

GOFORE
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Gofore Plc
HALF-YEAR REPORT

| 1 January–30 June
2019

Gofore Plc's Half-year Report 1 January–30 June 2019

GOFORE PLC
COMPANY ANNOUNCEMENT 14 AUGUST 2019 AT 9.00

Gofore Plc's Half-year Report 1 January–30 June 2019 (unaudited): Profitable growth continued

January–June 2019 in brief

- Net sales increased to EUR 33.45 million, with a growth of EUR 8.76 million or 35.5% (EUR 24.69 million).
- Earnings before interest, taxes, depreciation and amortisation (EBITDA) was EUR 5.06 million (EUR 3.92 million), corresponding to 15.1% (15.9%) of net sales.
- Operating profit before amortisation of goodwill (EBITA) was EUR 4.97 million (EUR 3.82 million), corresponding to 14.9% (15.5%) of net sales.
- Operating profit (EBIT) was EUR 4.13 million (EUR 3.53 million), corresponding to 12.3% (14.3%) of net sales.
- Profit for the period was EUR 3.09 million (EUR 2.75 million), corresponding to 9.2% (11.2%) of net sales.
- The earnings per share was EUR 0.23 (EUR 0.21).
- The number of employees increased by approximately 32.2% to a total of 559 people (423).
- Silver Planet Oy, a digital transformation consulting company transferred to Gofore on 14 February 2019.
- Mangodesign, a design agency transferred to Gofore on 30 June 2019.

April-June 2019 in brief

- Net sales increased to EUR 16.8 million, with a growth of EUR 4.3 million or 34% (EUR 12.5 million).
- The Group's EBITA (operating profit before amortisation of goodwill) was EUR 2.1 million, corresponding to 12.6% of net sales (EUR 2.1 million, corresponding to 16.8% of net sales).

Key figures

Reported

In [thousands of] euros, unless otherwise mentioned	1–6/2019 ²	1–6/2018	2018 ¹
Net sales	33,453	24,691	50,581
Growth of net sales, %	35.5	71.9	49.0
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	5,063	3,915	6,964
Earnings before interest, taxes, depreciation and amortisation (EBITDA) margin, %	15.1	15.9	13.8
Operating profit before amortisation of goodwill (EBITA)	4,973	3,817	6,797
Operating profit before amortisation of goodwill (EBITA) margin, %	14.9	15.5	13.4
Operating profit (EBIT)	4,126	3,532	6,095
Operating profit (EBIT) margin, %	12.3	14.3	12.0
Profit for the period	3,092	2,752	4,732
Adjusted profit for the period ³	3,938	3,037	5,434
Earnings per share (EPS), undiluted, euros	0.23	0.21	0.36
Adjusted earnings per share (adjusted EPS), undiluted, euros	0.29	0.23	0.41
Number of outstanding shares at the end of the period (issue-adjusted)	13,989,784	12,948,800	13,116,982
Equity ratio, %	60.1	60.2	63.8
Net gearing, %	-27.2	-31.1	-53.58
Return on equity (ROE), % ⁴	23.8	30.2	23.8
Return on investment (ROI), % ⁴	25.8	31.4	24.9
Average overall capacity, FTE ⁵	500	373	405
Average subcontracting, FTE ⁶	59	46	46
Number of employees at the end of the period	559	423	495

Unless mentioned otherwise, the comparisons in this half-year report are presented in relation to the comparable period in 2018.

¹ The Solinor Oy figures are combined with the Gofore Group figures starting on 1 September 2018. In order to prepare for the possible transition to IFRS and when the Finnish Accounting Standards (FAS) makes it possible, the company has decided to deal with the cloud capacity resale as netted as of 1 January 2019. If this accounting principle had been followed in 2018, the company, according to its own estimate, would have reported net sales of approximately EUR 1.0 million lower, as well as materials and services approximately EUR 1.0 million lower.

² The Silver Planet Oy figures are combined with the Gofore Group figures starting on 15 February 2019.

³ The adjusted profit for the period refers to the profit for the financial period to which amortisation of goodwill and the non-recurring funding expenses from listing have been added.

⁴ Annualised.

⁵ 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.

⁶ 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 Timur Kärki comments on January–June 2019 development

We continued to grow strongly during the review period. In the first half of 2019, our net sales increased by 36% from the corresponding period the period year. The growth was driven by Solinor Oy, acquired in Autumn 2018, and Silver Planet Oy, acquired in early Spring 2019.

Our organic growth reached 16%. Growth was restricted not only by fierce competition for work force, but also by a significant reduction in development efforts during the second quarter among a few of our large customers.

The number of personnel increased by 32%. Our strong corporate culture and associated spirit of collaboration have helped us both in our target for organic growth and in our acquisitions.

Our profitability during the review period was good, with EBITA of EUR 4.97 million (14.9% of net sales).

We received orders from new and existing customers at an accelerating rate towards the end of the review period. Demand was strong for all our expert services. Demand for our advisory services developed particularly well. An increasing share of our net sales comes from services where we act as an advisor rather than build technical services ourselves. We strive to meet the changing needs of our customers by constantly renewing our expertise and services. Acquisitions also support this effort. Our management advisory capability improved with the acquisition of Silver Planet.

Our international business in the review period was EUR 3.6 million, corresponding to 10.7% of the Group's total net sales, an increase of 31.6% compared to the same period last year. At the end of the review period, we made another acquisition and a German design agency Mangodesign became part of the Gofore Group. This was our first overseas acquisition and therefore has more significance for the company in this regard than the acquired company's size. In line with our strategy, we want to be an internationally significant company and acquisitions are one way to accelerate our international growth.

We have previously estimated that our target market in Finland will grow at an annual rate of 15-25%. In our view, market growth has not been so strong during the past year, and the enthusiasm for development has decreased slightly from the peak years. However, in our view, the need for digital expert services is still growing, with technological advances creating new opportunities for new service experiences and disruptors changing organisational environments. The agile working methods and professional excellence we represent is in constant demand in this change.

Financial review 1 January–30 June 2019

Net sales

The net sales of the Gofore Group increased by 35.5% in January–June 2019 to a total of EUR 33.45 million, boosted by the acquisition of Solinor Oy (acquired in August 2018) and the acquisition of Silver Planet Oy (acquired in February 2019), as well as continued organic growth.

Net sales development during the review period:

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
June	5.1 (4.1)	559	19	525	59
May	6.2 (4.4)	558	21 (+ Ascension day)	515	60
April	5.5 (4.0)	552	20	504	57
March	6.1 (4.2)	544	21	500	66
February	5.3 (3.8)	538	20	487	61
January	5.2 (4.1)	504	22	469	52

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 counted from 1 July 2019 and is not included in the number of employees reported in June.

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 invoiceable 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.

Profitability and the development of earnings

In January–June 2019, the EBITDA of the Gofore Group was EUR 5.06 million, corresponding to 15.1% of net sales.

The EBITA in January–June 2019 was EUR 4.97 million, or 14.9% of net sales.

The EBIT in January–June 2019 was EUR 4.13 million, or 12.3% of net sales.

The arrangements which led to the group being formed created approximately EUR 19.13 million in goodwill on the balance sheet, which is to be amortised in ten years, in accordance with the Finnish Accounting Standards (FAS).

The personnel expenses in January–June 2019 were EUR 18.56 million, or 55.5% of net sales. This expense increased as the number of personnel increased. The light hierarchy of the group and the operations which are based on a self-steering work culture play a significant role in the management of personnel expenses.

Other operating expenses increased from the corresponding period the previous year to a total of EUR 5.22 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 30 June 2019 was EUR 50.03 million (EUR 30.97 million).

The increase of the balance sheet is mainly caused by general growth and the restructurings performed.

On 30 June 2019, the equity ratio of the group was 60.1% (60.2%), with a net gearing of –27.2% (-31.1%). The amount of goodwill on the balance sheet was EUR 18.70 million.

The operating cash flow after interest and direct taxes in January–June 2019 was EUR 2.66million.

At the end of the financial period, the group's liquid cash assets were EUR 14.63 million. The interest-bearing debts added up to EUR 7.04 million, consisting of bank loans and remaining purchase price of restructuring. Of this amount, EUR 5.17 million was in long-term and EUR 1.88 million in short-term interest-bearing debts. The company has a current account limit of EUR 1.0 million, which is currently not in use.

Acquisitions

On 14 February 2019, Gofore announced that it had agreed to acquire the entire share capital of digital transformation consulting company Silver Planet Oy. The transaction was completed on 14 February 2019. With the acquisition, Gofore strengthened its position as an advisor in digital transformation and one of the key builders of digital societies. Silver Planet employs about 40 digitalisation experts at its Helsinki, Finland 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 consists of the enterprise value EUR 10.8 million and compensation of EUR 3.5 million for net cash. Silver Planet Oy continues as an independent company and the company has been reported as part of Gofore Group as of 15 February 2019.

On 20 June 2019, Gofore announced that it had agreed to acquire the design agency Mangodesign in Germany. The acquisition complements Gofore's current service offering in Germany. The acquired company's net sales were EUR 544,000 in 2018 and it employs 12 people in its office in Brunswick, Germany. Mangodesign's ownership was transferred to Gofore on 30 June 2019 and its business was merged with Gofore Germany GmbH. Of the purchase price, Gofore Germany GmbH has paid EUR 432,000 to the sellers and EUR 48,000 is still outstanding as guarantee for the sale. In addition, an estimated additional purchase price of EUR 300,000 will be paid in accordance with the terms and conditions of the share purchase agreement.

The company's business areas and organisational structure

Gofore is a digitalisation specialist, providing expert and capacity services for corporate customers and public sector operators in Finland and Europe. The company's services are divided into business design and digital transformation consulting, design and implementation of digital services, and maintenance and continuous development services.

The parent company of the group, 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 Erofог Oy (no business operations).

Personnel and offices

At the end of the review period, the group employed a total of 559 people, of whom 524 work in Finland, where the company has offices in Helsinki, Jyväskylä, Turku and Tampere. Other offices are located in Swansea and London (UK), Munich and Brunswick (Germany), Madrid (Spain) and Tallinn (Estonia).

The number of personnel increased by 136, which is an increase of 32.2% from the end of the comparison period in 2018 (423). The average number of employees during the review period was approximately 543.

Changes in management

Terhi Vesanen (58), was appointed Chief Growth Officer and a member of the Executive Management Team on 19 June 2019. She took up her position 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 with the company since 2003 and 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 on 1 August 2019.

Erkki Salminen, Development Director and a member of the Executive Management Team, resigned from his position on 19 June 2019. He will continue to serve the company. Riikka Nurminen, Director, Marketing and Communications and a member of the Executive Management Team, left the Executive Management Team on 19 June 2019. She will leave the company on 1 September 2019.

As of 1 August 2019, the Executive Management Team consists of CEO Timur Kärki, CFO Petteri Venola, Sales Director Juha Virtanen, Chief Growth Officer, Terhi Vesanen, Director, M&A Mikael Nylund, Director, International Operations Ville Tuominen, Director, Marketing and Communications Petra Sievinen, and Chief Sustainability Officer, Kristiina Härkönen.

Changes in the group structure

Solinor Oy was merged with Gofore Group on 31 January 2019.

Silver Planet Oy was incorporated as a subsidiary of the Group on 14 February 2019.

Resolutions of the Annual General Meeting in 2019

The annual general meeting of Gofore Plc was held in Tampere 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 reelected, and Stefan Baggström 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, would 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 shares of the company 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 shares of the company 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 schemes 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 scheme or for other purposes determined by the Board of Directors.

The authorisation is valid until 26 March 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.

Shares, shareholders and share-based incentive schemes

At the end of June 2019, Gofore Plc's registered share capital was EUR 80,000.00, which corresponded to a total of 13,989,958 company shares, including 174 of the company's own shares. Own shares represent 0.001% of the total number of shares and votes.

At the end of June 2019, the company had 2,626 registered shareholders. At the end of the review period, 30,043 shares were held outside Finland. There were 42,013 nominee-registered shares, which corresponds to approximately 0.3% of the total shares.

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

At the end of June 2019, the company's market capitalisation was EUR 119 474,241. From the end of the previous financial period to the end of the review period, the share quotation increased by approximately 1.1%, and the quotation on the last day of June was EUR 8.54 (8.45). The average price of the company's shares, as weighted by the trading volume, was EUR 8.11. The highest share price was EUR 8.90, and the lowest EUR 7.00.

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 hold the acquired shares for the entire period.

On 30 June 2019, the company had 228 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 101,713 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 2019, the value of the matching shares would have been EUR 868,629.02.

At the end of the comparison period on 30 June 2018, the corresponding amounts were 249 employees entitled to the matching shares and the obligation to transfer 114,191 additional shares.

In September 2018, Gofore introduced a new employee share savings scheme (CrewShare) for the Group's personnel. As part of this scheme, Gofore issued a total of 20,801 new shares. The share issue is based on the authorisation given by the Annual General Meeting on 27 March 2018.

The new shares are the savings shares acquired by the participants during the savings period from 1 November 2018 to 28 February 2019. 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.

On 13 February 2019, Gofore's Board of Directors decided on the new savings period 2019-2020. The new plan period commenced on 1 March 2019 and will end on 29 February 2020. 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 2019 and financial statements for the year 2019 in March 2020. 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 holding period will end on 28 February 2022.

The total amount of savings in the plan period 1 March 2019–29 February 2020 may not exceed EUR 1 million, which corresponds to approximately 117,096 shares calculated at the share price of EUR 8.54 per share closed on 30 June 2019. At the end of the reporting period, 166 people employed by the Group were entitled to receive a total of 6,547 gross shares after the holding period if they had continuously held the shares acquired through the CrewShare plan.

On 14 February 2019, Gofore announced the acquisition of Silver Planet Oy, a digital transformation consulting company. 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 Oy's First North Finland market started on 17 April 2019. The new shares represent approximately 6.1% of the company's share capital after the registration of the new shares.

Share trading in Nasdaq Helsinki 1 January–30 June 2019

January–June 2019	Traded shares	Total value	Highest, EUR	Lowest, EUR	Average price (volume weighted), EUR	Latest, EUR
Gofore	765,892	6,212,352	8.90	7.00	8.11	8.54
			30 June, 2019	31 December, 2018	30 June, 2018	
Market value, EUR			119 474,241	110,839,968	112,266,096	
Shareholders (according to the shareholder list maintained by Euroclear Finland Oy)			2,626	2,486	2,456	

Research and development operations

In April 2019, the company launched a research project, Robins, funded by Business Finland. The project includes strategic development projects Capability Accelerator and Digital Gofore. The Capability Accelerator project explores ways to continually renew the capabilities of the company and thereby the service offering. The Digital Gofore project explores the operational transformation of the company towards an international digital service provider.

Gofore's Robins project is part of an initiative led and executed by the Tampere Universities community. The initiative studies the impact of artificial intelligence and robotics on sales. In addition to the involvement of Tampere Universities community and Gofore, the initiative consortium includes five other Finnish expert companies. The project cost from 1 April to 30 June 2019 was approximately EUR 44,000. The maximum grant from Business Finland is 40% of the total approved project cost, which is estimated to be approximately EUR 1,600,000 for the period 1 April 2019–30 April 2021.

The project is partly a continuation of the 'Kasvu, Kansainvälistyminen ja Digitaalinen Uudistuminen Palveluyrityksessä ("KAKADU")' project funded by Business Finland. The KAKADU project ended on 31 October 2018.

In May 2019, the company launched an ERP (Enterprise Resource Planning) project. The development work is aimed at improving the Group's financial reporting and continuous situational awareness. The work includes, among other things, the harmonisation and clarification of the system portfolio as well as the automation of the tasks of financial administration and enterprise resource planning. The EUR 18,600 development costs of the project have been capitalised in the consolidated balance sheet during the review period.

During the first half of 2019, the company has not had any other significant research and development operations.

Short-term risks and uncertainties

The development of our target market over the past year has been weaker and more difficult to assess. The ability of organisations to invest affects their capacity for development, which is reflected in the development of our market. The general economic situation and political decision-making thus also impact the future development of our target market.

The company estimates that delays in the commencement of customer assignments and the launch of new projects after the holiday season may affect profitability in the short-term. July net sales were lower than expected. The company will closely monitor its earnings development during the third quarter.

Significant events after the reporting period

The company's net sales 1 July–31 July 2019 were EUR 2.2 million (2018: EUR 2.2 million). The number of employees at the end of the period was 562. There were 23 working days during the period in Finland. The Overall capacity, FTE was 535, and the subcontracting FTE was 18.

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
July	2.2 (2.2)	562	23	535	18

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 counted 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 invoiceable 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.

Topi Koskinen, Chief Operating Officer and a member of the Executive Management Team, left the Executive Management Team on 5 July 2019. He is employed by the company until 31 August 2019.

Outlook for 2019

According to the guidance revised on 10 July, 2019 net sales are estimated to be EUR 67–72 million for the 2019 financial year.

Long-term financial goals

The long-term financial objectives defined in 2017 remain unchanged. Gofore is pursuing net sales growth exceeding the growth of the target market, estimated to be an annual 15–25% in the next few years, and an EBITA margin of 15%

Financial reporting in 2020

The financial information publication schedule for 2020 will be published at the end of 2019.

Tables

The half-year 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 from the accurate figures. The figures in the half-year report are unaudited.

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 Jan–30 Jun 2019	1 Jan–30 Jun 2018	1 Jan–31 Dec 2018
Net sales	33,453	24,691	50,581
Production for own use	19	-	-
Other operating revenue	36	223	193
Materials and services	-4,665	-3,827	-7,912
Personnel expenses	-18,558	-13,307	-27,557
Amortisations and depreciations	-937	-383	-869
Other operating expenses	-5,222	-3,864	-8,343
Earnings	4,126	3,532	6,095
Financial income and expenses, net	-45	15	-11
Profit after financial items	4,082	3,547	6,084
Year-end allocations	-	-	-1
Income taxes	-990	-795	-1,351
Profit for the financial period	3,092	2,752	4,732

EBITDA

EUR 1,000	1–6/2019	1–6/2018	2018
Earnings (EBIT)	4,126	3,532	6,095
Amortisation of goodwill	846	285	702
Other planned amortisations	90	98	167
Depreciations	-	-	-
EBITDA	5,063	3,915	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	30 June 2019	30 June 2018	31 December 2018
ASSETS			
Fixed assets			
Immaterial goods			
Development expenses	25	24	10
Immaterial rights	7	0	8
Goodwill	432		
Group Goodwill	18,697	5,078	8,626
Other long-term expenses	120	85	89

Material goods			
Machinery and equipment	447	367	406
Other material goods	60	41	46
Investments	3	51	51
Fixed assets total	19,852	5,645	9,235
Current assets			
Long-term receivables			
Loan receivables	0	2	0
Short-term receivables			
Accounts receivable	14,253	11,449	8,761
Loan receivables	2	26	15
Other receivables	512	471	520
Accrued income	788	3,418	568
Receivables total	15,555	15,366	9,865
Liquid asset securities			
Other securities	502	5,000	2,007
Cash and cash equivalents	14,125	4,962	13,417
Current assets total	30,182	25,328	25,289
ASSETS TOTAL	50,034	30,974	34,524

EUR 1,000	30 June 2019	30 June 2018	31 December 2018
LIABILITIES			
Equity			
Share capital	80	80	80
Invested non-restricted equity fund	20,163	11,459	12,859
Profit from the previous financial periods	6,562	4,341	4,335
Profit for the financial period	3,092	2,752	4,732
Equity total	29,896	18,632	22,006
External capital			
Long-term liabilities			
Loans from financial institutions	5,160	3,149	2,614
Other debts	6	0	516
Short-term liabilities			
Loans from financial institutions	1,405	1,069	1,069
Advances received	293	19	36
Accounts payable	2,328	1,969	2,112
Other debts	3,362	1,887	2,149
Accrued expenses	7,585	4,249	4,022
Short-term liabilities total	14,972	9,193	9,388
External capital total	20,138	12,341	12,518
LIABILITIES TOTAL	50,034	30,974	34,524

Group funding statement (FAS)

EUR 1,000	1 Jan–30 Jun 2019	1 Jan–30 Jun 2018	1 Jan–31 Dec 2018
Operating cash flow:			
Profit/loss before extraordinary items	4,082	3,547	6,084
Correction items:			
Planned amortisations	937	383	869
Financial income and expenses	45	-15	11
Other correction items (+/-)	-	-	-
Cash flow before change in working capital	5,063	3,915	6,964
Change in working capital:			
Increase/decrease in short-term non-interest-bearing receivables	-4,312	-5,159	1,060
Increase/decrease in short-term non-interest-bearing debts	2,659	1,230	1,352
Operating cash flow before financial items and taxes	3,410	-14	9,376
Interests and expenses paid from other operating funding costs	-48	-31	-60
Other operating funding income	0	46	48
Direct taxes paid	-704	-587	-1,524
Operating cash flow (A)	2,658	-586	7,840
Investment cash flow:			
Investments in material and immaterial goods	-147	-95	-205
Investments in subsidiary shares	-3 847	-	-2,319
Other investments	-	-	-
Proceed from sale of other investments	-	500	500
Investment cash flow (B)	-3,994	405	2,025
Funding cash flow:			
Equity increase subject to a charge ¹	154	-	-
Long-term loan withdrawals	3,500	-	-
Short-term loan repayments-	-	-	-37
Long-term loan repayments	-618	-571	-793
Issued dividends and other profit distribution	-2,496	-1,942	-1,942
Funding cash flow (C)	539	-2,513	-3,048
Change in funds (A + B + C) increase (+) / decrease (-)	-797	-2,695	2,767
Funds at the beginning of the financial period (1 Jan)	15,424	12,657	12,657
Funds at the end of the period	14,627	9,962	15,424

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

Change in group equity (FAS)

EUR 1,000	1 Jan–30 Jun 2019	1 Jan–30 Jun 2018	1 Jan–31 Dec 2018
Restricted equity	80	80	80
Increases in share capital related to restructurings	-	-	-
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	1,859	11,459	11,459
Primary offering	154	-	-
Correction items related to restructuring	7,150	-	1,400
Invested non-restricted equity fund at the end of the financial period	20,163	11,459	12,859
Profit from previous financial periods at the beginning of the period	9,067	6,272	6,275
Correction items related to restructuring	-	-6	-9
Dividend distribution	-2,496	-1,942	-1,942
Translation differences	-9	18	11
Profit from previous financial periods at the end of the period	6,561	4,341	4,335
Profit for the financial period	3,092	2,752	4,732
Non-restricted equity total	29,816	18,552	21,926
Equity total	29,896	18,632	22,006

Group responsibilities

EUR 1,000	30 June 2019	30 June 2018	31 December 2018
Rental liabilities for office facilities			
Due during the next year	1,972	1,835	1,760
Due later	3,162	2,981	3,751
Total	5,134	4,816	5,511
Vehicle leasing liabilities (includes VAT)			
Due during the next year	78	53	44
Due later	65	36	46
Total	143	88	90
Leasing liabilities			
Due during the next year	818	657	801
Due later	883	808	907
Total	1,701	1,465	1,708
Other liabilities			
Corporate cards	111	-	84
Other collateral securities			
Corporate mortgages	8,240	7,840	8,240
Securities			
Collateral securities issued for others			

Security deposits			
Total	8,351	7,840	8,324
Loans from financial institutions	6,565	4,217	3,683

Calculation of key figures

$$\text{Net sales growth, \%} = \left(\frac{\text{Net sales of the reporting period}}{\text{Net sales of the reference period}} - 1 \right) \times 100$$

$$\text{EBITDA} = \text{Operating profit} + \text{depreciations and amortisation}$$

$$\text{EBITDA margin, \%} = \frac{\text{Operating profit} + \text{depreciations and amortisation}}{\text{Net sales}} \times 100$$

$$\text{Operating profit before amortisation of goodwill (EBITA)} = \text{Operating profit} + \text{amortisation of goodwill}$$

$$\text{Operating profit before amortisation of goodwill (EBITA) margin, \%} = \frac{\text{Operating profit} + \text{amortisation of goodwill}}{\text{Net sales}} \times 100$$

$$\text{Net debt (net cash)} = \text{Long-term loans from financial institutions} + \text{short-term loans from financial institutions} - \text{cash and cash equivalents} - \text{other shares and parts of fixed assets}$$

$$\text{Adjusted profit for the period} = \text{Profit for the period} + \text{amortisation of goodwill} + \text{extraordinary financial items}$$

$$\text{Equity ratio, \%} = \frac{\text{Shareholders equity}}{\text{Balance sheet total} - \text{advances received}} \times 100$$

$$\text{Net gearing, \%} = \frac{\text{Long term loans from credit institutions} + \text{Short term loans from credit institutions} - \text{Cash in hand and at banks} - \text{Other rights of ownership under Non-current investments}}{\text{Shareholder equity}} \times 100$$

$$\text{Return on equity (ROE), \%} = \frac{\text{Profit for the period (annualised)}}{\text{Average shareholders' equity}} \times 100$$

$$\text{Return on investment (ROI), \%} = \frac{\text{Profit before taxes (annualised)} + \text{financial income and expenses (annualised)}}{\text{Average shareholder equity} + \text{average interest-bearing debt}} \times 100$$

$$\text{Earnings per share (EPS), undiluted,} = \frac{\text{Profit for the period}}{\text{Average number of shares}} \times 100$$

euros

Average number of shares outstanding during the period (adjusted for share split)

Adjusted earnings per share (adjusted EPS), undiluted, euros

=

Adjusted profit for the period
Average number of shares outstanding during the period (adjusted for share split)

Tampere, 14 August 2019

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 560 people across Finland, Germany, Spain, United Kingdom 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 2018, our net sales amounted to EUR 50.6 million. Gofore Plc's shares are quoted in the First North Finland market administered by Nasdaq Helsinki Ltd. Learn to know us better at www.gofore.com.