

Gofore Plc

Financial Statements

Release

1 Jan – 31 Dec

2019

GOFORE

19 Feb 2020

GOFORE PLC'S FINANCIAL STATEMENTS RELEASE

1 January–31 December 2019

Gofore Plc
Company announcement 19 February 2020 at 09.00

Gofore Plc's Financial Statements Release 1 January–31 December 2019 (unaudited): Good net sales growth

Year 2019 in brief

- Net sales increased to EUR 64.1 million (EUR 50.6 million), with a growth of 26.7%.
- EBITDA was EUR 8.2 million (EUR 7.0 million), corresponding to 12.8% (13.8%) of net sales.
- Operating profit before amortisation of goodwill (EBITA) was EUR 8.0 million (EUR 6.8 million), corresponding to 12.5% (13.4%) of net sales.
- Operating profit (EBIT) was EUR 6.1 million (EUR 6.1 million), corresponding to 9.5% (12.0%) of net sales.
- Profit for the period was EUR 4.4 million (EUR 4.7 million), corresponding to 6.9% (9.4%) of net sales.
- Earnings per share was EUR 0.33 (EUR 0.36).
- The number of employees increased by 18% to a total of 582 people (495).
- Digital transformation specialist Silver Planet Oy was acquired in February and design agency mangodesign Finke-Anlauff & Anlauff GbR (Mangodesign) in June.
- The Board of Directors proposes a dividend of EUR 0.23 (EUR 0.19) per share for the financial year ending in 31 December 2019.

Key figures

Reported

| In thousands of EUR, unless otherwise stated | 7-12/2019 | 7-12/2018 | 2019 ¹ | 2018 |
|--|------------|------------|-------------------|------------|
| Net sales | 30,613 | 25,891 | 64,066 | 50,581 |
| Growth of net sales, % | 18.2 | 32.2 | 26.7 | 49.2 |
| EBITDA | 3,151 | 3,049 | 8,214 | 6,964 |
| EBITDA margin, % | 10.3 | 11.8 | 12.8 | 13.8 |
| Operating profit before amortisation of goodwill (EBITA) | 3,047 | 2,980 | 8,020 | 6,797 |
| Operating profit before amortisation of goodwill (EBITA) margin, % | 10.0 | 11.5 | 12.5 | 13.4 |
| Operating profit (EBIT) | 1,990 | 2,563 | 6,116 | 6,095 |
| Operating profit (EBIT) margin, % | 6.5 | 9.9 | 9.5 | 12.0 |
| Profit for the period | 1,354 | 1,980 | 4,445 | 4,732 |
| Adjusted profit for the period ² | 2,411 | 2,397 | 6,349 | 5,434 |
| Earnings per share (EPS), undiluted, euros | 0.10 | 0.15 | 0.33 | 0.36 |
| Adjusted earnings per share (adjusted EPS), undiluted, euros | 0.18 | 0.18 | 0.47 | 0.42 |
| Number of outstanding shares at the end of the period ³ | 14,012,628 | 13,116,982 | 14,012,628 | 13,116,982 |
| Equity ratio, % | 64.6 | 63.8 | 64.6 | 63.8 |
| Net gearing, % | -51.0 | -51.2 | -51.0 | -51.2 |
| Return on equity (ROE), % ³ | 10.1 | 19.9 | 16.6 | 23.8 |
| Return on investment (ROI), % ³ | 12.0 | 49.8 | 18.7 | 24.9 |
| Average overall capacity, FTE ⁴ | 533 | 438 | 517 | 405 |
| Average subcontracting, FTE ⁵ | 48 | 47 | 54 | 46 |
| Number of employees at the end of the review period | 582 | 495 | 582 | 495 |

Unless mentioned otherwise, the comparisons in this financial statements release are presented in relation to the comparable period in 2018.

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

² The adjusted profit for the financial period refers to the profit for the financial period to which depreciation of goodwill have been added.

³ Annualised.

⁴ 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.

⁵ 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.

CEO Mikael Nylund comments on 2019 development

Year 2019 was a time of growth, development and learning for Gofore.

In line with our vision, we always strive to grow profitably. The financial year ended with 15 consecutive years of strong growth. Our net sales increased by 26.7 percent to EUR 64.1 million. Our EBITA increased by approximately 18.0 percent to EUR 8.0 million, corresponding to 12.5 percent of the Group's net sales.

During the year, we made two acquisitions. In February, Silver Planet joined the Group, strengthening our offering in management consulting. In June, we made our first international acquisition when Mangodesign became part of our German subsidiary.

Gofore lives on change and continuous learning. Our top expertise is needed as our clientele constantly face the challenges of change. We are here to help our clients overcome the challenges of an ever-changing world. In this regard, it is vital to keep our know-how and our service offering current.

The second part of our vision is to be constantly evolving. For many years, we have been able to steer our development towards our own enthusiasm and growth opportunities. Over the past year, we have been researching and adopting practices to continually renew our services. This effort has been navigated by our experts who work closely with our clients.

Thirdly, we want to be a company that makes constant positive impact and acts responsibly. Gofore's mission is to change the world for the better through digital change and renewal of work culture. As a value-based led company, Gofore has always been a socially sustainable company that values its employees. As the company size grows, we are pleased to see that our work and example have a positive impact on the surrounding society.

In 2019, we organised and created structures to manage our responsibility. We appointed a Chief Sustainability Officer to the Executive Management Team. Together with employees, we reviewed our value base and the impact we make. This has laid a good foundation for the work we will continue this year.

Fourth, we want to be a truly international company. Our international business in 2019 was driven in particular by our large customers. In Germany, we strengthened our local operations through an acquisition. However, our business in the UK faced challenges as our local customers reduced their orders from us. In early 2020 our UK subsidiary was divested. We consider our internationalisation to be a learning journey. However, we are excited to build Gofore into a truly international company. We expect the share of our international business to grow in the coming years.

During 2020, we will aim to continue our profitable growth, in line with our value base and sustainable development. Gofore is a company of the future. I am excited to lead Gofore.

Financial review 1 January–31 December 2019

Net sales

Gofore Group net sales increased to EUR 64.1 million, with a growth of EUR 13.5 million or 26.7% (EUR 50.6 million). Organic growth, and the acquisition of Silver Planet Oy from 15 February 2019 on, impacted net sales growth. For the 2019 financial year, resale of cloud capacity has been marked as net figures in net sales, and as gross in the comparative period 2018 (approximately EUR 1 million).

Net sales monthly development in 2019:

| Month (2019) | Net sales, MEUR (net sales 2018) ¹ | Number of employees ² | Number of working days in Finland | Overall capacity, FTE ³ | Subcontracting, FTE ⁴ |
|--------------|---|----------------------------------|-----------------------------------|------------------------------------|----------------------------------|
| January | 5.2 (4.1) | 504 | 22 | 469 | 52 |
| February | 5.3 (3.8) | 538 | 20 | 487 | 61 |
| March | 6.1 (4.2) | 544 | 21 | 500 | 66 |
| April | 5.5 (4.0) | 552 | 20 | 504 | 57 |
| May | 6.2 (4.4) | 558 | 21 (+ ascension day) | 515 | 60 |
| June | 5.1 (4.1) | 559 | 19 | 525 | 59 |
| July | 2.2 (2.2) | 562 | 23 | 535 | 18 |
| August | 5.3 (4.6) | 562 | 22 | 521 | 56 |
| September | 5.9 (4.7) | 578 | 21 | 532 | 55 |
| October | 6.6 (5.4) | 580 | 23 | 537 | 54 |
| November | 6.0 (5.3) | 582 | 21 | 537 | 57 |
| December | 4.6 (3.8) | 582 | 18 | 539 | 53 |

¹ Net sales, MEUR (net sales in 2018), reports net sales (unaudited) for that month.

² The number of employees at the end of the review period. A German company, Mangodesign, acquired in June 2019, is included in the figures from 1 July 2019.

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. The capacity of Silver Planet Oy's personnel has been taken into account as of 15 February 2019.

⁴ The 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 Silver Planet Oy has been included as of 15 February 2019.

Net sales, EBITA and EBITA-% quarterly development in 2019:

| Group (consolidated) | 2019 | Q1/2019 | Q2/2019 | Q3/2019 | Q4/2019 |
|----------------------|------|---------|---------|---------|---------|
| Net sales, MEUR | 64.1 | 16.7 | 16.8 | 13.3 | 17.3 |
| EBITA, MEUR | 8.0 | 2.9 | 2.1 | 1.2 | 1.8 |
| EBITA-% | 12.5 | 17.2 | 12.6 | 9.2 | 10.5 |

| Group (consolidated) | 2018 | Q1/2018 | Q2/2018 | Q3/2018 | Q4/2018 |
|----------------------|------|---------|---------|---------|---------|
| Net sales | 50.6 | 12.1 | 12.5 | 11.5 | 14.4 |
| EBITA, MEUR | 6.8 | 1.7 | 2.1 | 1.5 | 1.4 |
| EBITA-% | 13.4 | 14.1 | 16.8 | 13.3 | 10.0 |

| Growth-% | 2019 | Q1/2019 | Q2/2019 | Q3/2019 | Q4/2019 |
|---------------------|------|---------|---------|---------|---------|
| Net sales, growth-% | 26.7 | 37.0 | 34.1 | 16.3 | 19.8 |
| EBITA, growth-% | 18.0 | 67.2 | 0.2 | -19 | 25.7 |

Profitability and earnings

EBITDA for Gofore Group was EUR 8.2 million, corresponding to 12.8% of net sales. EBITDA increased by approximately 18.0%, its relative share of net sales being approximately one percentage point lower than in the previous financial year.

EBITA was EUR 8.0 million (EUR 6.80 million), corresponding to 12.5% of net sales with 18.0% increase from the previous financial year.

EBIT was EUR 6.1 million (EUR 6.1 million), corresponding to 9.5% of net sales. As a result of acquisitions, the cumulative increase in goodwill amortisation impacted negatively the result to an increasing extent, resulting in the relative share of operating profit being logically lower than in the comparison period (12.0%).

The executed acquisitions created approximately EUR 11.5 million in goodwill on the balance sheet, which is to be amortised in ten years, in accordance with the Finnish Accounting Standards (FAS).

Expenses for the comparison period do not include the expenses incurred by the subsidiaries acquired during the financial year 2019 or the amortisation of goodwill.

Personnel expenses were EUR 36.7 million (EUR 27.6 million), corresponding to 57.3% of net sales. These expenses increased along with the number of personnel. The light hierarchy of the Group and an operating model which is based on a self-management working culture plays a significant role in the management of personnel expenses.

Other operating expenses were EUR 10.8 million (EUR 8.3 million). The largest expense items were other personnel expenses, facility expenses, and expenses for machinery and equipment.

Balance sheet, funding and cash flow

The Group balance sheet total on 31 December 2019 was EUR 50.4 million (EUR 34.5 million). The balance sheet increase is mainly produced by general growth as well as the acquisition performed.

On 31 December 2019, the equity ratio of the Group was 64.6% (63.8%), with a net gearing of -51.0% (-51.2%). The amount of Group goodwill on the balance sheet was EUR 18.2 million. Equity ratio and net gearing did not change materially despite the additional loan raised in connection with the acquisition of Silver Planet Oy.

The operating cash flow after interest and direct taxes in January–December 2019 was EUR 10.6 million. The operating cash flow increased mainly due to prepayments made by clients and higher amortisation impacting the result.

At the end of the financial period, the Group's liquid cash assets were EUR 21.9 million. The interest-bearing debts amounted to EUR 6.3 million, consisting of bank loans as well as the rest of the purchase price of the acquisition. Of this amount, EUR 4.5 million was in long-term and EUR 1.9 million in short-term interest-bearing debts. The financing agreement arranges a EUR 1.0 million bank overdraft, for the time being not in use, for the company.

Acquisitions

As announced on 14 February 2019, Gofore agreed to acquire the entire share capital of Silver Planet Oy, a digital transformation consultancy. The transaction was completed immediately. Through the acquisition, Gofore strengthened its position as a digital change advisor and one of the leading builders of the digital society. Silver Planet employs about 40 digitalisation experts at its Helsinki office, and has a large network of subcontractors. Silver Planet's net sales were EUR 7.2 million and operating profit (EBIT) was EUR 1.8 million (25% of net sales) in 2018. The purchase price of EUR 14.3 million consisted of a debt-free price of EUR 10.8 million and EUR 3.5 million net cash. Silver Planet Oy is an independent company and has been reported as part of Gofore Group as of 15 February 2019.

As announced on 20 June 2019, Gofore agreed to acquire design agency mangodesign Finke-Anlauff & Anlauff GbR (Mangodesign) in Germany. Mangodesign's ownership was transferred to Gofore on 30 June 2019, and simultaneously its business was merged with Gofore Germany GmbH. With the acquisition, Gofore complemented its service offering in Germany. Mangodesign employs 12 people at its office in Braunschweig, Germany. Its net sales were EUR 544,000 in 2018. Gofore Germany GmbH has paid EUR 432,000 of the purchase price and EUR 48,000 as guarantee for the sale. Furthermore, an additional purchase price will be paid in accordance with the terms and conditions of the share purchase agreement, estimated at EUR 100,000 on 31 December 2019.

Business areas and organisational structure

Gofore is a digital services company. The company offers services that help operators in the private and public sectors to face digital change. Gofore's services are divided into the management of digital change, service design and software development, as well as consultation in the utilization of cloud services and the offering of cloud capacity. Gofore operates in Finland and in Europe.

Gofore Plc is 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 started a new business in its previously established subsidiary Erofog Oy, which was renamed Gofore Vantaa Oy on 4 November 2019. New business here refers to the IT integrator services provided to the City of Vantaa. On 1 November 2019, the City of Vantaa and business technology consultant Sofigate signed an agreement, making Sofigate a Vantaa IT integration services development partner and service provider in several areas of IT services. Sofigate provides services in partnership with Gofore.

The digital business consultancy Solinor Oy, acquired in August 2018, was merged with Gofore Plc on 31 January 2019.

As announced on 14 February 2019 Gofore agreed to acquire the entire share capital of Silver Planet Oy, a digital transformation consultancy. The agreement was immediately executed. Silver Planet Oy is an independent company and has been reported as part of Gofore Group as of 15 February 2019.

On 14 January 2020, Gofore reported on the evaluation of the options for its UK subsidiary. The subsidiary's operations in the UK were divested due to weak market outlook and unprofitable business operations. The operations of the subsidiary, Gofore UK Ltd., were closed 31 January 2020.

Personnel and offices

At the end of December 2019, the Group employed a total of 582 employees (495). The number of personnel increased by 87, which is an increase of 17,6% from the end of the comparison period the previous year. The average number of employees during the review period was approximately 559. There were 540 employees in Finland and 42 in the overseas offices. In Finland, the company's offices are located in Helsinki, Jyväskylä, Tampere and Turku, and the overseas offices are located in Braunschweig and Munich (Germany), Madrid (Spain) and Tallinn (Estonia).

In 2019, employee satisfaction was measured through a Signi survey, which measures issues relevant to the workplace and the work community and how these are implemented in practice. According to the survey, the overall job satisfaction of all employees was excellent at 80 (on a scale of 1 to 100). 75% of respondents considered Gofore to be the best workplace in their professional career. The eNPS for the study was 46 (scale of -100 to 100, with 20 defined as good). The survey was completed by 348 respondents.

In 2019, the focus of employee professional development was on the organisation around capabilities, through which practices and competencies will continue to be developed.

Changes in management

Terhi Vesanen (58), was appointed Chief Growth Officer and member of the Executive Management Team on 19 June 2019. She took up her position and became a member of the Executive Management Team on 1 August 2019.

Kristiina Härkönen (44), was appointed Chief Sustainability Officer on 19 June 2019. She took up her position on 1 August 2019. She has been a member of the Executive Management Team since 2017. Prior to her appointment, she was responsible for managing the company's cloud services business.

Petra Sievinen (50), was appointed Director, Marketing and Communications and a member of the Executive Management Team on 19 June 2019. She took up her position and became a member of the Executive Management Team on 1 August 2019.

Aki Koikkalainen (37), was appointed a member of the Executive Management Team on 19 June 2019. He became a member of the Executive Management Team on 1 August 2019. He is a Site Lead at the company's Helsinki office.

Erkki Salminen, Development Director and member of the Executive Management Team, resigned from his position on 19 June 2019. He will continue to work for the company.

Riikka Nurminen, Marketing and Communications Director and member of the Executive Management Team, left the Executive Management Team on 19 June 2019. She left the company on 1 September 2019.

Tope Koskinen, Chief Operating Officer and member of the Executive Management Team, left the Executive Management Team on 5 July 2019. He left the company on 31 August 2019.

Mikael Nylund (44), Director, Mergers & Acquisitions, was appointed CEO on 15 November 2019. He took up his position on 11 December 2019. The Extraordinary General Meeting held on 11 December 2019 confirmed Timur Kärki as a new member and a full-time Chairman of the Board of Directors.

Petteri Venola, Chief Financial Officer and a member of the Executive Management Team will leave his position and the Executive Management Team during 2020 as announced on 21 November 2019.

Resolutions of the Annual General Meeting 2019

The Annual General Meeting of Gofore Plc was held on 26 March 2019. The Annual General Meeting resolved to adopt the financial statements for the financial year 2018 and discharged the members of the Board of Directors and the CEO from liability for the financial period in 2018. According to the proposal of the Board of Directors, the annual general meeting confirmed a dividend of EUR 0.19 per share to be paid for 2018. The total amount of dividend is EUR 2,496,178.77. The record date for the dividend distribution was 28 March 2019 and the dividend payment date was 4 April 2019.

The Annual General Meeting selected five members for the company's Board of Directors for a term of office which will end at the end of the next annual general meeting. Ali U. Saadetdin, Sami Somero, Mika Varjus and Kristiina Michelsson were reselected, and Stefan Bagström was selected as new members of the Board. The Board of Directors selected Ali U. Saadetdin as its chair. It was resolved that the remuneration for the Chairman of the Board is EUR 2,500 per month and for the members of the Board EUR 1,500 per month. All members of the Board will be compensated for travel expenses against receipt in accordance with the company's travel policy.

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 Teemu Suoniemi, APA, will be the Auditor with principal responsibility.

The Annual General Meeting authorised the Board of Directors to resolve on the acquisition of the company's own shares of a maximum of 1,311,715 shares and/or accepting the same number of the company's own shares as a pledge, in one or more tranches by using funds in the unrestricted shareholders' equity. The maximum number of shares to be acquired and/or accepted as a pledge corresponds to approximately 10% of the total number of company shares according to the date of the notice of the

Meeting. However, the company, together with its subsidiaries, may not hold or accept as a pledge more than 10% of the total number of company shares at any time.

Shares will be acquired otherwise than in the proportion of shareholders' holdings in public trading arranged by Nasdaq Helsinki Ltd. at market price at the time of acquisition or otherwise at market price. For example, the authorisation is for use to be made available for the purpose of executing potential acquisitions and share-based incentive programmes or for other purposes determined by the Board of Directors and otherwise for further assigned, to be held at the ownership of the company or to be annulled by the company. The Board of Directors decides on all other conditions for acquiring own shares and/or accepting them as a pledge.

This authorisation cancels the authorisation given by the Annual General Meeting on 27 March 2018 to resolve on the repurchase of the company's own shares. The authorisation is valid until the closing of the next Annual General Meeting, however, no longer than 30 June 2020.

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 1,311,715 shares, equivalent to 10% of the total number of shares of the company on the date of the notice of the meeting. The Board of Directors decides to issue new shares or to transfer own shares that may be held by the company. The authorisation entitles the Board of Directors to decide on all terms and conditions related to the issuance of shares and the issuance of option rights and special rights entitling to shares, including the right to deviate from the shareholders' pre-emptive subscription rights. The authorisation is to be used as consideration for acquisitions, partly as a company incentive programme or for other purposes determined by the Board of Directors.

The authorisation is valid until 30 June 2024. The authorisation revokes all previous unused authorisations of the Board of Directors to resolve on the issuance of shares, issuance of share options and issuance of other special rights entitling to shares.

Resolutions of the Extraordinary General Meeting 2019

The Extraordinary General Meeting of Gofore Plc was held 11 December 2019. The Extraordinary General Meeting confirmed that the remuneration for the full-time Chairman of the Board is EUR 10,000 per month. The Extraordinary General Meeting confirmed that Ali U. Saadetdin will be replaced by Timur Kärki as a new member of the Board of Directors.

The Board of Directors of Gofore Plc was organised immediately after the Extraordinary General Meeting and the appointment of a new member of the Board of Directors. At the meeting, the Board of Directors resolved upon the new Chairman of the Board of Directors and members of its committees. Timur Kärki was selected as the full-time Chairman of the Board of Directors.

The Board of Directors resolved upon the update of composition of the Board committees as follows: Timur Kärki was elected as a member of the Nomination Committee of the Board of Directors. Sami Somero and Mika Varjus will continue as members of the Nomination Committee. Timur Kärki was elected as Chairman of the Nomination Committee. Timur Kärki was elected as a member of the Remuneration Committee of the Board of Directors. Sami Somero and Stefan Baggström will continue as members of the Remuneration Committee. Timur Kärki was elected as Chairman of the Remuneration Committee. Kristiina Michelsson, Sami Somero and Mika Varjus will continue as members of the Audit Committee of the Board of Directors, and Kristiina Michelsson will continue to act as Chairman of the Audit Committee.

Shares, shareholders and share-based incentive programmes

At the end of December 2019, Gofore Plc's registered share capital was EUR 80,000.00, which corresponded to a total of 14,012,802 company shares, including 174 of the company's own shares. Own shares represent 0.001% (0,001 %) of the total number of shares and votes.

At the end of December 2019, the company had 2,771 registered shareholders. At the end of the review period, 49,706 shares were held outside Finland. There were 54,753 nominee-registered shares, which corresponds to approximately 0.4% of the total shares.

In January–December 2019, Gofore Plc's shares were quoted in the First North Growth Finland market administered by Nasdaq Helsinki Ltd. using the share trading code GOFORE.

At the end of December 2019, the company's market capitalisation was EUR 105,096,015. From the end of the previous financial period to the end of the review period, the share quotation decreased by approximately 11.2%, and the quotation on the last day of December was EUR 7.50. The average price of the company's shares, as weighted by the trading volume, was EUR 8.01. The highest share price was EUR 9.28, and the lowest EUR 7.00.

In connection with the personnel offering in the company's listing in 2017, a Matching Share programme was opened for personnel. In the programme, 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 31 December 2019, the company had 223 employees who participated in the personnel offering and approved the terms and conditions of the share programme. Under the programme, these employees are entitled to a total of 88,468 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 31 December 2019, the value of the matching shares would have been EUR 663,510,00. At the end of the comparison period on 31 December 2018, the corresponding amounts were 238 employees entitled to the matching shares and the obligation to transfer 107,814 matching shares.

In September 2018, Gofore introduced a new employee share savings plan (CrewShare) for the Group's personnel. Invited employees will be offered an opportunity to save a proportion of their regular salaries (EUR 50-400 per month) and use the savings for the acquisition of the company's shares at a 10% discount. The accrued savings will be used for the acquisition of the Gofore shares biannually following the publications of the half-year report in September and financial statements in March. Participation in the plan is voluntary, and an employee will participate in the plan for one plan period at a time. After a holding period Gofore will grant the employees participating in the plan, as a gross reward, one free matching share against every three shares acquired with savings. 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.

The first plan period commenced on 1 November 2018 and ended on 28 February 2019. The holding period will end on 28 February 2021. The second plan period commenced on 1 March 2019 and will end on 29 February 2020. The holding period will end on 28 February 2022.

The total amount of savings in the plan periods may not exceed EUR 1 million, which corresponds to approximately 148,148 shares calculated at the share price of EUR 7.50 per share closed and, 10% discount calculated therefrom, on 31 December 2019. At the end of the reporting period 31 December 2019, 163 people employed by the Group were entitled to receive a total of 6,266 gross shares after the holding period if they had continuously held the shares acquired through the first plan. Correspondingly, 172 people were entitled to gross shares of 7,479 based on the shares acquired during the second plan.

As part of the Crew Share plan, Gofore issued a total of 20,801 new shares in March 2019. The share issue is based on the authorisation given by the Annual General Meeting on 27 March 2018. The shares have been subscribed at a price of EUR 7.38 per share, based on the volume-weighted average price of the share traded on Nasdaq Helsinki Oy during the period 1–28 February 2019 and a 10% discount calculated therefrom.

As part of the Crew Share plan, Gofore issued a total of 22,844 new shares in September 2019. The shares have been subscribed at a price of EUR 7.03 per share, based on the volume-weighted average price of the share traded on Nasdaq Helsinki Ltd. during the period 1–31 August 2019 and a 10% discount calculated therefrom.

On 12 February 2020, the company's Board of Directors decided on the third plan period 2020–2021. The details of the new plan period will mainly be conformed to follow the previous plan period's particulars.

In addition, as a result of the divestment of the UK subsidiary and the termination of employments, the Board of Directors decided to pay three employees in cash their Matching Share shares. The total number of shares was 1,665.33, corresponding to EUR 12,673 based on the volume-weighted average price of the share traded during the period 1 January–31 January 2020.

As announced on 14 February 2019, Gofore agreed to acquire the entire share capital of Silver Planet Oy, a digital transformation consultancy. Based on the authorisation given by the Annual General Meeting on 27 March 2018, Gofore's Board of Directors decided on 14 February 2019 to direct the share issue as part of the purchase price payment to the sellers of Silver Planet. A total of 852,001 new Gofore shares were subscribed for at a subscription price of EUR 8.39 per share. The subscription price is based on the volume-weighted average price during the period 14 January 2019 to 12 February 2019. The new Gofore shares were entered into the Trade Register on 16 April 2019 and trading in the new shares at Nasdaq Helsinki Ltd.'s First North Finland market started on 17 April 2019. The new shares represented approximately 6.1% of the company's share capital after the registration of the new shares.

In addition, the company has committed, under the terms of the purchase agreement, to arrange a directed share issue for Silver Planet Oy employees in May 2020, whereby employees on 14 February 2019 who did not sell Silver Planet Oy shares to Gofore may subscribe for a total of 24,594 Gofore shares.

Summary of the share trading in Nasdaq Helsinki 1 January–31 December 2019

January–December 2019

| | Traded shares | Total value | Highest, EUR | Lowest, EUR | Average price (volume weighted), EUR | Latest, EUR |
|--------|---------------|-------------|--------------|-------------|--------------------------------------|-------------|
| Gofore | 1,223,756 | 9,781,712 | 9.28 | 7.00 | 8.01 | 7.50 |

| | 31 December 2019 | 31 December 2018 |
|---|------------------|------------------|
| Market value, EUR | 105,096,015 | 110,839,968 |
| Shareholders (according to the shareholder list maintained by Euroclear Finland Oy) | 2,771 | 2,486 |

Research and development

In April 2019, the company launched a research project, Robins, funded by Business Finland. The project continues until 30 April 2021 and is partly a continuation of the Kasvu, Kansainvälistyminen ja Digitaalinen Uudistuminen Palveluyrityksessä ("KAKADU") project funded by Business Finland. In addition to the University of Tampere and other higher educational institutions in Tampere and Gofore, the project consortium includes five other Finnish expert companies. The Robins project consists of strategic development projects Capability Accelerator and Digital Gofore.

The Capability Accelerator project explores ways to continually upgrade the capabilities of the company and thereby the service offering. The Digital Gofore project explores the transformation of the company into an international platform ecosystem.

The cost of the project from 1 April to 31 December 2019 was EUR 419,257. The grant from Business Finland is limited to a maximum of 40% of the total eligible costs of the project, estimated at approximately EUR 1,604,250 between 1 April 2019 and 30 April 2021.

In late 2019, a project was also launched to meet the requirements of the ISO27001 security standard during 2020.

In addition to these, the company launched in May 2019 an Enterprise Resource Planning (ERP) project. The development work is aimed at improving the Group's financial reporting and continuous situational awareness. The work includes, among other things, the harmonization and clarification of the system portfolio, as well as the automation of financial management and ERP tasks. The development costs of the project 139,408,23 have been capitalised in the consolidated balance sheet during the reported period. The project will enter the implementation phase in January 2020.

Responsibility

Reporting of non-financial information is included in the Board of Directors' Report, which will be published as part of the company's 2019 Annual Report. The report describes the practices the company follows in relation to environmental, social and personnel matters, respect for human rights and the prevention on corruption and bribery. In addition, the company will publish a separate Corporate Responsibility report during week 11.

Significant events after the reporting period

On 14 January 2020, Gofore reported on the evaluation of the options for its UK subsidiary. The subsidiary's operations in the UK were divested due to its weak market outlook and unprofitable business operations. The operations were closed 31 January 2020. The estimate of the non-recurring costs arising from the closure of a subsidiary were revised. Currently, non-recurring costs of approximately EUR 500,000 are expected to be incurred or marked in the first quarter of 2020.

On 12 February 2020, the company's Board of Directors resolved to launch the third plan period of Crew Share, employee share savings plan. The details of the new plan period will mainly be conformed to follow the previous plan period's particulars.

In January 2020, Sote Digi Oy, a development company, selected Gofore as one of its framework suppliers. The procurement involves tendering for MDR-based IT services (Medical Devices Regulation, EU Regulation 2017/745). The framework agreement shall remain in force for a fixed period of two years from the date of entry into force. Thereafter, the agreement shall remain in force indefinitely, subject to a maximum period of eight years from the date of entry into force. The estimated value of the procurement over four years is EUR 32 million. The framework agreement involves six suppliers.

In addition, during the beginning of the year, Senate Properties selected Gofore as one of its suppliers for a framework agreement on expert services for work environment development. The framework agreement has seven areas, of which Gofore was selected for three. There are a total of eight suppliers in these areas with a total estimated value of EUR 3.1 million. The agreement is valid for two years. There is also an option to extend the agreement for two years after the agreement period.

The company's net sales 1 January–31 January 2020 were EUR 6.1 million (2019: EUR 5.2 million). The number of employees at the end of the period was 587. There were 21 working days during the period in Finland. The Overall capacity, FTE was 548, and the subcontracting FTE was 60.

| Month (2020) | Net sales, MEUR (net sales 2019) ¹ | Number of employees | Number of working days in Finland | Overall capacity, FTE ² | Subcontracting FTE ³ |
|--------------|---|---------------------|-----------------------------------|------------------------------------|---------------------------------|
| January | 6.1 (5.2) | 587 | 21 | 548 | 60 |

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.

Short-term risks and uncertainties

The prospectus published in connection with the listing on the Nasdaq First North Growth Finland marketplace in 2017 described risks. Some of these risks materialized in 2019.

- The political environment when a new government was formed in Finland after elections hampered the development of the public administration business. During the first half of the year, fewer new public sector projects were started than usual. The situation returned to normal in the second half of the year. These were mentioned in the August and December Business Reviews.
- Recruitment and organic growth efforts were not successful in the best possible way and as seen before. The number of recruitments could not be increased in proportion to what the company had grown. This development was described in Business Reviews.
- A few major customers reduced suddenly their orders at the beginning of the second quarter. As a result, net sales generated with subcontracting stopped growing, and the billing rate temporarily weakened at Group level and on a permanent basis in the UK. This slowed down overall business growth. Information about these can be found in the April and June Business Reviews.
- International business in the UK developed negatively. The business situation in the UK is described in the September Business Review and company announcement of 14 January 2020.

The company does not perceive that the entire public sector or, to a significant extent, the private sector, would reduce its investment in digital services during 2020. However, discontinuities in individual client relationship agreements may pose risks that, if realised, would slow down the company's growth and development.

The company is committed to monitoring and reporting on the development of its business on a monthly basis. This also means monthly monitoring of risk realisation, as in 2019.

Outlook for 2020

The company will report and comment on monthly development of net sales to facilitate monitoring growth.

Gofore's net sales and comparable adjusted EBITA will grow compared to 2019. Adjusted EBITA means EBITA, adjusted for non-recurring items.

Long-term financial goals

Gofore, as its long-term financial target, is pursuing net sales growth exceeding the growth of the target market and an operating profit before goodwill amortisation (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%.

Dividend proposal

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.23 (EUR 0.19) be paid for the financial year 2019. The dividend will be paid to a shareholder who is registered in the company's shareholder register maintained by Euroclear Finland Ltd on the record date 14 April 2020. The Board of Directors proposes to the Annual General Meeting that the dividend be paid on 21 April 2020. No dividend will be paid on shares held by the company on the record date 14 April 2020. There are 14,012,628 shares entitling to dividend on the date of the distribution proposal, so the total dividend would be EUR 3,222,904,44. The remaining distributable funds would be EUR 29,868,817.66.

The dividend per share will increase by 17.4% from the previous year and is approximately 47% of the Group's result for the financial year. On 31 December 2019, the distributable funds of the parent company amounted up to EUR 33,091,722.10 of which EUR 6,818,995.30 was profit for the financial period. There have been no material changes in the financial situation of the company after the end of the financial year, nor does the solvency test referred to in section 13:2 of the Limited Liability Companies Act (OYL) affect the amount of distributable funds.

Financial reporting and Annual General Meeting in 2020

On 14 August 2020, the company will publish a half-year report for January–June 2020. Annual Report 2019 will be published on week 11. Annual Report includes the Board of Directors' Report and Financial Statements. The Annual General Meeting of Shareholders will be held on Wednesday 8 April 2020. The invitation for the Annual General Meeting is presented later.

In addition, Gofore publishes monthly Business Reviews. In addition to the month's net sales, the net sales of the corresponding month in the previous year is published. The reviews also include key indicators that further facilitate transparency of the company's growth strategy and comparisons between different periods. Reporting has been supplemented with the Full Time Equivalent (FTE) figure as well as subcontracting FTEs. Additionally, in the monthly Business Reviews for the quarter 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 March Business Review will be published approximately week 16 and the September review is estimated to be published at week 42.

Tables

Composition principles of the financial statements

The financial statements release has been composed in accordance with good accounting practices and Finnish legislation. The financial statements release figures are unaudited. The information is presented to the extent required by section 4.6 (e) of the First North regulations. The figures have been rounded from the accurate figures. Due to the changes to the Group structure, the figures in the profit and loss account and cash flow calculation are not comparable.

Group income statement (FAS)

| EUR 1,000 | 1 Jul–31 Dec 2019 | 1 Jul–31 Dec 2018 | 1 Jan–31 Dec 2019 | 1 Jan–31 Dec 2018 |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Net sales | 30,613 | 25,891 | 64,066 | 50,581 |
| Manufacturing for own use | 121 | 0 | 139 | 0 |
| Other operating income | 138 | -29 | 175 | 193 |
| Materials and services | -4,006 | -4,084 | -8,671 | -7,911 |
| Personnel expenses | -18,138 | -14,249 | -36,696 | -27,557 |
| Amortisations and depreciations | -1,161 | -486 | -2,098 | -869 |
| Other operating expenses | -5,576 | -4,479 | -10,799 | -8,343 |
| Operating profit | 1,990 | 2,563 | 6,116 | 6,095 |
| Financial income and expenses, net | -38 | -26 | -83 | -11 |
| Profit after financial items | 1,952 | 2,537 | 6,033 | 6,084 |
| Year-end allocations | 2 | -1 | 2 | -1 |
| Income taxes | -600 | -556 | -1,590 | -1,351 |
| Profit/loss for the financial period | 1,354 | 1,980 | 4,445 | 4,732 |

EBITDA

| EUR 1,000 | 7–12/2019 | 7-12/2018 | 2019 | 2018 |
|-----------------------------|-----------|-----------|-------|-------|
| Operating profit (EBIT) | 1,990 | 2,563 | 6,116 | 6,095 |
| Amortisation of goodwill | 1,057 | 417 | 1,903 | 702 |
| Other planned amortisations | 104 | 69 | 195 | 167 |
| Depreciations | 0 | 0 | 0 | |
| EBITDA | 3,151 | 3,049 | 8,214 | 6,964 |

The new instructions on alternative key performance indicators by the European Securities and Markets Authority (ESMA) took effect for the financial period 2016. The company presents the alternative key performance indicators of EBITDA, ROI, and ROE in order to better describe the financial development of its business operations. These indicators are widely used in Finland and familiar to investors, and presented along the earnings, they complete the picture of the development of the company's profitability.

Group balance sheet (FAS)

| EUR 1,000 | 31 December 2019 | 31 December 2018 |
|---------------------------|---------------------|---------------------|
| ASSETS | | |
| Fixed assets | | |
| Intangible assets | | |
| Development expenses | 4 | 10 |
| Immaterial rights | 146 | 8 |
| Goodwill | 18,206 | 8,626 |
| Other long-term expenses | 128 | 89 |
| Tangible assets | | |
| Machinery and equipment | 397 | 406 |
| Other material goods | 60 | 46 |
| Investments | 51 | 51 |
| Fixed assets total | 18,991 | 9,235 |
| Current assets | | |
| Short-term receivables | | |
| Accounts receivable | 8,213 | 8,761 |
| Loan receivables | 0 | 15 |
| Other receivables | 569 | 520 |
| Accrued income | 799 | 568 |
| Receivables total | 9,581 | 9,865 |
| Liquid asset securities | | |
| Other securities | 502 | 2,007 |
| Cash and cash equivalents | 21,358 | 13,417 |
| Current assets total | 31,441 | 25,289 |
| ASSETS TOTAL | 50,432 | 34,524 |

| EUR 1,000 | 31 December 2019 | 31 December 2018 |
|--|---------------------|---------------------|
| LIABILITIES | | |
| Equity | | |
| Share capital | 80 | 80 |
| Invested non-restricted equity fund | 20,323 | 12,859 |
| Profit from the previous financial periods | 6,603 | 4,335 |
| Profit for the review period | 4,445 | 4,732 |
| Equity total | 31,451 | 22,006 |
| External capital | | |
| Long-term liabilities | 4,472 | 2,614 |
| Loans from financial institutions | 148 | 516 |
| Other creditors | 6 | 0 |
| Long term liabilities total | 4,626 | 3,130 |
| Short-term liabilities | | |
| Loans from financial institutions | 1,390 | 1,069 |
| Advances received | 1,734 | 36 |
| Accounts payable | 1,667 | 2,112 |
| Other creditors | 3,475 | 2,149 |
| Accrued expenses | 6,088 | 4,022 |
| Short-term liabilities total | 14,355 | 9,388 |
| External capital total | 18,980 | 12,518 |
| LIABILITIES TOTAL | 50,432 | 34,524 |

Group cash flow statement (FAS)

| EUR 1,000 | 1 Jul-31 Dec 2019 | 1 Jul-31 Dec 2018 | 1 Jan-31 Dec 2019 | 1 Jan-31 Dec 2018 |
|--|----------------------|----------------------|----------------------|----------------------|
| Operating cash flow | | | | |
| Profit/loss before extraordinary items | 1,952 | 2,537 | 6,033 | 6,084 |
| Correction items: | | | | |
| Planned amortisations | 1,161 | 486 | 2,098 | 869 |
| Financial income and expenses | 38 | 26 | 83 | 11 |
| Other adjustments | 71 | 0 | 71 | |
| Cash flow before change in working capital | 3,223 | 3,049 | 8,286 | 6,964 |
| Change in working capital: | | | | |
| Decrease in short-term non-interest-bearing receivables | 6,111 | 6,219 | 1,799 | 1,060 |
| Increase in short-term non-interest-bearing debts | 303 | 122 | 2,356 | 1,352 |
| Operating cash flow before financial items and taxes | 9,031 | 9,389 | 12,440 | 9,376 |
| Interests and expenses paid from other operating funding costs | -38 | -29 | -86 | -60 |
| Other operating funding income | 0 | 2 | 0 | 48 |
| Income taxes paid | -1,004 | -937 | -1,708 | -1,524 |
| Operating cash flow (A) | 7,988 | 8,426 | 10,646 | 7,840 |
| Investment cash flow: | | | | |
| Investments in tangible and intangible assets | -184 | -110 | -331 | -205 |
| Sales of tangible and intangible assets | 16 | 0 | 16 | 0 |
| Investments in subsidiary shares | -45 | 2,319 | -3,892 | -2,319 |
| Revenue from other investments | 0 | 0 | 0 | 500 |
| Investment cash flow (B) | -213 | -2,429 | -4,207 | -2,025 |
| Funding cash flow: | | | | |
| Equity increase subject to a charge | 161 | 0 | 314 | 0 |
| Long-term loan withdrawals | 0 | 0 | 3,500 | 0 |
| Short-term loan repayments | -14 | -37 | -14 | -37 |
| Long-term loan repayments | -688 | -497 | -1,306 | -1,069 |
| Issued dividends and other profit distribution | 0 | 0 | -2,496 | -1,942 |
| Funding cash flow (C) | -542 | -534 | -3 | -3,048 |
| Change in funds (A + B + C) increase | 7,234 | 5,462 | 6,436 | 2,767 |
| Funds at the beginning of the financial period | 14,627 | 9,962 | 15,424 | 12,657 |
| Funds at the end of the period | 21,860 | 15,424 | 21,860 | 15,324 |

Change in Group equity (FAS)

| EUR 1,000 | 1 Jan–31 Dec 2019 | 1 Jan–31 Dec 2018 |
|--|----------------------|----------------------|
| Restricted equity | 80 | 80 |
| Share capital at the end of the financial period | 80 | 80 |
| Restricted equity total | 80 | 80 |
| Non-restricted equity | | |
| Invested non-restricted equity fund at the beginning of the financial period | 12,859 | 11,459 |
| Primary offering | 314 | 0 |
| Correction items related to restructuring | 7,150 | 1,400 |
| Invested non-restricted equity fund at the end of the financial period | 20,323 | 12,859 |
| Profit from previous financial periods at the beginning of the period | 9,067 | 6,275 |
| Correction items related to restructuring | 0 | -9 |
| Dividend distribution | - 2,496 | -1,942 |
| Translation differences | 32 | 11 |
| Profit from previous financial periods at the end of the period | 6,571 | 4,324 |
| Profit for the financial period | 4,445 | 4,732 |
| Non-restricted equity total | 31,371 | 21,926 |
| Equity total | 31,451 | 22,006 |

Group responsibilities

| EUR 1,000 | 31 December 2019 | 31 December 2018 |
|--|---------------------|---------------------|
| Rental liabilities for office facilities | | |
| Due during the next year | 2,249 | 1,760 |
| Due later | 2,252 | 3,751 |
| Total | 4,501 | 5,511 |
| Vehicle leasing liabilities (includes VAT) | | |
| Due during the next year | 54 | 44 |
| Due later | 29 | 46 |
| Total | 83 | 90 |
| Leasing liabilities | | |
| Due during the next year | 900 | 801 |
| Due later | 899 | 907 |
| Total | 1,799 | 1,708 |
| Other liabilities | | |
| Corporate cards | 70 | 84 |
| Corporate mortgages | 8,240 | 8,240 |
| Total | 8,310 | 8,324 |
| Loans from financial institutions | 5,862 | 3,683 |

Calculation of key figures

| | | |
|---|---|--|
| 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 + depreciation and amortisation |
| EBITDA margin, % | = | $\frac{\text{Operating profit + depreciation and amortisation}}{\text{Net sales}} \times 100$ |
| Operating profit before amortisation of goodwill (EBITA) | = | Operating profit + amortisation of goodwill |
| Operating profit before amortisation 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 |
| Adjusted profit for the period | = | Profit for the period + amortisation of goodwill + extraordinary financial expenses |
| Equity ratio, % | = | $\frac{\text{Shareholders' equity}}{\text{Balance sheet total – advances received}} \times 100$ |
| Net gearing, % | = | $\frac{\text{Long-term loans from credit institutions + Short-term loans from credit institutions – Cash in hand and at banks – Other rights of ownership under non-current investments}}{\text{Shareholders' equity}} \times 100$ |
| Return on equity (ROE), % | = | $\frac{\text{Profit for the period (annualised)}}{\text{Average shareholders' equity}} \times 100$ |
| Return on investment (ROI), % | = | $\frac{\text{Profit before taxes (annualised) + financial income and expenses (annualised)}}{\text{Average shareholders' equity + average interest-bearing debt}} \times 100$ |
| Earnings per share (EPS), undiluted, euro | = | $\frac{\text{Profit for the period}}{\text{Average number of shares outstanding during the period (adjusted for share split)}} \times 100$ |
| Adjusted earnings per share (adjusted EPS), undiluted, euro | = | $\frac{\text{Adjusted profit for the financial period}}{\text{Average number of shares outstanding during the period (adjusted for share split)}}$ |

Tampere, Finland, 19 February 2020

Gofore Plc
Board of Directors

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Gofore Plc is a Finnish digitalisation specialist with international growth plans. We're made up of some 590 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 to know us better at www.gofore.com.