	Operating profit + depreciations and amortisation	
EBITDA margin, %	=	$\frac{\text{Operating profit + depreciations and amortisation}}{\text{Net sales}}$	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 - %	=	$\frac{\text{Operating profit + amortisation of intangible assets identified in PPA + impairment of goodwill}}{\text{Net sales}}$	x 100
Operating Profit (EBIT) margin - %	=	$\frac{\text{Operating profit}}{\text{Net sales}}$	x 100
Earnings per share (EPS), diluted, euros	=	$\frac{\text{Profit for the period attributable for shareholders of the company}}{\text{Weighted average number of shares outstanding during the period adjusted for share issues}}$	x 100
Equity ratio, %	=	$\frac{\text{Shareholders equity}}{\text{Balance sheet total – advances received}}$	x 100
Net gearing, %	=	$\frac{\text{Long term loans from credit institutions + Non-current lease liabilities + Short term loans from credit institutions + Current lease liabilities – Cash in hand and at banks – Other rights of ownership under Current and Non-current investments}}{\text{Shareholder equity}}$	x 100

Alternative Performance Measures

New ESMA (European Securities and Markets Authority) guidelines on alternative performance measures have been effective from 2016 fiscal year. Gofore uses and presents operating profit before amortization of PPA (EBITA), EBITDA, ROI, ROE, equity ratio and net gearing alternative performance measures to better illustrate the operative development of its business. PPA amortizations arise from assets recognised in fair value in acquired business combinations.

Adjusted EBITA

The Company determines term "Adjusted EBITA" as follows:

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).

Adjusted EBITA (IFRS):

	1.1.- 30.9.2020	1.1.- 30.9.2019	1.1.- 30.6.2020	1.1.- 30.6.2019	1.1.- 31.12.2019
EBITA	6 495	5 550	4 911	4 466	7 296
Direct costs related to acquiring business combinations	304	414	0	369	414
Restructuring costs of business structure	718	0	718	0	0
Gains of sales of fixed assets	0	0	0	0	0
Losses of sale of fixed assets	0	0	0	0	0
Adjusted EBITA	7 517	5 964	5 629	4 835	7 710
EBITA, Adjusted, margin -%:					
Adjusted EBITA	7 517	5 964	5 629	4 835	7 710
Net sales	53 668	46 800	37 376	33 453	64 066
EBITA, Adjusted, margin -%	14,0 %	12,7 %	15,1 %	14,5 %	12,0 %

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Gofore Plc is a Finland-based digitalisation specialist with international growth plans. Together with our customers, we are pioneering an ethical digital world. We're made up of over 700 impact-driven people across Finland, Germany, Spain and Estonia – top experts in our industry who are our company's heart, brain, and hands. We use consulting, coding and design as tools to incite positive change. We care for our people, our customers, and the surrounding world. Our values guide our business: Gofore is a great workplace that thrives on customer success. In 2019, our net sales amounted to EUR 64.1 million. Gofore Plc's shares are quoted in the Nasdaq First North Growth Market Finland. Learn more: www.gofore.com.