

1 Jan – 30 Sep 2022

Gofore Plc Business Review July-September

18 October, 2022

Unaudited



July-September 2022 Highlights

Gofore's organic growth 32%, record high net sales in September

- Net sales grew by 47% and were 31.7 (21.6) million euros. Organic growth of net sales was an especially notable 32%.
- Net sales increase from private sector customers was 67%, net sales growth from public sector customers was 35%. Net sales from outside of Finland grew by 98%.
- Record high net sales in September, 14.8 (10.4) million euros.
- Adjusted EBITA grew by 38% to 3.7 (2.7) million euros. Profitability was weakened due to growth investments from comparison period and was 11.8% (12.5%).
- The number of employees grew to a total of 1,126 (814) people, the overall capacity standing at 1,243 (876) people.
- September's employee experience survey shows significant improvement since February; eNPS (Employee Net Promoter Score) up from 30 points to 43.

Group Key Figures Summary, MEUR	Q3/2022	Q3/2021	2021
Net sales	31.7	21.6	104.5
Organic Growth of Net Sales, %	32.0%	13.3%	13.0%
Adjusted EBITA	3.7	2.7	14.6
Adjusted EBITA, %	11.8%	12.5%	14.0%
EBITA	3.8	2.7	14.5
Operating Profit (EBIT)	2.9	2.1	12.2
Earnings per share (EPS)*	0.14	0.11	0.61
Number of employees at the end of period	1,126	814	852
Overall capacity; in-house and subcontracted staff (FTE), at the end of period	1,243	876	926

* EPS diluted equals to EPS undiluted

All key figure calculation methods are explained in section "Calculation formulas for key figures"

January-September 2022 Highlights

Profitability on the rise, number of recruited people up 106%

- Net sales grew by 42% and were 104.2 (73.3) million euros. The organic growth of net sales, 27%, has sped up in the course of the year.
- Net sales increase from private sector customers was 60%, net sales growth from public sector customers was 32%. Net sales from outside of Finland grew by 63%.
- Adjusted EBITA grew by 50% and was 14.5 (9.6) million euros. Profitability improved somewhat from the corresponding period and was 13.9% (13.2%).
- The number of employees grew by 274 people in January-September, 32% growth from the end of 2021. The amount of people recruited, 318, up 106% from January-September 2021.
- The Devecto business acquired in January has developed as expected.

There were no significant events after the reporting period.

Group Key Figures Summary, MEUR	Q1-Q3/2022	Q1-Q3/2021	2021
Net sales	104.2	73.3	104.5
Organic Growth of Net Sales	27.0%	10.0%	13.0%
Adjusted EBITA	14.5	9.6	14.6
Adjusted EBITA, %	13.9%	13.2%	14.0%
EBITA	13.9	9.5	14.5
Operating Profit (EBIT)	11.3	7.8	12.2
Earnings per share (EPS)	0.54	0.38	0.61
Number of employees at the end of period	1,126	814	852
Overall capacity; in-house and subcontracted staff (FTE), at the end of period	1,243	876	926

* EPS diluted equals to EPS undiluted

All key figure calculation methods are explained in section "Calculation formulas for key figures"

Long-term target to continue fast and profitable growth

Targets remain unchanged from the previous financial report.

GROWTH

>20 % annual net sales growth, of which organic growth accounts for approximately half

PROFITABILITY

15 % adjusted EBITA

DIVIDEND

At least 40 % of annual net profit

Three avenues to reach growth targets

Growth in Finland

1. Become #1 in digital transformation business for the public sector
2. Become tier 1 service provider for several Top 100 private firms

International growth

1. Grow with international clients served from Finland
2. Expand physical presence and operations in Germany

Disciplined M&A

1. Keep up M&A growth at least at the historical pace
2. Acquire targets that fit to Gofore strategy

Organic net sales growth
32% in Q3/2022

Private sector net sales
growth 67% in Q3/2022

Growth in net sales from
outside of Finland 98% in
Q3/2022

Devecto acquisition early
2022 ideally completed
private sector offering

Selected highlights of growth strategy achievements

Thoughts from our CEO

Gofore's organic growth continued on a good level in July-September. The uncertainty of the global situation cannot be seen in our everyday work or customer demand for the time being, and despite slight caution, customers do continue and start digitalization projects. Uncertainty seems to have become the new normal in the recent years, one where the perseverance of individuals and communities is highlighted and grows stronger.

The many significant new agreements with the public sector have started to bear fruit in the fall, and private sector sales is also seeing good demand. In this review, we will give more insight to our new agreement with the GovStack alliance that promotes the digitalisation of developing governments, as well as our progress with Finland's new wellbeing service counties towards the official start of their operations in the beginning of 2023.

The Intelligent Industry business that was boosted with the Devecto deal, i.e. the digitalization work we do with intelligent machines and equipment, is making headway as planned. During the year, we have found more and more ways of cross-unit collaboration and cross selling in both this business and overall.

This year, the number of our employees has grown by as many as 274 professionals by the end of September. A steady flow of new Goforeans have started work in July-September, and our recruitment outlook is good for the rest of the year. It is also supported by the positive attention we get.

In the reporting period, Gofore got two different recognitions for being an exceptionally good workplace, which is the basis of our values.

The Reputation&Trust survey published on 29 September revealed that Finnish private investors consider Gofore's reputation as a workplace best out of 81 listed companies in the survey, and our overall reputation was also 10th best of all companies and 5th best of midcap companies.

Earlier in September, the Finnish Union of Professional Engineers in Finland awarded Gofore as the Engineer Employer of the Year, based on e.g. our own collective agreement we launched in the beginning of the year and that has been drawn up together with our crew. Good employer image cannot develop without good working life actions!

Our operating environment has remained favorable. The estimates we gave in our half-year report on our operating environment's short-term risks and uncertainties and their direct impacts on Gofore remain unchanged.

We look to the rest of the year with confidence.

Mikael Nylund, Group CEO



Quarterly Performance; Net sales and adjusted EBITA

EUR thousand, unless otherwise specified	Q3/2022	Q2/2022	Q1/2022	Q4/2021	Q3/2021	Q2/2021	Q1/2021
Net sales	31,717	37,120	35,398	31,203	21,627	26,446	25,232
Change in Net sales, %	47%	40%	40%	29%	33%	43%	34%
Adjusted EBITA	3,743	5,613	5,109	4,997	2,706	3,438	3,505
Adjusted EBITA, %	11.8%	15.1%	14.4%	16.0%	12.5%	13.0%	13.9%
Change in Adjusted EBITA, %	38%	63%	46%	53%	44%	40%	11%
Organic growth of Net sales, %	32%	27%	23%	21%	13%	9%	8%

Monthly Performance; Net sales and personnel

Month 2022	Net sales, MEUR (Net sales 2021)	Proforma LTM net sales	Number of employees at end of period	No. of working days in Finland	Full Time Equivalent, FTE	Subcontracting, FTE
January	10.8 (7.5)	118.5	993 (727)	20 (19)	917 (679)	147 (109)
February	11.3 (8.1)	120.3	1,015 (736)	20 (20)	942 (689)	153 (111)
March	13.3 (9.7)	122.9	1,043 (792)	23 (23)	968 (735)	155 (118)
April	11.5 (8.5)	125.0	1,056 (791)	19 (20)	988 (743)	156 (112)
May	13,1 (8.8)	128.3	1,068 (799)	21 (20)	1,004 (755)	163 (109)
June	12.5 (9.1)	130.8	1,074 (803)	21 (21)	1,015 (755)	162 (108)
July	4.1 (2.7)	131.8	1,062 (797)	21 (22)	1,004 (746)	78 (38)
August	12.9 (8.5)	135.2	1,086 (803)	23 (22)	1,016 (746)	156 (105)
September	14.8 (10.4)	138.5	1,126 (814)	22 (22)	1 060 (757)	183 (119)

All key figure calculation methods are explained in section "Calculation formulas for key figures"

Key Figures

EUR thousand, unless otherwise specified	Q3/2022	Q3/2021	Change	Q1-Q3/2022	Q1-Q3/2021	Change	2021
Net sales	31,717	21,627	10,091	104,236	73,306	30,930	104,509
Change in Net sales, %	46.7%	42.5%		42.2%	38.3%		34.1%
EBITDA	4,332	3,349	982	15,636	11,464	4,172	17,062
EBITDA, %	13.7%	15.5%		15.0%	15.6%		16.3%
Adjusted EBITA	3,743	2,706	1,037	14,465	9,649	4,817	14,646
Adjusted EBITA, %	11.8%	12.5%		13.9%	13.2%		14.0%
EBITA	3,762	2,706	1,057	13,948	9,463	4,485	14,451
EBITA, %	11.9%	12.5%		13.4%	12.9%		13.8%
Operating Profit (EBIT)	2,883	2,120	763	11,276	7,795	3,481	12,197
Operating Profit (EBIT), %	9.1%	9.8%		10.8%	10.6%		11.7%
Profit for the period	2,220	1,622	598	8,485	5,566	2,919	9,073
Earnings per share, EPS *	0.14	0.11	0.03	0.54	0.38	0.16	0.61
Return on equity (ROE), %	12.4%	11.4%		16.8%	15.8%		18.6%
Return on investment (ROI), %	12.7%	11.7%		17.9%	16.6%		19.1%
Equity ratio, %	59.5%	59.8%		59.5%	59.8%		61.5%
Net gearing, %	-17.9%	-29.3%		-17.9%	-29.3%		-41.1%
Number of employees at the end of period	1,126	814	312	1,126	814	312	852
Average overall capacity, FTE	1,027	750	277	991	734	257	745
Average subcontracting, FTE	139	88	51	150	103	47	113

* EPS diluted equals to EPS undiluted

All key figure calculation methods are explained in section "Calculation formulas for key figures"

Market Outlook

Digitalisation continues strong, but geopolitical and macro-economic uncertainties remain.

Digitalisation continues

Gofore estimates digitalisation to remain a megatrend also going forward, which reinforces the demand for the cutting-edge expertise offered by Gofore in the long term.

The corona virus pandemic has accelerated the digitalisation of the public and private sectors and the related investments which are further evolving from the implementation of individual digital services towards organisation-wide digital transformation and the evolution of digital capabilities. The ability and willingness of Gofore's customers to invest in digital transformation will according to company's estimation continue to depend on economic development in both the public and private sectors.

Public sector structural reform continues

Gofore expects digitalisation investments in the Finnish public sector to continue due to the structural reform. The long-term nature of public sector IT investments and long-term cooperation agreements render demand relatively predictable.

The legislative package adopted by the Finnish Parliament in June 2021 launched the reform of social services and healthcare in Finland.

The reform itself is a momentous project, and the acute development need for digitalisation of healthcare will also feature more prominently on the agenda.

The Finnish parliamentary elections in 2023 are expected to impact acute demand until a new government is formed and starts implementing their programme. The competitive landscape in the public sector has remained stable, and Gofore expect its position in the market to remain solid.

Digital investments remain a priority for private sector

In Finland's private sector, digitalisation remains one of the most important priorities. IT development still partially remains an internal activity of companies and organisations, and companies and organisations hire specialists of the field for various IT tasks. Both domestic and international IT service providers continue to offer top external expertise to Finnish private sector operators.

Outlook of the export industry, being of significance for Gofore, is dependent on global demand and working supply chains. Rising uncertainty could have an effect on customers' ability to invest in digital development. Up until now, we have only seen individual cases of this. New and more digital products have been a clear priority.

Gofore's comprehensive offering is estimated to be a good fit with the private sector's demand.

International markets

Markets outside of Finland are developing broadly in line with the Finnish market. Gofore's international customers are mainly from the private sector. Uncertainty related to big global economies like Germany has grown lately.

The global shortage of talent manifests itself in the market through international companies being more active in the search for partners, also in Finland.

Fight for talent continues

Competition for the best talent will continue in the IT industry. The pandemic brought forward a new way of working, eg. freelance and location-independent work. High demand for skilled workers increases risk of wage inflation, accentuated by the general inflation in the economy.

In the long term, Gofore continues to estimate its demand to grow and its services to stay competitive also in the future.

This content is unchanged from the previous review.

Turning digital society into an export asset

- Governments globally seek to improve their digital society services and keen to adapt theirs to the Finnish way
- Gofore drives building digital societies on an international scale and works in tight collaboration with Team Finland and Finnish public administration organisations
- Gofore works with international development aid alliances that help build digital governments in developing countries
- Recent GovStack deal won with Germany's international cooperation agency GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit) enables exporting Gofore knowhow in the X-Road technology and government service systems such as Suomi.fi
- GovStack Sandbox is an open-source compilation of systems that can be exported from the EU to developing markets such as African countries
- Gofore's share of the tendering is 1.3 million euros for development and continued service until the end of 2023
- Gofore sees good business potential in digital society exports

More on GovStack: www.govstack.global

EU digitalization comparison: <https://digital-strategy.ec.europa.eu/en/policies/desi>

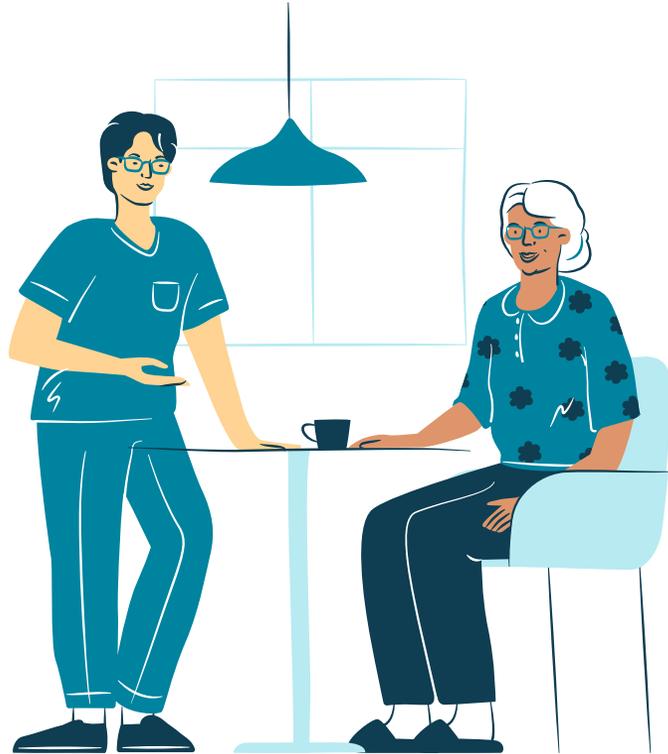
UN e-government survey: <https://publicadministration.un.org/en/Research/UN-e-Government-Surveys>



Finland is no. 1 in digitalisation comparison of the EU & No. 2 globally in the UN e-government survey



Wellbeing service counties start operating



What does this mean for Gofore's numbers?

Upon being chosen as a supplier in a public tender, it is too early to say when and how much invoicing there will be. When communicated, the tender has only just decided on and Gofore made aware of its placement. The actual orders within the frame agreements follow later and projects are usually 2-4 years long with options for extensions. Hence, invoicing is also periodised over a longer term that is unforeseeable when entering the agreement.

- In the healthcare and social reform decided by the Finnish Parliament in 2021, organising services is moved from municipalities to wellbeing services counties as of 1 Jan 2023
- 21 self-governing wellbeing service counties are now building up their services, and digitalisation is a relevant and government-subsidized part of that
- Gofore is an established health and social services sector digitalization expert and involved in reform projects
- Gofore has a long-term development partnership in ramping up ICT operations of the West Uusimaa (larger capital area) service county
- In the reporting period, Gofore won new frame agreements of the East Uusimaa and Lapland services counties, in addition to other, smaller projects related to the reform:
 - East Uusimaa: Wide 3 MEUR (total) frame agreement tendering, where Gofore chosen as 2nd priority partner within five in e.g. consulting and project management
 - Lapland: Extensive tendering of a frame agreement of 3,8 MEUR (total) on consulting, where Gofore was chose as no. 1 preferred partner within three

Employee experience soaring

Significant improvement in work satisfaction during the year, record recruitment numbers and external recognition of employer brand equal a strong employer position.

- Record number of 318 new hires in January-September, amount up 106% from corresponding period in 2021
- Employee experience survey shows Goforeans are genuinely happy; eNPS improved significantly during the year:
 - From 30 (02/22) to 43 (09/22)
 - People generally feel proud of their employer
- Two public, employer-related recognitions received in September:
 - Gofore has the best reputation as a workplace out of Finnish listed large and midcap companies in the investor edition of the annual Reputation&Trust survey
 - Gofore was chosen as the Engineer Employer of the Year by The Union of Professional Engineers in Finland



Month	No. of employees	Full-time equivalent, FTE	Subcontracting, FTE
January	993 (727)	917 (679)	147 (109)
February	1,015 (736)	942 (689)	153 (111)
March	1,043 (792)	968 (735)	155 (118)
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We want freedom to work where & how we choose.



Pioneering a better working life

Gofore continuously develops with the job market and working life, ensuring it attracts and engages the best experts. This year, Gofore has developed another set of flexible ways to enable stronger work satisfaction and recruiting:

1. Platform companies offer more freedom

- Independent subsidiaries Rebase and Sleek offer a different salary model
- Stronger relative crew growth than other units; Rebase +46%, Sleek +62% (Group +25%), compared to 1-9/21

2. Expanding locally in Finland brings community closer to talent

- Increasing interest towards remote work agreements and offices outside of Helsinki
- New openings in Lappeenranta, Oulu and Kajaani in 2022
- Growth in no. of new employees per area in 1-9/22:

• Helsinki	+22% (32%)
• Tampere:	+18% (14%)
• Turku:	+43% (27%)
• Jyväskylä:	+43% (34%)

3. International offices bring relocation opportunities

- Foreign offices show strong relative growth in recruitment; 3 offices combined +33% in 1-9/22
- Madrid office opening a remote site to Malaga



Short-term risks in the operating environment

Russian invasion on Ukraine

The direct implications of the Russian invasion or sanctions targeted on the country continue to be low for Gofore. Gofore doesn't have business operations in Russia, Belarus or Ukraine. The conflict is possibly expected to have indirect impact through customer business risks such as inflation. These risks impacted Gofore's business very little in the reporting period, and therefore Gofore currently sees a low risk.

RUSSIAN INVASION ON UKRAINE: LOW RISK



COVID-19

The coronavirus pandemic has slowed down to an endemic, and its impacts have remained minor on public and private sector customer segments. Gofore's sick leave levels have remained at a higher than pre-pandemic level, but there hasn't been a radical surge in cases. Gofore still sees the risk of cases and therefore sick leave levels as medium.

COVID IMPLICATIONS: MEDIUM RISK



Talent acquisition and salary inflation

Demand for skilled workforce continue to be high and increasingly also apply to digitalisation experts other than experienced technical and software developers. Due to the high demand, the risk of wage inflation has increased. Thanks to its strong employer brand and flexible ways of working, Gofore only sees a medium risk in talent acquisition as a whole.

TALENT ACQUISITION & SALARY INFLATION: MEDIUM RISK



M&A market

Gofore does intend to continue disciplined M&A by acquiring targets that fit its strategy. Industry valuations currently seem to be on a high level, however Gofore sees a lot of activity in the market. Gofore is an experienced and valued buyer in Finland. Hence, despite the market trend and M&A activity also taking place in Germany, M&A market risk is considered low.

M&A MARKET: LOW RISK



Public customer market

The public sector is more resistant to changes in macro economy than the private sector. Negative changes in the public sector IT investments may pose challenges to Gofore. Nonetheless, considering its market position, Gofore currently sees a very low risk in the public sector.

PUBLIC CUSTOMER MARKET: VERY LOW RISK



Private customer market

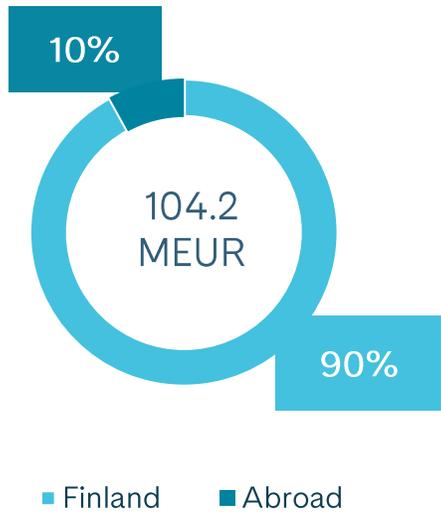
Private companies are more vulnerable than the public sector when it comes to the current political situation or country-specific macro economy risks. The competitive environment within customer business segments can also impact private companies, which could affect Gofore's profitability and growth. Gofore currently sees a medium risk in the private sector customer segment.

PRIVATE CUSTOMER MARKET: MEDIUM RISK



Net Sales Distribution

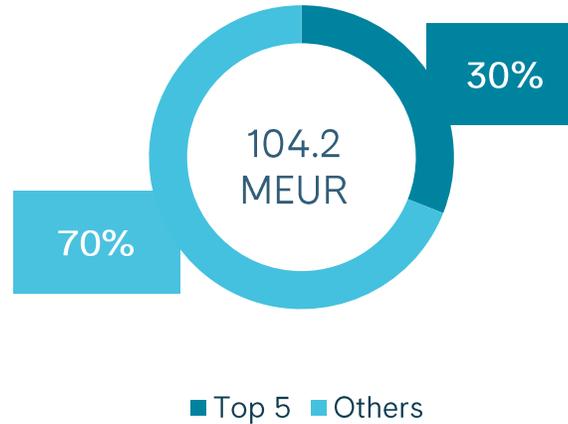
Geographically



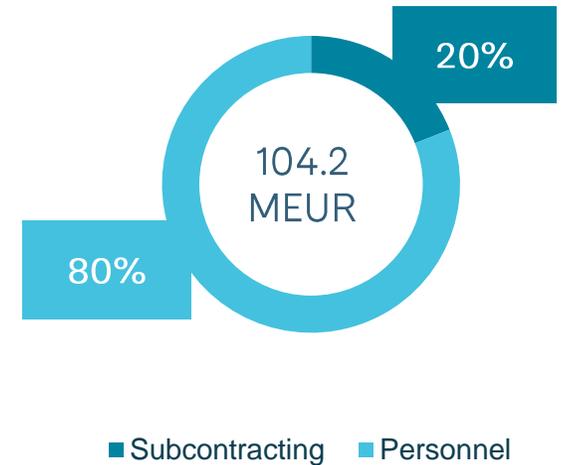
By sector



By customer size



Share of subcontracting

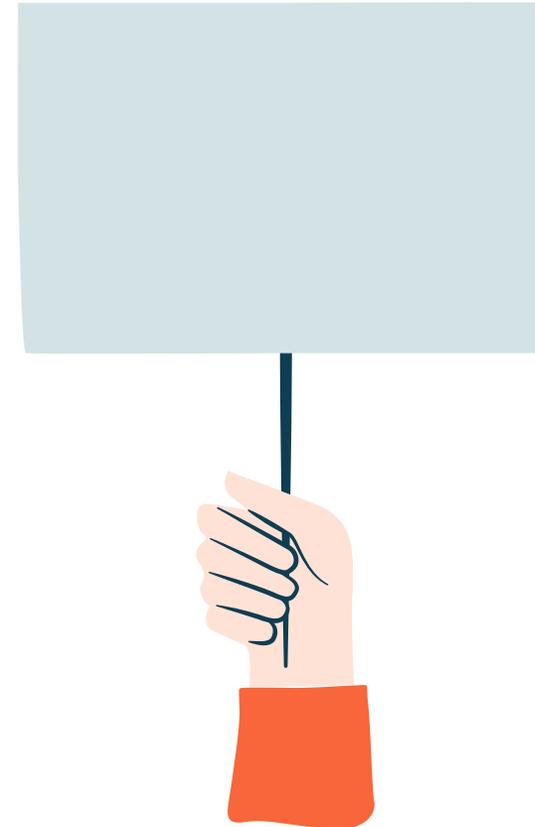


Disclosure and Guidance

As of February 2022, Gofore has not provided forecasts about the revenue or profit for the financial year. Before, Gofore may have presented an estimate of the company's revenue or performance guidance in the financial statement release or half-year report.

Enhancing publishes monthly and quarterly business reviews in addition to the financial statements bulletin and a half-year report.

Gofore develops the content of its monthly and quarterly business reviews, in an effort to further improve the company's transparency and more real-time monitoring of financial developments.



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Financial Information January-September 2022

Group Structure

Personnel and offices

At the end of September 2022, the Group employed a total of 1,126 (814) employees. The number of personnel increased from the corresponding period in 2021 by 38%. Growth occurred particularly in Finland, as a result of the Devecto acquisition.

The number of employees in Finland amounted to 1 079 (781), and in the other countries of operation to a total of 47 (33) employees.

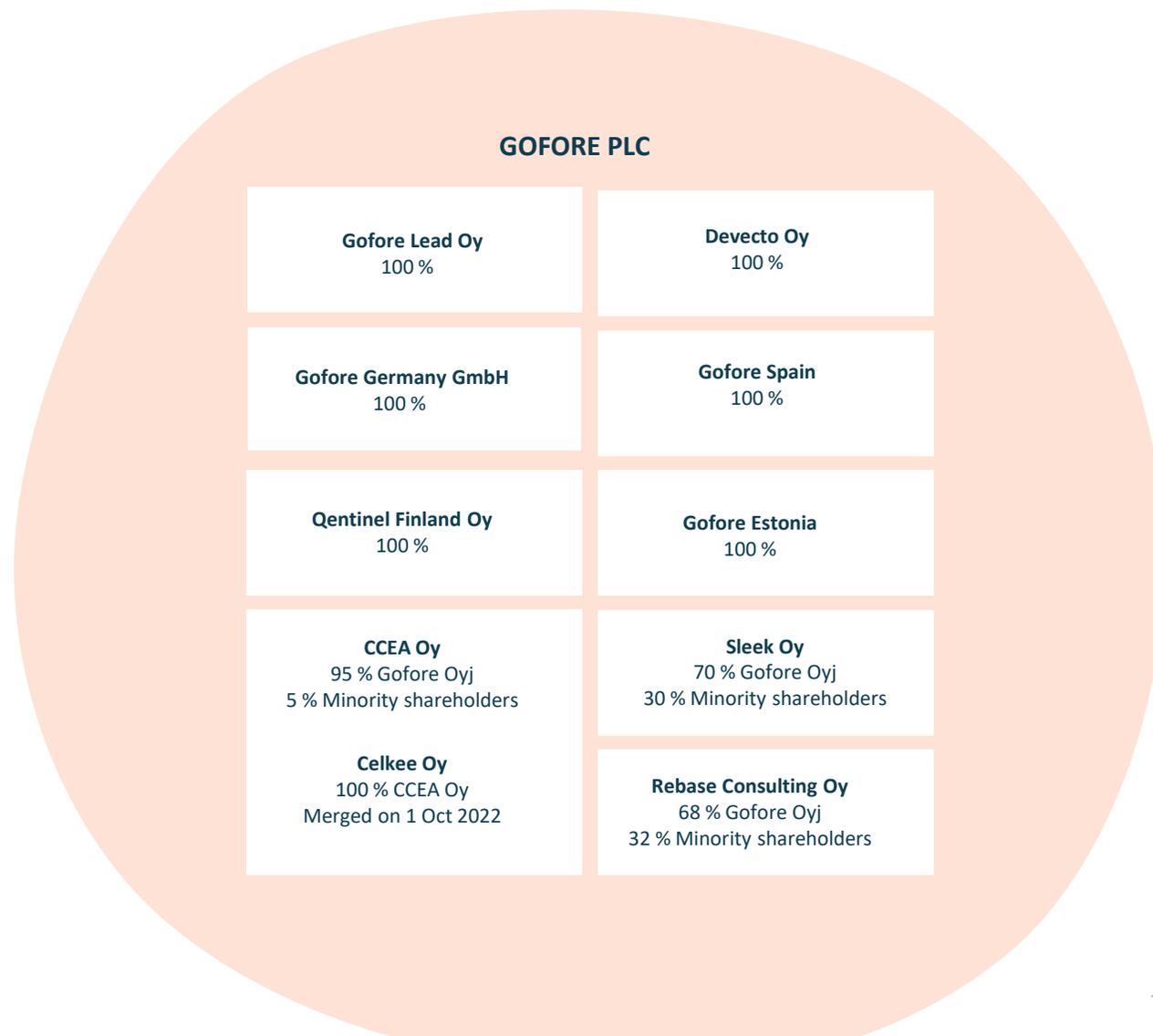
Gofore's offices are located in Helsinki, Espoo, Jyväskylä, Tampere, Lappeenranta, Oulu, Kajaani and Turku. Offices located outside of Finland are in Braunschweig and Munich in Germany, Madrid in Spain, and Tallinn in Estonia.

Corporate acquisitions

On 3 January 2022, Gofore announced it had acquired the entire share capital of Devecto Oy, a company specialised in software development and testing of smart devices and machinery, and related testing systems, for 21 million euros. 70% of the purchase price in cash and 30% in the form of share consideration.

Numbers of previously acquired CCEA Finland Oy have been consolidated in Gofore Group's comparable numbers for 2021 as of 1 March 2021.

The purchase price allocation of Devecto is presented in the section "Notes to the Accounts".



Net sales

Organic growth in July-September 32% - strong growth in net sales from outside Finland and the private sector

January – September 2022

During the period of January – September 2022, Gofore's net sales increased by 42% compared to the corresponding period in 2021, amounting to EUR 104.2 (73.3) million.

Growth was attributable to the Devecto acquisition and strong organic growth of 27%. The average hourly price of services sold also increased slightly.

Net sales generated from public sector sales increased to EUR 62.2 (47.1) million. Net sales generated from the private sector grew by as much as 60% to EUR 42.0 (26.2) million. Both the Devecto and the CCEA acquisition have contributed to the private sector sales growth.

The public sector's share of total net sales was 60% (64 %) and private sector's 40% (36%).

Net sales coming from Finland was EUR 94.0 (67.0) million, representing a 90% (91%) share of the Group's net sales. Other countries' share of Group net sales was 10% (9%); EUR 10.3 (6.3) million.

Subcontracted work represented 20% (19%) share of the Group's net sales; EUR 20.7 (13.8) million.

July – September 2022

During the period of July – September 2022, Gofore's net sales increased by 47% compared to the corresponding period in 2021 and amounted to EUR 31.7 (21.6) million.

The growth was primarily attributable to corporate acquisitions and organic growth, 32%.

Profitability

Adjusted EBITA growth in January-September 50%, 38% in July-September

January – September 2022

During the period of January – September 2022, Gofore's adjusted EBITA increased by 50% compared to the corresponding period in 2021 and amounted to EUR 14.5 (9.6) million and accounted to 13.9% (13.2%) of net sales.

Adjusted EBITA for the period was affected by an adjustment of corporate acquisition transaction costs by EUR 0.5 million. Adjusted EBITA in the comparison period was affected by a EUR 0.2 million adjustment of acquisition transaction costs. The calculation method of the adjusted EBITA is presented separately in the section "Calculation formulas for key figures".

EBITA for January – September 2022 amounted to EUR 13.9 (9.5) million and accounted for 13.4% (12.9%) of net sales.

The proportion of personnel expenses of net sales remained at the level of the comparison period, accounting for 57.0% (57.6%). Personnel expenses for January – September 2022 amounted to EUR 59.4 (42.3) million. The increase is attributable to growth in the number of personnel.

Other operating expenses amounted to a total of EUR 11.9 (7.9) million and accounted for 11.4% (10.8%) of net sales. The largest expense items included other personnel expenses, ICT expenses and external services. Depreciations excluding amortizations of intangible assets related to acquisitions were EUR 1.7 (2.0) million, accounting for 1.6% (2.7%) of net sales. Depreciations and amortizations were 4.4 (3.7) million euros; 4.2% (5.0%) of net sales.

Operating profit (EBIT) in January – September 2022 amounted to EUR 11.3 (7.8) million and accounted for 10.8% (10.6%) of net sales. Finance costs and income were EUR -0.3 (-0.8) million. Costs in the comparison period were increased due to Gofore's transfer to the official list of Nasdaq Helsinki. Profit for the financial period amounted to EUR 8.5 (5.6) million, showing 52% growth.

July – September 2022

During the period of July – September 2022, adjusted EBITA amounted to EUR 3.7 (2.7) million; 11.8% (12.5%) of net sales. Profitability was weakened due to investments in recruiting, marketing and growth in Germany. Adjusted EBITA in euros was significantly improved during the second quarter, showing a further 38% growth.

Balance sheet, cashflow, financing and R&D

The Group's liquidity is good, balance sheet and financing position strong

Gofore's equity ratio amounted to 59.5% (59.8%), with net gearing of -17.9% (-29.3%).

At the end of September 2022, the balance sheet total of the Gofore Group amounted to EUR 124.3 (97.3) million, of which total equity accounted for EUR 73.4 (57.7) million. At the end of the review period, net debt amounted to EUR -13.1 (-16.9) million.

Cash flow from operations increased over the period of January – September 2022 to EUR 7.6 (4.4) million. The cash flow from investments during the review period amounted to EUR -14.6 (-8.9) million.

Investments in subsidiary shares during the review period amounted to EUR 14.2 (8.7) million.

Cash flow from financing activities during the period amounted to EUR -7.7 (14.8) million, including investments to financial instruments -7.0 million (time deposit), paid dividends of EUR -4.4 million, repayments of lease agreement liabilities for EUR -1.4 million, withdrawals of new loans for EUR 8.0 million and loan amortisations for EUR -2.9 million.

At the end of the review period, cash assets amounted to EUR 24.4 (31.7) million.

At the end of the review period, Gofore Plc's unsecured loans from credit institutions amounted to EUR 15.2 (10.7) million. Gofore raised a new unsecured loan of EUR 8.0 million during the review period.

The loans are associated with the customary covenants tied to the equity ratio and interest-bearing net debt. The covenant conditions were met on 30 September 2022. In addition, Gofore has in its disposal an EUR 5 million binding, unsecured credit limit for the Group's short-term, general financing needs such as corporate acquisitions. The limit was not used during the review period.

Research & Development

The Business Finland supported projects on developing digital working were completed in 2021. The company's development activity in the reporting period was focused on enhancing its digital platform and enterprise resource management system.

Corporate Governance and Share Information

January-September 2022

Shares and Trading

Gofore Plc's share has been quoted on the official stock exchange list of Nasdaq Helsinki Ltd; share trading code GOFORE.

At the end of the reporting period on 30 September 2022

- Gofore Plc's registered share capital amounted to EUR 80,000.00 (EUR 80,000.00), corresponding to a total of 15,398,892 (15,042,085) company shares.
- Gofore or its subsidiaries were not in possession of any treasury shares in the reporting or the corresponding period.
- Trading volume in January –September 2022 amounted to 1.22 (4.3) million shares, corresponding to approximately 8% (29%) of average number of outstanding shares, trading value EUR 27.9 (82.7) million.
- At the end of September 2022, the company's market value was EUR 310.3 (312.0) million. Closing price of Gofore's share 30 September 2022 was EUR 20.15 (20.70).
- Trading volume-weighted average price of the share during the review period was EUR 22.97 (19.87).
- Highest trading price was EUR 26.00 (24.20) and the lowest EUR 18.25 (16.00).

310

Market value at the end of September, MEUR

-16.0%

Share price nine month value change

26.00

Highest price, EUR

Share Ownership

At the end of the reporting period on 30 September 2022

- The company had a total of 5,650 (5,824) registered shareholders.
- Foreign ownership accounted for a total of 1.61% (0.14%) of the shares.
- Holders of nominee registered shares owned a total of 19.81% (16.73%) of shares, total number of such shares amounted to 3,051,033 (2,522,168).
- Households owned 55.89% (58.43%) of the shares, private companies 5.26% (5.54%), financial and insurance institutions 26.99% (26.17%), non-profit organisations 0.70% (0.33%) and public corporations 9.55% (9.39%).

Changes in major shareholders' ownership

- Gofore received no flagging notifications in January-September 2022.

Directed share issues

- On 3 January 2022, the company announced it had carried out a directed share issue of 271,958 shares in relation to the Devecto acquisition. The new shares were entered in the Trade Register on 4 January 2021.
- On 11 March, the company announced it had carried out a directed share issue of 26,279 shares as a part of Crew Share program. The new shares were entered in the Trade Register on 21 March 2022.
- On 19 September, the company announced it had carried out a directed share issue of 28,570 shares as a part of Crew Share program. The new shares were entered in the Trade Register on 30 September 2022.

5,650

Shareholders at the end of September

55.9%

Household ownership

27.0%

Financial and insurance institutions ownership

Share-based loyalty and remuneration schemes

Gofore has had a share savings plan called CrewShare open to its entire staff since 2018. In January 2022, the Board of Directors resolved on a new plan period for 2022–2023, as well as on a new Performance Share Plan for key people.

CrewShare Plan

The plan is available to all Gofore Group's employees, who are offered the possibility to save monthly and invest in shares in the company at a 10 per cent discount, if the Board of Directors of the company so decides. The accrued savings are allocated towards acquiring Gofore's shares after the expiration of the savings period.

The new plan period commenced on 1 March 2022 and ends on 28 February 2023. Employees will be offered an opportunity to save a proportion of their regular salaries (EUR 50–400 per month). The accrued savings will be used for the acquisition of the Gofore shares biannually following the publications of the Half-year Report in September 2022 and financial statements release for the year 2022 in March 2023.

A total of 569 Gofore Group employees are participating in active CrewShare programs at the end of the report period.

Read more:
<https://gofore.com/en/releases/gofore-plc-gofore-plcs-directed-share-issue-for-the-transfer-of-savings-shares-in-employee-share-savings-plan-5/>

Performance Share Plan

In January 2022, the Board of Directors of Gofore Plc also decided to establish a new share-based incentive plan for the group's key personnel. The aim is to align the objectives of the shareholders and key personnel for increasing the value of the company in the long-term, to commit the key employees to work for the company and to offer them a competitive incentive scheme that is based on earning and accumulating shares.

The Performance Share Plan 2022–2024 consists of a three-year performance period, covering the financial years in question. The Board may decide annually on new performance periods.

26 persons, including the CEO and other management team members, currently belong in this plan.

Read more:
<https://gofore.com/en/releases/gofore-plc-gofore-resolved-on-incentive-plans-for-the-groups-employees-and-key-personnel/>

Resolutions of the Annual General Meeting

Adoption of the financial statements

The Annual General Meeting adopted the company's financial statements for the financial period from 1 January–31 December 2021.

Dividend of EUR 0.28 per share

The Annual General Meeting confirmed a dividend of EUR 0.28 per share to be paid for the financial period 1 January– 31 December 2021. The total amount of dividend is EUR 4,303,690.16, calculated on the basis of the outstanding shares as per the day of the Annual General Meeting. The record date for the dividend distribution will be 29 March 2022 and the dividend payment date will be 5 April 2022.

Resolution on discharge from liability

It was resolved to discharge the members of the Board of Directors and the CEO from liability for the financial period of 1 January–31 December 2021.

Remuneration report

It was resolved to adopt the Remuneration Report for the Governing Bodies.

Remuneration of the members of the Board of Directors

It was resolved that the remuneration for the Chair of the Board is EUR 3,500 per month and for the members of the Board EUR 2,000 per month. In addition, it was approved that the Shareholders' Nomination Board proposes that each Board Member be paid a fee for each committee meeting as follows: The Chair of the Committee should be paid EUR 800 and the other committee members EUR 400 for each meeting. All members of the Board will be compensated for travel expenses against receipt in accordance with the company's travel policy.

The number of members of the Board of Directors

It was resolved that the Board of Directors consists of six members.

Composition of the Board of Directors

The following persons were elected as the Board of Directors: **Eveliina Huurre** and **Tapani Liimatta** as new members and **Mammu Kaario**, **Piia-Noora Kauppi**, **Timur Kärki** and **Sami Somero** as old members.

Remuneration of the auditor

It was resolved that the auditor's remuneration is paid against the invoices approved by the company.

Election of the auditor

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

All resolutions of the AGM can be seen at <https://gofore.com/en/invest/governance/agm2022/>

Authorisations given by the Annual Meeting to the Board of Directors

Authorising the Board of Directors to resolve on the repurchase of the Company's own shares and/or accepting them as a pledge

The Annual General Meeting authorised the Board of Directors to resolve on the acquisition of the company's own shares of a maximum of 1,534,404 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 based on the date of the notice to 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. The authorisation is granted for the purposes of, among others, executing potential acquisitions and share-based incentive schemes or for other purposes determined by the Board of Directors and otherwise to be 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 26 March 2021 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 2023.

Authorising the Board of Directors to resolve on the issuance of shares and the issuance of option rights and other special rights entitling to shares

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 2,301,606 shares, equivalent to approximately 15% of the total number of shares of the company on the date of the notice to the meeting. The Board of Directors may decide 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 30 June 2023. 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.

Shareholders' Nomination Board

In its organisational meeting on 19 September 2022, the Nomination Board elected **Sami Somero** as the Chair of the Nomination Board.

The following members were appointed to Gofore Plc's Shareholders' Nomination Board:

- Timur Kärki, appointed by Timur Kärki
- Petteri Venola, appointed by Petteri Venola
- Mika Varjus, appointed by Mika Varjus
- Sami Somero, appointed by Gofore Plc's Board of Directors



Sami Somero

Consolidated Quarterly Business Review

1 Jan – 30 Sep 2022

Tables Section

Consolidated Statement of Profit and Loss and Other Comprehensive Income



EUR Thousand	Q3/2022	Q3/2021	Change	Q1-Q3/2022	Q1-Q3/2021	Change	2021
Net sales	31,717	21,627	47%	104,236	73,306	42%	104,509
Production for own use	109	115	-6%	203	219	-7%	140
Other operating income	14	10	33%	40	90	-56%	128
Materials and services	-5,754	-3,580	61%	-17,562	-11,994	46%	-17,547
Employee benefit expenses	-17,942	-12,369	45%	-59,393	-42,257	41%	-58,943
Depreciations, amortisations and impairment	-1,448	-1,229	18%	-4,361	-3,669	19%	-4,865
Other operating expenses	-3,812	-2,454	55%	-11,887	-7,900	50%	-11,226
Operating profit (EBIT)	2,883	2,120	36%	11,276	7,795	45%	12,197
Finance costs	-63	-54	18%	-284	-809	-65%	-902
Finance income	7	5	55%	14	27	-49%	40
Profit before tax	2,827	2,071	37%	11,006	7,013	57%	11,335
Income tax	-608	-449	35%	-2,521	-1,447	74%	-2,261
Profit for the financial period	2,220	1,622	37%	8,485	5,566	52%	9,073
Other Comprehensive Income							
Net other comprehensive profit or loss to be reclassified to profit or loss in subsequent periods							
Exchange differences on translation of foreign operations	0	3	-100%	0	3	-100%	12
Cash flow hedges	213	0	0%	495	0	0%	0
Other comprehensive income, net of tax	213	3	5994%	495	3	14057%	12
Total comprehensive income for the financial period	2,433	1,626	50%	8,980	5,570	61%	9,086
Profit/loss for the financial period attributable to:							
Equity holders of the parent	2,178	1,592	37%	8,334	5,496	52%	8,953
Non-controlling interests	42	30	37%	151	70	117%	120
	2,220	1,622	37%	8,485	5,566	52%	9,073
Total comprehensive income for the financial period attributable to:							
Equity holders of the parent	2,391	1,595	50%	8,829	5,500	61%	8,966
Non-controlling interests	42	30	37%	151	70	117%	120
	2,433	1,626	50%	8,980	5,570	61%	9,086
Earnings per share (EPS)							
Earnings per share, undiluted	0.14	0.11	0.03	0.54	0.38	0.16	0.61
Earnings per share, diluted	0.14	0.11	0.03	0.54	0.38	0.16	0.61

Consolidated Statement of Financial Position

EUR thousand	Q1-Q3/2022	Q1-Q3/2021	Change	2021
Assets				
Non-current assets				
Goodwill	41,316	26,897	54%	26,897
Other intangible assets	18,324	11,943	53%	11,257
Tangible assets	552	403	37%	427
Right-of-use assets	3,500	4,598	-24%	4,409
Other receivables	864	764	13%	1
Deferred tax assets	92	19	394%	37
Total non-current assets	64,648	44,623	45%	43,029
Current assets				
Trade receivables	24,061	15,722	53%	15,980
Contract assets	1,449	1,560	-7%	709
Other current assets	9,174	2,831	224%	2,346
Income tax receivables	22	317	-93%	144
Securities	509	565	-10%	575
Cash and cash equivalents	24,405	31,666	-23%	39,114
Total current assets	59,620	52,661	13%	58,869
Total assets	124,268	97,285	28%	101,898

EUR thousand	Q1-Q3/2022	Q1-Q3/2021	Change	2021
Equity and liabilities				
Equity				
Share capital	80	80	0%	80
Translation differences	0	-9	-100%	0
Other reserves	495	0	0%	0
Fund for unrestricted equity	47,460	40,106	18%	40,103
Retained earnings	24,998	17,316	44%	20,822
Equity attributable to equity holders of the parent	73,033	57,493	27%	61,005
Non-controlling interests	338	253	34%	304
Total equity	73,370	57,746	27%	61,309
Non-current liabilities				
Interest-bearing loans and borrowings	11,500	8,100	42%	7,450
Other payables	142	765	-81%	0
Lease liabilities	1,612	2,757	-42%	2,644
Deferred tax liabilities	3,610	2,227	62%	2,111
Total non-current liabilities	16,865	13,849	22%	12,205
Current liabilities				
Trade and other payables	15,577	12,099	29%	11,199
Contract liabilities	881	682	29%	2,217
Interest-bearing loans and borrowings	3,743	2,600	44%	2,600
Lease liabilities	1,929	1,884	2%	1,807
Accrued expenses	11,156	7,944	40%	10,028
Income tax payable	747	480	56%	533
Total current liabilities	34,033	25,690	32%	28,384
Total liabilities	50,897	39,539	29%	40,589
Total equity and liabilities	124,268	97,285	28%	101,898

Consolidated Statement of Changes in Equity

2022								
Attributable to equity holders of the parent								
EUR thousand	Share capital	Fund for unrestricted equity	Reserve for fair value	Translation differences	Retained earnings	Total	Non-controlling interests	Total equity
Equity on 1 of January 2022	80	40,103	0	0	20,822	61,005	304	61,309
Profit for the period					8,334	8,334	151	8,485
Other comprehensive income			495			495		495
Total comprehensive income	0	0	495	0	8,334	8,829	151	8,980
Share-based payments		1,042			146	1,188		1,188
Dividends					-4,304	-4,304	-131	-4,434
Share issue		0				0	0	0
Purchase of own shares						0		0
Acquisition of a subsidiary paid in shares		6,315				6,315		6,315
Acquisition of non-controlling interests		0			-1	-1	14	13
Equity on 30 of September 2022	80	47,460	495	0	24,998	73,033	338	73,370

2021								
Attributable to equity holders of the parent								
EUR thousand	Share capital	Fund for unrestricted equity	Reserve for fair value	Translation differences	Retained earnings	Total	Non-controlling interests	Total equity
Equity on 1 of January 2021	80	20,515		-12	15,476	36,059	23	36,082
Profit for the period					5,496	5,496	70	5,566
Other comprehensive income				3		3	0	3
Total comprehensive income	0	0	0	3	5,496	5,500	70	5,570
Share-based payments		574			142	716		716
Dividends					-3,373	-3,373		-3,373
Share issue		19,017			-426	18,592	8	18,600
Purchase of own shares						0		0
Acquisition of a subsidiary paid in shares						0		0
Acquisition of non-controlling interests		-1				-1	152	151
Equity on 30 of September 2021	80	40,106	0	-9	17,316	57,493	253	57,746

Consolidated Statement of Cash Flows

EUR thousand	Q1-Q3/2022	Q1-Q3/2021	Change	2021
Operating activities				
Profit before tax	11,006	7,013	57%	11,335
Adjustments to reconcile profit before tax to net cash flows:				
Depreciation and impairment	4,361	3,669	19%	4,865
Finance income and expenses	270	782	-66%	862
Other adjustments	1,288	729	77%	762
Change in working capital	-6,220	-5,300	17%	-334
Interest received and paid	-207	-146	41%	-226
Other financial items	0	-662	-100%	-666
Income tax paid	-2,907	-1,686	72%	-2,410
Net cash flow from operating activities	7,591	4,400	73%	14,187
Net cashflow from investing activities				
Proceeds from sale of tangible assets	61	5	1048%	5
Purchase of intangible assets	-210	-220	-4%	-140
Purchase of tangible assets	-242	-9	2553%	-60
Acquisition of a subsidiary, net of cash acquired	-14,186	-8,665	64%	-9,853
Net cash flow from investing activities	-14,577	-8,889	64%	-10,047
Net cash flow from financing activities				
Treasury shares acquired	0	-1	-100%	-1
Repayment of lease liabilities	-1,431	-1,657	-14%	-2,189
Proceeds from borrowings	8,000	3,000	167%	3,000
Repayment of borrowings	-2,861	-1,800	59%	-2,450
Financial instruments	-7,010	0	0%	0
Share issue	0	19,017	-100%	19,017
Transaction costs on issue of shares	0	-426	-100%	-426
Dividends paid to equity holders of the parent	-4,304	-3,373	28%	-3,373
Dividends paid to non-controlling interest	-131	0	0%	0
Changes in non-controlling interest	13	0	0%	0
Net cash flow from financing activities	-7,723	14,761	-152%	13,580
Net increase in cash and cash equivalents	-14,709	10,272	-243%	17,719
Cash and cash equivalents at beginning of period	39,114	21,394	83%	21,394
Cash and cash equivalents at end of period	24,405	31,666	-23%	39,114

Notes to the Accounts

1 Jan – 30 Sep 2022

Accounting Principles

This quarterly business review is not an IAS 34 compliant interim report. The figures presented for the reporting period are unaudited. Information concerning the full year 2021 is based on the audited financial statements for 2021.

Gofore has changed the accounting policy regarding hedge accounting under IFRS 9 regarding interest rate cap agreements as of 1 January 2022. Efficient share of fair value changes is recognized in the Income Statement's Other comprehensive income (OCI) and presented in fair value reserves in equity. The inefficient share of hedging is recognized in financial costs in profit and loss statement. Fair value reserves in equity are booked through profit and loss when the hedged item has a profit impact. Amendments to the standards taking effect in 2022 did not affect the Group. Otherwise, the quarterly business review is made according to the same accounting policies as the Financial Statements for 2021.

The fair values of financial assets and liabilities are materially consistent with their carrying amounts. For this reason, they are not presented separately in table format in this quarterly business review. Disclosures concerning share-based payments are presented in section Corporate Governance and Share Information.

Distribution of revenue

EUR thousand, unless otherwise specified	Q3/2022	Q3/2021	Change, %	Q1-Q3/2022	Q1-Q3/2021	Change, %	2021
Net sales by customer sector							
Private sector sales	12,946	7,757	67%	42,000	26,173	60%	36,570
Public sector sales	18,772	13,870	35%	62,235	47,132	32%	67,939
Net sales by origin of customer							
Finland	28,118	19,808	42%	93,965	66,996	40%	95,463
Other countries	3,600	1,819	98%	10,270	6,310	63%	9,046
Net sales by Crew / subcontracting							
Net sales, Crew	24,877	17,510	42%	83,489	59,533	40%	84,226
Net sales, subcontracting	6,840	4,117	66%	20,747	13,772	51%	20,283
Net sales by agreement types							
Time and material based projects	29,607	19,420	52%	96,710	65,854	47%	94,199
Fixed price projects	1,496	1,572	-5%	5,607	5,304	6%	7,544
Maintenance services	582	495	18%	1,836	1,813	1%	2,351
Third party commissions	32	140	-77%	82	335	-75%	416
Net sales, Group total	31,717	21,627	47%	104,236	73,306	42%	104,509

Intangible Assets

EUR thousand	Trademarks	Customer relationships	Non-compete agreement	Technology based intangibles	Models and templates	Capitalized development expenditure	Other intangible assets	Other intangible assets total	Goodwill	Intangible assets total
Cost										
1 January 2022	672	10,031	3,438	66	200	101	1,035	15,543	26,897	42,440
Additions	0	0	0	0	0	0	210	210	0	210
Business combinations	178	8,286	1,181	0	0	0	0	9,645	14,419	24,065
30 September 2022	850	18,318	4,619	66	200	101	1,245	25,399	41,316	66,715
Amortisation and impairment										
1 January 2022	-348	-2,720	-955	-11	-56	-36	-160	-4,286	0	-4,286
Amortisations	-336	-1,669	-607	-10	-50	-10	-107	-2,789	0	-2,789
30 September 2022	-684	-4,389	-1,562	-21	-106	-46	-268	-7,075	0	-7,075
Net book value										
1 January 2022	324	7,311	2,483	55	144	64	875	11,257	26,897	38,154
30 September 2022	166	13,928	3,057	45	94	55	978	18,324	41,316	59,640

EUR thousand	Trademarks	Customer relationships	Non-compete agreement	Technology based intangibles	Models and templates	Capitalized development expenditure	Other intangible assets	Other intangible assets total	Goodwill	Intangible assets total
Cost										
1 January 2021	414	8,472	2,577	0	0	0	895	12,359	23,312	35,670
Additions	0	0	0	0	0	0	219	219	0	104
Business combinations	258	1,559	861	66	200	101	0	3,045	3,586	6,630
30 September 2021	672	10,031	3,438	66	200	101	1,114	15,622	26,897	42,519
Amortisation and impairment										
1 January 2021	-69	-1,360	-406	0	0	0	-17	-1,853	0	-1,853
Amortisations	-205	-1,011	-406	-8	-39	-25	-133	-1,826	0	-1,186
30 September 2021	-274	-2,371	-812	-8	-39	-25	-150	-3,679	0	-3,679
Net book value										
1 January 2021	345	7,112	2,171	0	0	0	878	10,506	23,312	33,818
30 September 2021	397	7,661	2,626	59	161	75	964	11,943	26,897	38,840

Tangible Assets

EUR thousand	Machinery & Equipment	Other tangible assets	Total
Cost			
1 January 2022	997	480	1,477
Additions	111	131	242
Business combinations	64	0	64
Disposals	-39	0	-39
30 September 2022	1,133	610	1,744
Depreciation and impairment			
1 January 2022	-815	-235	-1,049
Depreciations charge for the year	-106	-37	-142
Disposals	0	0	0
30 September 2022	-920	-272	-1,192
Net book value			
1 January 2022	182	245	427
30 September 2022	213	339	552

EUR thousand	Machinery & Equipment	Other tangible assets	Total
Cost			
1 January 2021	879	396	1,275
Additions	0	10	10
Business combinations	114	0	114
Disposals	-5	0	-5
30 September 2021	988	407	1,394
Depreciation and impairment			
1 January 2021	-631	-184	-815
Depreciations charge for the year	-138	-39	-177
Disposals	0	0	0
30 September 2021	-769	-223	-992
Net book value			
1 January 2021	248	212	461
30 September 2021	219	183	403

Right-of-use Assets



EUR thousand	Right-of-use assets, buildings	Right-of-use assets, vehicles	Total
1 January 2022	4,323	86	4,409
Additions	553	112	666
Disposals	-235	0	-235
Business combinations	0	89	89
Depreciations for the financial year	-1,331	-98	-1,429
30 September 2022	3,311	188	3,500
1 January 2021	6,730	105	6,835
Additions	-278	32	-245
Disposals	-311	-14	-326
Business combinations	0	0	0
Depreciations for the financial year	-1,626	-40	-1,666
30 September 2021	4,515	83	4,598
1 January 2021	6,730	105	6,835
Additions	49	50	100
Disposals	-311	-17	-329
Business combinations	0	0	0
Depreciations for the financial year	-2,145	-52	-2,197
31 December 2021	4,323	86	4,409

Corporate Acquisitions

EUR thousand	Devecto Oy
Purchase price	
Consideration paid in cash	18,010
Consideration paid in shares	6,315
Total purchase price	24,325
Fair value of assets and liabilities recognised on acquisitions	
Assets	
Intangible assets	
Customer relationships	8,286
Trademarks	178
Non-compete agreements	1,181
Intangible assets	9,645
Tangible assets	
Right-of-use assets	89
Other assets	2,852
Cash and cash equivalents	1,366
Total assets	14,015
Liabilities	
Interest and non-interest bearing liabilities	
Lease liabilities	89
Deferred tax liability	1,929
Total liabilities	4,110
Total identifiable net assets at fair value	9,905
Goodwill arising on acquisition	14,419
Purchase consideration transferred	24,325
Cash flow impact of acquisitions	
Consideration paid in cash	18,010
Cash and cash equivalents	-1,366
Expenses related to the acquisition	551
Net cash flow on acquisition	17,195
Contingent consideration at the acquisition date	
EUR thousand	Devecto Oy
Contingent consideration liability at the acquisition date	3,492

Acquisition of Devecto Oy

On 3 January, 2022, Gofore communicated it had acquired the entire share capital of Devecto, a company specialised in software development and testing of smart devices and machinery and related testing systems. The purchase price of the share capital acquired amounted to 21.2 million euros. The total purchase price, 24.3 million euros, includes the estimated earn-out price, 3.2 million euros, debt-free price of business operations, 20 million euros, and the compensation for net cash and net working capital adjustment of 1.2 million euros. Gofore Plc paid 70% of the purchase price in cash and 30% in the form of share consideration. Also, an earnout has been agreed upon, based on Devecto's profit for the year 2022.

The preliminary purchase price allocation of Devecto Oy acquisition is presented here. The calculation is based on the management judgement for the fair values of acquired assets and liabilities as well as possible contingent consideration. Management has made a judgement regarding the possible earn-out for the year 2022. The judgement amounts to 3.2 million euros. The maximum earnout shall amount to 5 million euros and, in case it materializes, will be payable in the form of cash consideration during the first half of 2023.

Final decision concerning the purchase price allocation will be made within 12 months from the acquisition.

During the reporting period 0.3 million euros of contingent consideration, amounting 3.5 million euros at acquisition date, has been paid as working capital adjustment. Contingent consideration liability on 30 September, 2022 was 3.2 million euros.

Financing, related party transactions & commitments

Financing

Gofore Plc had unsecured loans of EUR 15.2 (10.7) million at the end of the review period. Gofore raised a new EUR 8.0 million unsecured loan during the period. The loans are associated with the conventional covenants tied to the equity ratio and interest-bearing net debt. The covenant conditions were met on 30 September 2022.

Gofore Plc has also a binding, unsecured revolving credit facility of EUR 5 million for the short-term general financing needs of the Group, such as corporate acquisitions. The credit facility remained undrawn throughout the review period.

The company has made interest rate cap agreements of EUR 9.2 million nominal value to hedge its floating rate loans. Cash flow hedge accounting is applied to those agreements. Efficient share of fair value changes is recognized into OCI and presented in fair value reserves in equity. Interest rate cap agreements are valid until 2 March 2026 and 29 December 2028. The fair value of cap agreements were EUR 619 thousand. The fair value of cap agreements was EUR -1 thousand on 31 December 2021.

Related party transactions

There were no sales, purchases, receivables or payables with related parties during the review period. The remuneration of the Board of Directors, Group CEO and members of the Group executive management team is published in the annual financial statements.

Commitments

Gofore Plc holds an unsecured operative guarantee limit of EUR 1 million of which EUR 477 thousand is in use at 30.9.2022. The company has made a 10-year rental commitment to new business premises at the end of 2020. Estimated time for the new premises is at the end of 2023.

Gofore has given a negative pledge on its financial loans.

Alternative performance measures (APM)

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

Gofore uses and presents the following alternative performance measures to better illustrate the operative development of its business:

- operating profit before amortization of PPA (EBITA), EBITDA, ROI, ROE, equity ratio and net gearing. PPA amortizations arise from assets recognized in fair value in acquired business combinations.

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

EUR thousand, unless otherwise specified	Q3/2022	Q3/2021	Change, %	Q1-Q3/2022	Q1-Q3/2021	Change, %	2021
Adjusted EBITA and EBITDA							
EBIT	2,883	2,120	36%	11,276	7,795	45%	12,197
Amortisation of intangible assets identified in PPA	879	586	50%	2,672	1,669	60%	2,254
EBITA	3,762	2,706	39%	13,948	9,463	47%	14,451
Transaction costs from business combinations	-11	0	-	540	195	-	195
Restructuring costs	0	0	-	0	-10	-	-1
Gains or losses from sales of fixed assets	-8	0	-	-23	0	-	0
Adjusted EBITA	3,743	2,706	38%	14,465	9,649	50%	14,646
EBIT	2,883	2,120	36%	11,276	7,795	45%	12,197
Depreciations	569	644	-12%	1,688	2,001	-16%	2,610
Amortisation of intangible assets identified in PPA	879	586	50%	2,672	1,669	60%	2,254
EBITDA	4,332	3,349	29%	15,636	11,464	36%	17,062

Calculation Formulas for Key Figures

Figure	Definition
EBITDA	Operating profit + depreciations and amortization
EBITDA margin, %	Operating profit + depreciations and amortization divided by net sales and multiplied by a hundred
Operating profit before amortization of intangible assets identified in PPA and impairment of goodwill (EBITA)	Operating profit + amortization of intangible assets identified in purchase price allocation (PPA) + impairment of goodwill
Operating profit before amortization of intangible assets identified in PPA and impairment of goodwill (EBITA) margin, %	Operating profit + amortization of intangible assets identified in purchase price allocation (PPA) + impairment of goodwill divided by net sales and multiplied by a hundred
Operating profit (EBIT) margin, %	Operating profit divided by net sales and multiplied by a hundred
Earnings per share (EPS), euros	Profit for the period attributable for shareholders of the company divided by the weighted average number of shares outstanding during the financial period adjusted for share issues, multiplied by a hundred
Return on equity (ROE), %	Profit for the period (annualised) divided by average total equity, multiplied by a hundred
Return on investment (ROI), %	Profit before taxes (annualised) + financial expenses (annualised) divided by average total equity + average interest-bearing loans and borrowings, multiplied by a hundred
Equity ratio, %	Total equity divided by balance sheet total – advances received, multiplied by a hundred
Net gearing, %	Non-current interest-bearing liabilities + Non-current lease liabilities + Current interest-bearing liabilities + Current lease liabilities – Cash and cash equivalents – Other rights of ownership under Current and Non-current investments, divided by total equity and multiplied by a hundred

Calculation Formulas for Key Figures

Figure	Definition
Full-time Equivalent, FTE	Overall capacity of the Group's personnel, converted into a value corresponding to the number of full-time employees. The figure includes the entire personnel, regardless of their role. The figure is not affected by annual leave, time-off in lieu of overtime, sick leave or other short-term absences. Part-time agreements and other long-term deviations from normal working hours reduce the amount of overall capacity in comparison with the total number of employees. The capacity of acquired companies' personnel has been considered as of the acquisition date.
Subcontracting, FTE	Subcontracting, FTE (Full Time Equivalent) figure shows the overall amount of subcontracting used in invoiced work, converted into a value corresponding to the number of full-time employees. Subcontracting used by acquired companies has been included as of the acquisition date.
Number of employees, at the end of the period	The number of employees at the end of the review period
Attrition rate	The number of resigned employees times the number of staff at the end of the reporting period. Therefore, attrition rate numbers from time periods of different lengths are not comparable.
Adjusted EBITA	Reported EBITA + (+ goodwill impairment +/- costs/gains directly related to acquiring business combinations + restructuring costs of business structure - gains of sales of fixed assets + losses of sales of fixed assets).
Organic growth	Organic growth is defined by comparing the quarterly net sales in the Group income statement with the net sales of the previous reporting period's corresponding quarter. The growth is calculated with a comparable Group structure using the Group structure of the time of reporting to calculate pro forma net sales for the corresponding period. The pro forma net sales include the impact of acquisitions and divestments and is unaudited.
Last twelve months' net sales, LTM	The last twelve months (LTM) pro forma net sales figure that the company uses tells the net sales for the Group structure of the time of reporting. The pro forma net sales include the impact of acquisitions and divestments and is unaudited.

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Upcoming financial reporting

- Monthly Business Reviews in the beginning of the next month
- Financial reporting schedule for 2023 will be published at the end of 2022.

Stay in touch!

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