

Gofore Plc

Half-year Report

1 January–30 June

2020

GOFORE

14 August 2020

Gofore Plc's Half-year Report 1 January–30 June 2020

GOFORE PLC
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Gofore Plc's Half-year Report 1 January–30 June 2020

Net sales grew and operative profitability improved in an uncertain environment

January–June 2020 in brief

- Net sales grew to EUR 37.4 million (EUR 33.5 million), with a growth of 11.7%.
- Adjusted operating profit before amortization of goodwill (adjusted EBITA)¹ was EUR 5.8 million (EUR 5.0 million), corresponding to 15.5% (14.9%) of net sales.
- Operating profit before amortization of goodwill (EBITA) was EUR 5.1 million (EUR 5.0 million), corresponding to 13.6% (14.9%) of net sales.
- Earnings before interest, taxes, depreciation and amortization (EBITDA) was EUR 5.2 million (EUR 5.1 million), corresponding to 13.9% (15.1%) of net sales.
- Operating profit (EBIT) was EUR 4.0 million (EUR 4.1 million), corresponding to 10.8% (12.3%) of net sales.
- Profit for the period was EUR 2.8 million (EUR 3.1 million), corresponding to 7.4% (9.2%) of net sales.
- Earnings per share (EPS) was EUR 0.20 (EUR 0.23).
- The number of employees increased by approximately 9% to a total of 610 people (559).

The company uses adjusted operating profit before amortization of goodwill (adjusted EBITA) as a measure for operative profitability.

April–June 2020 in brief

- Net sales grew to EUR 18.6 (EUR 16.8 million), with a growth of 10.6%.
- Adjusted operating profit before amortization of goodwill (adjusted EBITA) was EUR 2.5 million (EUR 2.1 million), corresponding to 13.7% of net sales (12.6%).
- Operating profit before amortization of goodwill (EBITA) was EUR 2.6 million (EUR 2.1 million), corresponding to 13.8% of net sales (12.6%).

Financial guidance for 2020 (of 10 August 2020)

Gofore estimates that its full-year 2020 net sales will be in the range of EUR 70–76 million (2019: EUR 64.1 million) and adjusted operating profit before amortization of goodwill (adjusted EBITA) will grow in 2020 compared to 2019 (EUR 8.0 million). In its monthly Business Reviews, the company reports and comments on the development of its net sales to facilitate monitoring growth.

Unless otherwise stated, all comparisons in this report are compared to the corresponding period in 2019. Figures are unaudited.

¹EBITA is operating profit before amortization of goodwill. Adjusted EBITA refers to operating profit before amortization of goodwill (EBITA) excluding adjusted items. These items refer to the non-recurring expense of the UK subsidiary's divestment and related provisions, amounting to EUR 0.7 million during the review period.

Earlier financial guidance for 2020 (of 19 February 2020)

Gofore estimates that its net sales will grow in 2020 compared to 2019 (EUR 64.1 million) and adjusted operating profit before amortization of goodwill (adjusted EBITA) will grow in 2020 compared to 2019 (EUR 8.0 million).

Key figures

In thousands of euros, unless otherwise stated	1–6/2020	1–6/2019	2019 ¹
Net sales	37,376	33,453	64,066
Growth of net sales, %	11.7	35.5	26.7
Earnings before interest, taxes, depreciation and amortization (EBITDA)	5,203	5,063	8,214
Earnings before interest, taxes, depreciation and amortization (EBITDA), margin, %	13.9	15.1	12.8
Adjusted operating profit before amortization of goodwill (adjusted EBITA) ²	5,810	4,973	8,020
Operating profit before amortization of goodwill (EBITA)	5,092	4,973	8,020
Operating profit before amortization of goodwill (EBITA) margin, %	13.6	14.9	12.5
Operating profit (EBIT)	4,034	4,126	6,116
Operating profit (EBIT) margin, %	10.8	12.3	9.5
Profit for the period	2,763	3,092	4,445
Earnings per share (EPS), undiluted, euros	0.20	0.23	0.33
Number of outstanding shares at the end of the period (issue-adjusted)	13,978,943	13,989,784	14,012,628
Equity ratio, %	62.5	60.1	64.6
Net gearing, %	-48.0	-27.2	-51.0
Return on equity (ROE), % ³	18.1	23.8	16.6
Return on investment (ROI), % ³	21.9	25.8	18.7
Average overall capacity, FTE	567	500	517
Average subcontracting, FTE	71	59	54
Number of employees at the end of the period	610	559	582

¹ Silver Planet Oy figures are combined with the Gofore Group figures from 15 February 2019 and the figures for mangodesign Finke-Anlauff & Anlauff GbR:n from 1 July 2019.

² EBITA is operating profit before amortization of goodwill. Adjusted EBITA refers to operating profit before amortization of goodwill (EBITA) excluding adjusted items. These items refer to the non-recurring expenses of the UK subsidiary's divestment and related provisions, amounting to EUR 0.7 million during the review period.

³ Annualised.

CEO Mikael Nylund comments on January–June 2020

In the first half of 2020, we achieved continued growth despite the uncertainty caused by the coronavirus pandemic that erupted in the early spring. Our net sales grew by 11.7% from the corresponding period in 2019 to EUR 37.4 million. The growth was largely organic, indicating the customer needs, but also showing the successes of our sales and recruitment. We also reported continued growth in the number of personnel, which reached a new 600 milestone. Thus, we have continued on our path of profitable growth for more than 15 consecutive financial years.

Profitability remained at a good level during the review period. Excluding the non-recurring expenses and related provisions, adjusted EBITA was EUR 5.8 million, corresponding to 15.5 % of net sales. In recent years, our profitability has been at the same level during the first half of the year.

International operations accounted for 10.9% or EUR 4.1 million of the Group's net sales during the review period, compared to 10.7% or EUR 3.6 million the previous year. At the beginning of the year, we divested our loss-making UK subsidiary. The decision to close the business was difficult for a growth company whose operations are based on a culture of doing things together. We believe we have made the right decision and learned from this for our future internationalization efforts. In line with our strategy, we want to be a truly international company with significant international customers. Our operations in Germany, Italy, Spain and Estonia support this approach and we succeeded in growing also internationally despite the divestment of the UK subsidiary.

During the review period, we won significant public procurement tenders. These emphasize two things: the importance of advisory services alongside software development in accelerating the digitalization of society, and the importance of cooperation and working within networking in our business. Among other things, we will continue as a development partner of the Finnish National Agency for Education Study Info (Opintopolku) service entity, and in the future we will be responsible for developing the Finnish Business Information System (YTJ) of the Finnish Patent and Registration Office. We develop YTJ together with our subcontractor partner Cybercom.

During the review period, we strengthened the Group's Executive Management Team to support our growth. Elja Kirjavainen, CEO of our subsidiary Silver Planet Oy, joined the Executive Management Team and is responsible for managing the business focused on digital change advisory services at the Group level. We have already achieved synergies associated with the acquisition of Silver Planet, with the intention of integrating Silver Planet's advisory services closely into Gofore's service offering in the second half of the year. With almost 200 consultants, we are one of the biggest digital change advisory consultancies in Finland. Additionally, during the review period, Teppo Talvinko joined the Executive Management Team as our new CFO. Teppo joined us from Nurminen Logistics Plc and replaces Petteri Venola, our long-serving CFO.

During the review period, we made significant progress in line with our sustainability program launched in 2019. In the efforts we take within corporate responsibility, impact arises from the handprint in customer work. During the beginning of 2020, we have, e.g. been developing a solution that will reduce the nutrient load in the Archipelago Sea and have provided partnership for Finland's largest cities in developing the digital system for early childhood education and schools. Sustainable development has gained more and more weight in our service offering. The backdrop to this is the global development currently putting ecological and social reconstruction at the heart of the work of many organizations.

The spring showed us that we are trusted and organizations want to invest in their future. Gofore's customers continued our joint projects even during the exceptional times, and we were able to rapidly adapt new remote ways of working. I would like to thank both our customers and employees for their flexibility and perseverance in these difficult times.

Despite the coronavirus burst in the spring, we believe that digitalization will continue to accelerate. I assume that the pandemic has shaped the minds of many in that many prefer to use digital services primarily and so the use of more traditional services is declining in popularity. Technological developments are constantly bringing opportunities for new service experiences and disruptions are changing the operating environments of organizations. We strongly believe that digital services and infrastructure play a key role, especially in ensuring the security of society, and that there is a constant demand for the top expertise we offer.

Now more than ever before, I feel we are really needed.

After the review period, in August 2020, we announced the agreement to acquire Qentinel Finland Oy, a specialist in software testing automation; the company employs about 100 people. As a result of the acquisition, Gofore will become one of the most important providers of professional services in digital quality assurance in Finland. The digital quality assurance and testing automation services of Qentinel Finland will complement our professional services offering. Going forward Gofore serves its customer with a wider range of services needed in digital transformation.

Given the net sales impact of this acquisition, the development of the company's net sales in the first half of the year and the outlook for the second half we have adjusted our financial guidance. We estimate that the full-year 2020 net sales will be in the range of EUR 70–76 million. Adjusted EBITA is expected to grow in 2020 from 2019.

Financial review 1 January–30 June 2020

Net sales in January–June

January–June 2020 net sales grew by 11.7% compared to previous year and were EUR 37.4 million. The growth was mainly organic. International operations accounted for 10.9% of the Group's net sales, amounting to EUR 4.1 million (EUR 3.6 million). Net sales generated from the public sector customers accounted for 73.5%, amounting to EUR 27.5 million (EUR 22.9 million) of the Group's net sales. The private sector accounted for 26.5%, amounting to EUR 9.9 million (EUR 10.5 million) of the Group's net sales. Subcontracting contributed for 16.8% of the Group's net sales, amounting to EUR 6.3 million (EUR 5.4 million).

Net sales development during January–June 2020:

Month (2020)	Net sales, MEUR (net sales 2019) ¹	Number of employees ²	Number of working days in Finland	Overall capacity, FTE ³	Subcontracting FTE ⁴
January	6.1 (5.2)	587	21	548	60
February	5.9 (5.3)	578	20	539	68
March	6.8 (6.1)	585	22	549	73
April	6.4 (5.5)	596	20	559	80
May	6.0 (6.2)	606	19	572	75
June	6.1 (5.1)	610	21	579	71

¹ Net sales, MEUR (net sales in 2019), reports net sales (unaudited) for that month.

² The number of employees at the end of the review period.

³ The 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.

⁴ The Subcontracting, FTE (Full Time Equivalent) figure shows the overall amount of subcontracting used in invoiceable work, converted into a value corresponding to the number of full-time employees.

Market outlook and operating environment

The coronavirus pandemic has affected the market outlook and operating environment of IT services. The company estimates that the pandemic will continue to have a major impact on the industry in the second half of 2020.

In Finland, Gofore's main market (Jan–June 2020: 89% of net sales), concerns over the second wave of the coronavirus pandemic and its effects on the economy have increased uncertainty.

In the public sector client segment, which is important to Gofore, there has been little immediate impact so far. At the governmental level, customers have tried to keep their development projects going. Shifting to remote working has affected their ability to carry on with the development work, but less than expected. Municipalities and local authorities have been affected to a higher extent, but particularly larger clients have managed to continue with major projects. The company estimates that for the public sector the situation will continue the same during the second half of the year and that the

pandemic's impact on demand will vary. In the long term, demand will be affected by the state of public finances and political decisions made on investments into digitalization.

In the private sector, the pandemic has had a bigger immediate impact, which has manifested as delays in development work and cancellations of projects. The disruption to our clients' own business has also affected the price of our services. Return to former demand levels will depend on how quickly the economy and exports will recover in the client segments important to Gofore.

In the long term, the company expects the pandemic to accelerate digitalization. The challenges organizations are facing in remote working and the changes in end customer behaviour brought about by the pandemic have shown that digital solutions will replace traditional ways of working more widely. The customers' willingness to invest in digital transformation is, however, dependent on the development of the economy in both the public and the private sectors.

Outside Finland, Gofore's clients are primarily in the private sector. The pandemic has had an impact on these customers, but in the long term, we estimate the demand for our services will grow due to their large market potential.

The labour market is important to Gofore, and there the change brought on by the coronavirus pandemic will have a positive effect on the company in the short term. The sudden change in demand in our industry has improved the possibilities of recruiting skilled employees. The company expects this to continue during the second half of the year.

The IT market continues to move towards investments in technology that support digital business in the longer-term despite the corona crisis. This means investments in digital services, data management and utilization, and cloud infrastructure. Customers want their investments to bring results quickly and make operating models more flexible. Agile digitalization consultancies like us, specializing in the newest technology, will be able to meet this demand better than larger and more traditional IT consultancies.

Profitability and earnings in January-June

EBITDA was EUR 5.2 million (EUR 5.1 million), corresponding to 13.9 % (15.1%) of net sales.

Adjusted operating profit before amortization of goodwill (adjusted EBITA) in January–June 2020 was EUR 5.8 million (EUR 5.0 million), corresponding to 15.5% (14.9%) of net sales. Adjusted EBITA excludes non-recurring expenses from ramp down of Gofore's subsidiary in the UK, amounting to EUR 0.7 million.

Operating profit before amortization of goodwill (EBITA) in January–June 2020 was EUR 5.1 million (EUR 5.0 million), corresponding to 13.6% (14.9%) of net sales.

Operating profit (EBIT) in January–June 2020 was EUR 4.0 million (EUR 4.1 million), corresponding to 10.8% (12.3%) of net sales.

The personnel expenses in January–June 2020 were EUR 21.4 million (EUR 18.6 million), corresponding to 57.4% (55.5%) of net sales. This expense increased as the number of personnel increased. It includes non-recurring personnel costs from UK ramp down of EUR 0.2 million.

Other operating expenses were EUR 6.0 million (EUR 5.2 million). The largest expense items were other personnel expenses, facility expenses, and expenses for machinery and equipment. Non-recurring ramp down operating expenses related to the divestment of the UK subsidiary amounted to EUR 0.5 million.

Balance sheet, funding, and cash flow

The balance sheet total on 30 June 2020 was EUR 50.3 million (EUR 50.0 million).

At the end of June 2020 the equity ratio was 62.5% (60.1%), with a net gearing of -48.0% (-27.2%). The amount of goodwill on the balance sheet was EUR 17.1 million (EUR 19.1 million); it is to be amortized in ten years, in accordance with the Finnish Accounting Standards (FAS).

In January–June 2020 the cash flow from operating activities was EUR 2.9 million (EUR 2.7 million). Cash flow from Investments during the reporting period was EUR -0.9 million (EUR -4.5 million), consisting mainly of Solinor acquisition's (announced on 28 August 2018) remaining purchase price of EUR 0.5 million and investments in enterprise resource planning and Digital Gofore development projects. Cash flow for financing was EUR -3.9 million (EUR 0.5 million), including paid dividends EUR 2.8 million, repayment of loans EUR 0.7 million and repurchase of own shares EUR 0.4 million. Cash assets were EUR 19.5 million (EUR 14.1 million) at the end of the review period.

The interest-bearing debts totalled EUR 5.2 million (EUR 7.0 million), mainly consisting of bank loans. Of this amount, EUR 3.8 million was in long-term and EUR 1.4 million in short-term interest-bearing debts.

Group structure

At the end of June 2020 the parent company of the Group, Gofore Plc, was the full owner of the subsidiaries Gofore UK Ltd., Gofore Germany GmbH, Gofore Spain SL, Gofore Estonia Oü, Silver Planet Oy, and Gofore Vantaa Oy. Gofore Plc owns 70% of the subsidiary Rebase Consulting Oy established during the review period.

As announced on 14 January, 2020 Gofore evaluated options for its UK subsidiary. The subsidiary's operations were divested due to weak market outlook in the UK and unprofitable business operations of the subsidiary. The ramp down process is estimated to be completed during Q3 2020.

Personnel and offices

At the end of June 2020, the Group employed a total of 610 (559) people. The number of personnel increased by 51, which is an increase of 9% from the end of the comparison period in 2019. In Finland there were 580 employees and overseas 30 employees. The average number of employees during the review period was approximately 594. In Finland, the company has offices in Helsinki, Jyväskylä, Turku and Tampere. Other offices are located in Munich and Brunswick (Germany), Madrid (Spain) and Tallinn (Estonia).

Changes in management

Teppo Talvinko (born 1966) was appointed CFO and a member of the Executive Management Team on 17 April 2020. He started in his position and as a member of the Executive Management Team on 1 May 2020. At the same time, Petteri Venola, who previously held the position of CFO, stepped down from his position and the Executive Management Team.

Elja Kirjavainen (born 1974) was appointed Director of digital advisory services and a member of the Executive Management Team on 17 April 2020. He started in his position and as a member of the Executive Management Team on 1 May 2020.

Research and development

In April 2019, the company launched a research project called Robins, funded by Business Finland. The project will continue until 30 April 2021; its partly a continuation of the Growth, Internationalization and Digital Renewal in a Service Company ("KAKADU") project (1 February 2017–31 March 2019) funded by Business Finland. In addition to Tampere Universities and Gofore, the project consortium includes five other companies in Finland.

Gofore's Robins project consists of the strategic development projects Capability Accelerator and Digital Gofore. The Capability Accelerator project explores ways to continuously renew the company's capabilities and thus its service offering. The goal of the Digital Gofore project is to study the company's transformation into a more internationally operating digital services provider.

The costs of the Robins project from 1 January to 30 June 2020 were approximately EUR 0.6 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.

Towards the end of 2019, a project was launched with the aim of developing a security management system during 2020 that meets the requirements of the ISO 27001 information security standard. The project has made an extensive risk analysis and risk management plans for each of the different areas. The system will be certified by the end of 2020.

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 last until the end of 2020, and its costs are approximately EUR 0.13 million. Business Finland's share of this is 80%.

The company has also started the implementation phase of its enterprise resource planning project launched in May 2019. The project aims to improve the Group's financial reporting and to provide continuous situation awareness. The work includes, among other things, the harmonization and streamlining of the system portfolio and the automation of financial administration and ERP tasks. Project costs of EUR 0.3 million have been capitalized in intangible assets in the consolidated balance sheet during the review period. The system is scheduled to be deployed in phases starting in the last quarter of 2020.

Resolutions of the Annual General Meeting in 2020

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 period in 2019. The Annual General Meeting authorized 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 Chair 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 selected five members for the company's Board of Directors. The following persons were elected as the 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 of the Board of Directors. The Board of Directors selected Timur Kärki to continue as its chair. 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 is 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, i.e. total amount of 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.

The company published a company announcement of the resolutions of the Annual General Meeting and organization meeting of the Board of Directors on 29 April 2020. The release is available on the company website at <https://gofore.com/en/invest/releases-and-reports/>.

Authorization of the Board of Directors 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 authorized 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 according to the date of the notice of the Meeting.

Additionally, the Annual General Meeting authorized 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 authorizations are valid until 30 June 2021 and revoke the authorizations given by the Annual General Meeting on 26 March 2019. The company published a company announcement of the resolutions of the Annual General Meeting, including the terms of the authorization, which is available on the company website at <https://gofore.com/en/invest/releases-and-reports/>.

Shares and shareholders

At the end of June 2020, Gofore Plc's registered share capital was EUR 80,000.00 (EUR 80,000.00), which corresponded to a total of 14,012,802 (13,989,958) company shares, including 33,859 (174) of the company's own shares. Own shares represent 0.24% of the total number of shares and votes.

At the end of June 2020, the company had 3,348 registered shareholders. There were 32,570 nominee-registered shares, which corresponds to approximately 0.23% of the total shares.

In January–June 2020, Gofore Plc's shares were quoted in the First North Finland market administered by Nasdaq Helsinki Ltd using the share trading code GOFORE.

Share price development and share trading

At the end of June 2020, the company's market capitalization was EUR 111.5 million. The quotation on the last day of June was EUR 7.96 (EUR 8.54). The average price of the company's shares, as weighted by the trading volume, was EUR 7.18. The highest share price was EUR 8.90, and the lowest EUR 4.80.

Share trading in Nasdaq Helsinki 1 January–30 June 2020

January–June 2020	Traded shares	Total value	Highest, EUR	Lowest, EUR	Average price (volume weighted), EUR	Closing, EUR
Gofore	950,997	6,826,022	8.90	4.80	7.18	7.96
			30 June 2020	30 June 2019	31 December 2019	
Market capitalization, EUR			111,541,904	119,474,241	105,096,015	
Shareholders (according to the shareholder list maintained by Euroclear Finland Oy)			3,348	2,626	2,771	

Repurchase of own shares

In the review period, the Board of Directors resolved the commencement of the repurchase of the company's own shares based on the authorization given by the Annual General Meeting on 26 March 2019. Shares were acquired between 26 March 2020 and 30 June 2020. During this time the authorization given by the Annual General Meeting held on 29 April 2020 revoked the authorization 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 7.08. The shares were acquired by 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 company's share-based incentive schemes, and otherwise for further transaction, and for the company to withhold or nullify.

According to 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 personnel on 28 April 2020.

Share-based incentive schemes

In connection with the personnel offering in the company's listing in 2017, a Matching Share additional share scheme was opened for personnel. In the scheme, employees who subscribe for shares in the personnel offering will receive one additional share for each of the three subscribed shares, 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.

On 30 June 2020, the company had 174 employees who participated in the personnel offering and approved the terms and conditions of the share scheme. Under the scheme, these employees are entitled to a total of 78,852 matching shares. Approximately half of the amount is transferred in shares and half is paid in cash to be used for withholding. The company may acquire the shares from the market or arrange a directed share issue. Calculating at the closing price of the company's share on 30 June 2020, the value of the matching shares would have been EUR 627,662.

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 Board of Directors decides annually on any savings periods to be launched under the program. 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 two-year share ownership period. Dividends paid on shares acquired with savings are automatically used to acquire the shares on the next possible date of acquisition.

Currently there are three Crew Share programs. The savings period for the first Crew Share scheme was from 1 November 2018 to 28 February 2019. On 30 June 2020, the company had 141 employees entitled to a total of 5,536 matching shares. The second Crew Share savings program from 1 March 2019 to 29 February 2020 carries 161 employees entitled to 15,852 matching shares at the end of reporting period.

On 12 February 2020, the Board of Directors decided on a third savings period to be launched under the share savings program for 2020–2021. The total amount of savings for the 2020–2021 savings period may not exceed EUR 1 million. On 30 June 2020, 178 Group employees have participated in the third share savings program.

Significant events after the review period

July 2020 net sales were EUR 2.4 million (EUR 2.2 million). The number of employees at the end of the review period was 609. There were 23 working days during the period in Finland. The Overall capacity, FTE was 569, and the subcontracting FTE was 33.

Month (2020)	Net sales, MEUR (net sales 2019) ¹	Number of employees ²	Number of working days in Finland	Overall capacity, FTE ³	Subcontracting FTE ⁴
July	2.4 (2.2)	609	23	569	33

¹ Net sales, MEUR (net sales in 2019), reports net sales (unaudited) for that month.

² The number of employees at the end of the review period.

³ The 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.

⁴ The Subcontracting, FTE (Full Time Equivalent) figure shows the overall amount of subcontracting used in invoiceable work, converted into a value corresponding to the number of full-time employees.

As announced on 10 August 2020 Gofore has agreed to acquire Qentinel Finland Oy, a specialist in software testing automation. The debt-free purchase price is EUR 8.9 million and it will be paid in cash. An additional purchase price has been agreed based on the EBITDA as stated in the current year's financial results. Gofore expects the additional purchase price to total EUR 1–2 million. Also included in the purchase price is a compensation for net cash on the execution date. Gofore estimates that the acquisition's net sales impact on the group's financial statements will be approximately EUR 4 million in 2020. The deal is estimated to be completed on 1 September 2020. Qentinel Finland Oy will continue to operate as an independent company, reported as part of the Gofore Group as of 1 September 2020.

Ville Tuominen, Director, International Business, will step down on 31 August 2020 from his position and as a member of the Executive Management Team.

Short-term risks and uncertainties

The coronavirus pandemic has brought uncertainty to the company's operating environment.

Like other organizations, Gofore has had to adapt its practices to mitigate the effects of the coronavirus on the company's business. Gofore has been able to adapt quickly to the exceptional circumstances. If the crisis is protracted, the company will need to re-evaluate its practices. To prepare for this, the company has started a development project, which is described in more detail in the section "Research and Development".

The pandemic affects Gofore's customer base and hence the company's business. It is possible that the declining financial situation may reduce the development investments of some of our customers. A possible decrease in demand may also have an adverse effect on the development of customer prices. Additionally, possible project discontinuities may cause risks that slow down the growth and development of the company.

The company reports and comments on the development of its business in its monthly Business Reviews. This also means monthly monitoring of the possible realization of risks.

Long-term financial goals

Gofore is pursuing net sales growth exceeding the growth of the target market and an operating profit before goodwill amortization (EBITA) margin of 15%. The company estimates that the target market will continue to exceed economic and ICT service sector growth in the next few years, but the growth will not exceed 10%.

Financial reporting in 2020

Gofore publishes monthly Business Reviews. Reporting covers the month's net sales, the net sales of the corresponding month in the previous year as well as the number of employees. Reporting has been supplemented with the Full Time Equivalent (FTE) figure as well as subcontracting FTE. These additions further facilitate transparency at the monthly level of the company's growth strategy as well as the transparency of the company's business. Additionally, in the monthly Business Reviews for the quarters ending in March and September, the company publishes the Group's EBITA and EBITA-% as well as corresponding figures for the same period in the previous year. The Business Review for September will be published on 13 October 2020.

The financial reporting schedule for 2021 will be published at the end of 2020.

Tables Section

This report has been composed in accordance with good accounting practices and Finnish legislation. The information is presented to the extent required by section 4.4 (e) of the First North regulations. The figures have been rounded and consequently the sum of individual figures may deviate from the sum presented. The figures in the half-year report are unaudited.

Group income statement (FAS)

EUR 1,000	1 Jan–30 June 2020	1 Jan–30 June 2019	1 Jan–31 Dec 2019
Net sales	37,376	33,453	64,066
Manufacturing for own use	331	19	139
Other operating income	245	36	175
Materials and services	-5,333	-4,665	-8,671
Personnel expenses	-21,453	-18,558	-36,696
Amortizations and depreciations	-1,168	-937	-2,098
Other operating expenses	-5,964	-5,222	-10,799
Operating profit	4,034	4,126	6,116
Financial income and expenses, net	-33	-45	-83
Profit after financial items	4,001	4,082	6,033
Year-end allocations	-	-	2
Income taxes	-1,241	-990	-1,590
Minority interest	2	-	-
Profit/loss for the financial period	2,763	3,092	4,445

Group balance sheet (FAS)

EUR 1,000	30 June 2020	30 June 2019	31 December 2019
ASSETS			
Fixed assets			
Intangible assets			
Development expenses	1	25	4
Immaterial rights	476	7	146
Group goodwill	17,149	19,129	18,206
Other long-term expenses	155	120	128
Tangible assets			
Machinery and equipment	295	447	397
Other material goods	61	60	60
Investments	51	63	51
Fixed assets total	18,188	19,852	18,991
Current assets			
Long-term receivables			
Loan receivables	9	-	-
Other receivables	-	0	-
Short-term receivables			
Accounts receivable	10,455	14,253	8,213
Loan receivables	-	2	-
Other receivables	537	512	569
Accrued income	1,082	788	799
Receivables total	12,082	15,555	9,581
Liquid asset securities			
Other securities	502	502	502
Cash and cash equivalents	19,496	14,125	21,358
Current assets total	32,080	30,182	31,441
ASSETS TOTAL	50,268	50,034	50,432

EUR 1,000	30 June 2020	30 June 2019	31 December 2019
LIABILITIES			
Equity			
Share capital	80	80	80
Invested non-restricted equity fund	20,323	20,163	20,323
Profit from the previous financial periods	7,839	6,562	6,603
Profit for the review period	2,763	3,092	4,445
Equity total	31,005	29,896	31,451
Minority interest	13	-	-
Provisions	307	-	-
External capital			
Long-term liabilities			
Loans from financial institutions	3,784	5,160	4,472
Other creditors	148	6	148
Accrued expenses	-	-	6
Long term liabilities total	3,932	5,166	4,626
Short-term liabilities			
Loans from financial institutions	1,376	1,405	1,390
Advances received	628	293	1,734
Accounts payable	2,259	2,328	1,667
Other creditors	2,864	3,362	3,475
Accrued expenses	7,885	7,583	6,088
Short-term liabilities total	15,011	14,972	14,355
External capital total	18,943	20,138	18,980
LIABILITIES TOTAL	50,268	50,034	50,432

Group cash flow statement (FAS)

EUR 1,000	1 Jan–30 Jun 2020	1 Jan–30 Jun 2019	1 Jan–31 Dec 2019
Operating cash flow:			
Profit/loss before appropriations and taxation	4,001	4,082	6,033
Adjustments for:			
Depreciations according to plan	1,168	937	2,098
Other non-cash items	368	-	-
Financial income and expenses	33	45	83
Other adjustments	25	-	71
Cash flow before change in working capital	5,595	5,063	8,286
Change in working capital:			
Increase/decrease in short-term non-interest-bearing receivables	-2,576	-4,312	1,799
Increase/decrease in short-term non-interest-bearing debts	951	2,659	2,356
Operating cash flow before financial items and taxes	3,970	3,410	12,440
Interests and expenses paid from other operating funding costs	-33	-48	-86
Income taxes paid	-1,002	-704	-1,708
Operating cash flow (A)	2,935	2,658	10,646
Investment cash flow:			
Investments in tangible and intangible assets	-388	-147	-331
Sales of tangible and intangible assets	-	0	16
Investments in subsidiary shares	-497	-4,349 ²	-4,394 ²
Investment cash flow (B)	-885	-4,496	-4,709
Funding cash flow:			
Equity increase subject to a charge ¹	-	154	314
Purchase of own shares	-409	-	-
Long-term loan withdrawals	-	3,500	3,500
Short-term loan repayments	-	-	-14
Long-term loan repayments	-702	-618	-1,306
Issued dividends and other profit distribution	-2,801	-2,496	-2,496
Funding cash flow (C)	-3,913	539	-3
Change in funds (A + B + C) increase (+) / decrease (-)	-1,863	-1,299	5,934
Funds at the beginning of the financial period (1 Jan)	21,358	15,424	15,424
Funds at the end of the period (30 June 2020)	19,496	14,124 ²	21,358 ²

¹ There was no cash flow from the paid-in equity injection, the item was initially withheld from salaries and recognized as a liability.

² Definition of cash and cash equivalents have been clarified during the fiscal year. Adjustments have been made to year 2019 accordingly.

Change in group equity (FAS)

EUR 1,000	1 Jan–30 Jun 2020	1 Jan–30 Jun 2019	1 Jan–31 Dec 2019
Restricted equity			
Share capital at the beginning of the financial period	80	80	80
Share capital at the end of the financial period	80	80	80
Restricted equity total	80	80	80
Non-restricted equity			
Invested non-restricted equity fund at the beginning of the financial period	20,323	12,859	12,859
Primary offering	-	154	314
Correction items related to restructuring	-	7,150	7,150
Invested non-restricted equity fund at the end of the financial period	20,323	20,163	20,323
Profit from previous financial periods at the beginning of the period	11,048	9,067	9,067
Dividend distribution	-2,801	-2,496	- 2,496
Purchase of own shares	-409	-	-
Translation differences	1	-9	32
Profit from previous financial periods at the end of the period	7,839	6,562	6,603
Profit for the financial period	2,763	3,092	4,445
Non-restricted equity total	30,925	29,816	31,371
Equity total	31,005	29,896	31,451
Minority interest	13	-	-

Group responsibilities

EUR 1,000	30 June 2020	30 June 2019	31 December 2019
Rental liabilities for office facilities			
Due during the next year	2,096	1,972	2,249
Due later	1,376	3,162	2,252
Total	3,472	5,134	4,501
Vehicle leasing liabilities (includes VAT)			
Due during the next year	34	78	54
Due later	18	65	29
Total	52	143	83
Leasing liabilities			
Due during the next year	914	818	900
Due later	983	883	899
Total	1,897	1,701	1,799
Other liabilities			
Corporate cards	47	111	70
Corporate mortgages ¹	7,840	7,840	7,840
Total	7,887	7,951	7,910
Loans from financial institutions	5,160	6,565	5,862

¹ Corporate mortgages are provided as security for loans from financial institutions.

Alternative performance measures: operating profit before amortization of goodwill and EBITDA

EUR 1,000	1 Jan–30 June 2020	1 Jan–30 June 2019	1 Jan–31 Dec 2019
Operating profit (EBIT)	4,034	4,126	6,116
Amortization of goodwill	1,057	846	1,903
Operating profit before amortization of goodwill (EBITA)	5,092	4,973	8,020
Other depreciations according to plan	111	90	195
Impairment losses	-	-	-
EBITDA	5,203	5,063	8,214

EUR 1,000	1 Jan–30 Jun 2020	1 Jan–30 Jun 2019	1 Jan–31 Dec 2019
Adjusted operating profit before amortization of goodwill (adjusted EBITA)			
Operating profit before amortization of goodwill (adjusted EBITA)	5,092	4,973	8,020
Items adjusting operating profit before amortization of goodwill:			
+ Personnel expenses (divestment of UK subsidiary)	222	-	-
+ Other operating expenses (divestment of UK subsidiary)	496	-	-
Adjusted operating profit before amortization of goodwill (adjusted EBITA)	5,810	4,973	8,020

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 goodwill (EBITA), EBITDA, ROI, ROE, equity ratio and net gearing alternative performance measures to better illustrate the operative development of its business.

Definitions of performance measures

Net sales growth, %	=	$\left(\frac{\text{Net sales of the reporting period}}{\text{Net sales of the reference period}} - 1 \right) \times 100$
EBITDA	=	Operating profit + depreciations and amortisation
EBITDA margin, %	=	$\frac{\text{Operating profit + depreciations and amortisation}}{\text{Net sales}} \times 100$
Operating profit before amortization of goodwill (EBITA)	=	Operating profit + amortisation of goodwill
Operating profit before amortization of goodwill (EBITA) margin, %	=	$\frac{\text{Operating profit + amortisation of goodwill}}{\text{Net sales}} \times 100$
Net debt (net cash)	=	Long-term loans from financial institutions + short-term loans from financial institutions – cash and cash equivalents – other shares and parts of fixed assets
Equity ratio, %	=	$\frac{\text{Shareholders equity}}{\text{Balance sheet total – advances received}} \times 100$
Net gearing, %	=	$\frac{\text{Long term loans from credit institutions + short term loans from credit institutions – cash in hand and at banks – Other rights of ownership under Non-current investments}}{\text{Shareholder equity}} \times 100$
Return on equity (ROE), %	=	$\frac{\text{Profit for the period (annualized)}}{\text{Average shareholders' equity}} \times 100$
Return on investment (ROI), %	=	$\frac{\text{Profit before taxes (annualized) + financial income and expenses (annualized)}}{\text{Average shareholder equity + average interest-bearing debt}} \times 100$
Earnings per share (EPS), undiluted, euros	=	$\frac{\text{Profit for the period}}{\text{Average number of shares outstanding during the period (adjusted for share split)}} \times 100$
Adjusted EBITA	=	EBITA + (+ goodwill impairment + restructuring costs of business structure - gains of sales of fixed assets + losses of sales of fixed assets)

Tampere, 14 August 2020

Gofore Plc
Board of Directors

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Gofore Plc is a Finland-based digitalization specialist with international growth plans. Together with our customers, we are pioneering an ethical digital world. We're made up of over 600 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.