



2015

enfo

FINANCIAL STATEMENTS BULLETIN

January–December
02 March 2016

Enfo Oyj's financial statements bulletin for 1 January – 31 December 2015

January–December 2015

- In January–December, turnover fell by 3.2% to EUR 140.6 (145.3) million. When the effect of divested businesses is taken into account, net sales remained at the previous year's level.
- Operating profit for the period fell by 22.3% to EUR 7.5 (9.7) million. This decrease was mainly caused by investments in new business operations. Profit before taxes amounted to EUR 6.8 (8.1) million.
- Earnings per share were EUR 7.39 (8.5).
- Operating cash flow was EUR 12.1 (11.5) million.
- Return on investment was 8.8% (11.3%).
- In January–December, Enfo Group employed an average of 818 (775) people. At the end of December, the Group employed a total of 883 (802) people.

October–December 2015

- Turnover in the final quarter fell by 2.3% to EUR 39.2 (40.1) million.
- Operating profit (EBIT) in the final quarter fell by 44.1% to EUR 1.2 (2.1) million.
- Profit before taxes in October–December stood at EUR 1.1 (1.5) million, and earnings per share were EUR 1.21 (1.77).

Outlook for 2016

The Group's turnover is expected to increase in 2016. Operating profit is expected to decrease from the year before due to investments in new business operations. In addition, non-recurring costs arising from measures to improve the efficiency of specific business units will reduce this year's operating profit.

Short-term risks are associated with maintaining competitive prices in the highly competitive IT services market.

Managing Director Arto Herranen:

Development in Enfo's main market areas in Finland and Sweden continued in different directions. In Finland, economic growth was close to zero, whereas general growth accelerated in Sweden. Furthermore, demand for IT services is becoming polarised: demand for traditional IT services is slowing down, while new IT services that mainly support digitisation are growing rapidly.

Our turnover decreased by 3.2% from the previous year to EUR 140.6 million. Considering the impact of sold business operations, the turnover was at the previous year's level. Instead, our profit was smaller than expected. Operating profit stood at EUR 7.5 million, showing a decline of 22.3%. The ratio between the operating profit and turnover was 5.4%. Most of the decrease in operating profit is explained by investments in new businesses, such as IT outsourcing services in Sweden and outsourcing services for financial processes which produced a total loss of more than EUR 4 million. On the other hand, both of these businesses enjoyed rapid growth and are now producing over 10% of Enfo's turnover.

We made progress in many areas. The turnover of consulting operations in Sweden grew, and there was also a clear improvement in profitability. The November acquisition of a majority shareholding in Rongo, a company specialising in analytics and BI solutions, increased the depth of our offering in a growing area of services, also in Finland. We also concluded new agreements for outsourcing financial processes with different companies, including Loiste and SRV.

Significant changes are taking place in the IT service market. In addition, the business operations of our customers require more varied services. As a result, customers are looking for solutions and services to support completely new business operations, whereas greater focus was previously placed on improving the efficiency of existing functions using IT. At the same time, the IT environment is becoming more complex.

On the basis of changes in the operating environment and the customer feedback we have received, we decided to revise our strategy and started a significant internal change process. This can now be seen as a new organisation and more streamlined operating methods. Entered into force from the beginning of 2016, our new organisation includes two new units which strengthen our service areas. One of these new units focuses on the development of new business operations, and the other serves our key customers. In addition, we performed an extensive rotation of duties in the management team. Through our new strategy and organisation, the focus of our operations will be shifted heavily towards new IT services that support digitisation. At the same time, we need to improve the efficiency of our traditional IT services in many ways. In this, automation and self-service play important parts.

Business development

Enfo Oyj is the parent company of Enfo Group. Enfo's business operations are divided into two separately reported segments – IT Services, and Financial Process Services.

IT Services

As the sale of services remained at the previous level in Finland, growth was particularly accelerated by the positive development of consulting operations in Sweden. In addition, profitability improved moderately, while profit for the period clearly improved from the poor reference period of the previous year. In consulting services, we were able to slightly increase our prices, while price competition continued to be fierce in traditional IT services.

In 2015, the turnover of IT Services increased by 1.1% to EUR 110.5 (109.3) million, and operating profit increased by 13.7% to EUR 6.4 (5.6) million. The increase in the turnover was particularly supported by the success of consulting operations in Sweden.

During the final quarter, the operating profit improved by 7.1% to EUR 32.4 million. The operating profit also grew by 35.4% to EUR 1.9 (1.4) million.

As the IT service market faced clear changes, the development of the turnover was affected by a number of factors. In Finland, demand for traditional IT services decreased. Instead, demand for consulting services strengthened in Sweden, and business operations increased heavily. Framsteg, a company acquired in autumn 2014, also strengthened Enfo's position as a provider of consulting services.

During the year, new customer agreements were signed with, for example, Forex Bank, Otava Group, VVO, HSY and Savox Communications. In IT Services, significant changes in the organisation and operating methods were carried out, with the new organisation starting at the beginning of October. The objective of this change is to better support sales and the development of the service range, and to set up a standard practice of working with customers. This also ensures the effectiveness of production and high service quality.

In November 2015, Enfo acquired a majority shareholding in Rongo Oy, a company specialising in Business Intelligence and analytics solutions. The business transaction did not have any significant impact on turnover (less than 1%), while it strengthened Enfo's position as a provider of consulting services and a Business Intelligence expert. Through the acquisition, Enfo obtained 75 new professionals.

Financial Process Services

Demand for Financial Process Services was at a reasonable level in 2015, while price erosion in invoice operations reduced the turnover, which stood at EUR 32.4 (37.6) million, showing a decrease of 14.0% from the previous year.

Operating profit decreased by 71.7% to EUR 1.2 (4.1) million. The operating profit was reduced by investments in service development and price competition in invoice operator services. The investments in development mainly concerned the strengthening of the operating conditions of financial process outsourcing services, the cloud-based MS AX service platform, and the digitisation of the service platform of invoice operations.

During the final quarter, turnover fell by 24.0% to EUR 7.6 (10.0) million, and operations turned to a loss, being at EUR -0.7 million.

The outsourcing of financial processes showed significant growth potential among medium-sized and large companies, and negotiations over outsourcing were entered into at an accelerating pace. New agreements were signed with Savon Voima, energy company Loiste and construction company SRV. The impact of these agreements can be seen as positive development starting from 2016.

The development of financial process outsourcing services and the recruitment of new professionals have proven to have been correct solutions. The increase in demand for outsourcing services, which continued during autumn 2015, offers positive hints at the expansion of business operations to new customer accounts in 2016. Instead, price competition is expected to remain fierce in invoice operations, regardless of growing volumes.

Turnover

Enfo Group's turnover in October–December decreased by 2.3% to EUR 39.2 (40.1) million. In January–December, the Group's turnover fell by 3.2% to EUR 140.6 (145.3) million.

Development of turnover by reporting segment

EUR million	10-12/2015	10-12/2014	1-12/2015	1-12/2014
IT Services	32.4	30.2	110.5	109.3
Financial Process Services	7.6	10.0	32.4	37.6

The turnover of the IT Services segment increased by 7.1% in October–December, amounting to EUR 32.4 (30.2) million. The full-year turnover stood at EUR 110.5 million, showing an increase of 1.1% from the reference period (EUR 109.3 million).

The turnover of the Financial Process Services segment increased by 24.0% in October–December, amounting to EUR 7.6 (10.0) million. In January–December, turnover decreased by 14.0% and stood at EUR 32.4 (37.6) million.

Profitability

Enfo's profitability decreased by 22.3% in January–December and stood at EUR 7.5 (9.7) million, comprising 5.4% (6.7%) of turnover. In October–December, the operating profit stood at EUR 1.2 million, showing a decrease of 44.1% from the reference period. The operating profit comprised 3.0% of the turnover (EUR 2.1 million and 5.3%).

Development of operating profit by reporting segment

EUR million	10-12/2015	10-12/2014	1-12/2015	1-12/2014
IT Services	1.9	1.4	6.4	5.6
Financial Process Services	-0.7	0.7	1.2	4.1

The operating profit of IT Services increased by 13.7% to EUR 6.4 million, whereas that of Financial Process Services fell to EUR 1.2 million. During the final quarter, the operating profit of IT Services stood at EUR 1.9 million and that of Financial Process Services was EUR -0.7 million.

Financing and investments

Enfo's net investments stood at EUR 12.1 million (1.2) in October–December, and EUR 14.3 million (8.9) in January–December. The investments mainly consisted of an increase in goodwill resulting from the acquisition of Rongo Oy, data centre equipment acquired through financial leasing agreements and investments in the range of Financial Process Services.

The company's equity ratio was 44.4% (42.9) at the end of the period. Interest-bearing net liabilities at the end of December amounted to EUR 27.8 (28.7) million and net gearing was 50.7% (55.1).

Personnel

In January–December, Enfo Group employed an average of 818 people (775). At the end of December, the Group employed a total of 883 (802) people.

Enfo's IT Services unit employed an average of 689 (647) people in January–December, while Financial Process Services employed an average of 91 (104) people. Of Enfo's personnel, 356 (367) were employed in Finland and 462 (408) in Sweden during the review period.

Shares

On 31 December 2015, Enfo Oyj had a total of 600,833 shares. At the end of December, the company had a total of 117 shareholders. The company has one series of shares. Enfo owned 1,011 of its treasury shares at the end of December 2015.

At the end of 2015, the ten largest shareholders in the company were: Osuuskunta KPY, Ilmarinen Mutual Pension Insurance Company, Enfo Oyj's Personnel Fund HR, Rongo Cap Oy, Einari Vidgrén Oy, Keskiuomalainen Oyj, Pohjois-Savon Osuuspankki, Hannu Isotalo Oy, Kallax Oy and Arto Herranen. Osuuskunta KPY's share of ownership is 84.91%.

Forecast for likely future development

The Group's turnover is expected to increase in 2016. Operating profit is expected to decrease from the year before due to investments in new business operations. In addition, non-recurring costs arising from measures to improve the efficiency of specific business units will reduce this year's operating profit.

Risks and uncertainties

Short-term risks and uncertainties are associated with maintaining competitive prices in all of the Group's business areas. In the long term, new operating methods, such as global cloud services, may significantly change the operating environment of traditional IT services.

Board of Directors' proposal on the distribution of profit

On 31st December 2015, the parent company's distributable funds totalled EUR 35,916,704.45. The company's Board of Directors will propose to the Annual General Meeting that a dividend of EUR 5.90 per share be paid for the 2015 financial period. The dividend will be paid to shareholders who are recorded in the company's list of shareholders maintained by Euroclear Finland Oy by the record date for the dividend payment, 1 April 2016. The dividend will be paid on 27 May 2016.

Timetable for financial reporting in 2016

The 2015 financial statements and annual report will be published on the Enfo Oyj website on 2 March 2016 at 9:00 am and the annual report will be released on 8 March 2016. Enfo Oyj's Annual General Meeting will be held on 30 March 2016.

The 2016 Q1 interim report will be published on 28 April 2016, the Q2 interim report on 26 August 2016 and the Q3 interim report on 26 October 2016.

Tables

This financial statements bulletin has been prepared in accordance with the recognition and measurement principles of the International Financial Reporting Standards (IFRS) and the accounting principles published in the 2015 Financial Statements. The figures in the tables have been rounded to the nearest million euros and may not add up to exact totals. The figures presented in the tables are unaudited.

Consolidated income statement

EUR million	10-12/2015	10-12/2014	1-12/2015	1-12/2014
Turnover	39.2	40.1	140.6	145.3
Other operating income	0.1	-0.1	1.0	0.1
Materials and services	-13.3	-14.8	-46.1	-48.5
Employee benefit expenses	-17.9	-17.0	-65.1	-62.6
Depreciation and amortisation	-1.2	-1.3	-5.0	-4.6
Other operating expenses	-5.6	-4.7	-17.8	-19.9
Operating profit	1.1	2.1	7.5	9.7
Financial income	0.0	0.1	0.5	0.4
Financial costs	-0.1	-0.7	-1.3	-2.0
Profit before taxes	1.1	1.5	6.8	8.1
Income tax	-0.2	-0.3	-1.4	-1.6
Profit for the period	0.9	1.2	5.4	6.4
Attributable to				
Equity holders of the parent	0.8	1.0	4.4	5.0
Non-controlling interests	0.1	0.1	1.0	1.4
Earnings per share, EUR	1.21	1.77	7.39	8.50

Statement of comprehensive income

EUR million	1-12/2015	1-12/2014
Profit for the period	5.4	6.4
Exchange rate differences caused by net investments in foreign subsidiaries	0.4	-1.0
Other translation differences	0.2	-0.6
Net investment hedging	0.1	
Cash flow hedging	0.1	0.0
Other comprehensive income for the period	6.2	4.7
Attributable to		
Equity holders of the parent company	5.2	3.3
Non-controlling interests	1.0	1.4

Consolidated statement of financial position

EUR million	31 Dec. 2015	31 Dec. 2014
Assets		
Non-current assets		
Tangible assets	4.4	5.2
Goodwill	71.5	62.3
Other intangible assets	9.2	7.1
Available-for-sale investments	0.1	0.1
Receivables	0.1	0.2
Deferred tax assets	1.4	1.2
Non-current assets, total	86.7	76.0
Current assets		
Inventories	0.1	0.3
Trade receivables	26.4	25.8
Other receivables	3.3	3.0
Tax assets based on the period's taxable income	2.0	3.4
Available-for-sale investments	0.0	0.0
Cash and cash equivalents	5.7	13.3
Current assets, total	37.4	45.9
Total assets	124.1	121.9
Equity and liabilities		
Equity		
Share capital	0.3	0.3
Share premium account	13.3	13.3
Other reserves	4.8	1.8
Retained earnings	35.1	35.3
Equity attributable to equity holders of the parent company, total	53.5	50.6
Non-controlling interests	1.4	1.4
Total equity	54.9	52.0
Non-current liabilities		
Interest-bearing liabilities	23.2	26.8
Other liabilities	5.0	0.3
Deferred tax liabilities	1.1	0.7
Non-current liabilities, total	29.3	27.8
Current liabilities		
Interest-bearing liabilities	10.2	15.2
Trade payables	9.7	9.4
Other liabilities	20.0	17.4
Current liabilities, total	39.9	42.0
Total liabilities	69.2	69.9
Total equity and liabilities	124.1	121.9

Condensed statement of cash flows

EUR million	1-12/2015	1-12/2014
Cash flow from operating activities		
Profit for the period	5.4	6.4
Adjustments to the profit for the period	6.6	7.8
Change in working capital	2.5	2.8
Interest paid and received	-1.1	-1.0
Taxes paid	-1.3	-4.5
Cash flow from operating activities	12.1	11.5
Cash flow from investment activities		
Acquisition of subsidiaries less financial assets on the acquisition date	-3.8	-3.0
Investments in tangible and intangible assets	-1.6	-1.0
Sales gains from business transactions	1.0	
Cash flow from investment activities	-4.4	-4.0
Cash flow from financing		
Changes in loans	-7.0	9.1
Changes in equity	-4.9	-4.5
Repayment of financial leasing liabilities	-3.3	-3.1
Cash flow from financing	-15.2	1.5
Changes in cash and cash equivalents	-7.6	9.0
Impact of exchange rate changes in cash and cash equivalents	-0.1	-0.1
Cash and cash equivalents at the beginning of the period	13.3	4.2
Cash and cash equivalents at the end of the period	5.7	13.3

Key figures

	1-12/15	1-12/14
Turnover (EUR million)	140.6	145.3
Operating profit (EUR million)	7.5	9.7
% of turnover	5.4	6.7
Profit before taxes (EUR million)	6.8	8.1
% of turnover	4.8	5.5
Profit for the period (EUR million)	5.4	6.4
% of turnover	3.8	4.4
Earnings per share, EUR	7.39	8.50
Return on investment, %	8.8	11.3
Return on equity, %	10.1	12.4
Equity ratio, %	44.4	42.9
Net gearing, %	50.7	55.1
Interest-bearing net debt (EUR million)	27.8	28.7
Equity/share, EUR	89.0	85.8
Average number of employees	818	775
Number of shares	600,883	590,833

	Share capital	Share premium reserve	Treasury shares	Translation differences	Change in value and other reserves	Retained earnings	Total	Equity holders without control	Total equity
Equity on 1 January 2014	0.3	13.3	-0.1	2.8	1.8	32.3	50.5	1.3	51.7
Profit/loss for the period						5.0	5.0	1.4	6.4
Comprehensive income									
Other comprehensive income									
Exchange rate differences caused by net investments in foreign subsidiaries				-1.0			-1.0		-1.0
Net investment hedging				-0.1			-0.1		-0.1
Other translation differences				-0.5			-0.5	-0.1	-0.6
Other comprehensive income items for the period after taxes				-1.6			-1.6	-0.1	-1.7
Other comprehensive income for the period				-1.6		5.0	3.4	1.3	4.7
Business operations with owners									
Distributed dividends						-3.2	-3.2	-1.2	-4.4
Total						-3.2	-3.2	-1.2	-4.4
Equity on 31 December	0.3	13.3	-0.1	1.2	1.8	34.2	50.6	1.4	52.0

	Share capital	Share premium reserve	Treasury shares	Translation differences	Change in value and other reserves	Retained earnings	Total	Equity holders without control	Total equity
Equity on 1 January 2015	0.3	13.3	-0.1	1.2	1.8	34.2	50.6	1.4	52.0
Profit/loss for the period						4.4	4.4	1.0	5.4
Comprehensive income									
Other comprehensive income									
Exchange rate differences caused by net investments in foreign subsidiaries				0.4			0.4		0.4
Net investment hedging				0.1			0.1		0.1
Other translation differences				0.4		-0.2	0.2		0.2
Cash flow hedging					0.1		0.1		0.1
Other comprehensive income items for the period after taxes				0.9	0.1	-0.2	0.8		0.8
Other comprehensive income				0.9	0.1	4.2	5.2	1.0	6.2
Business operations with owners									
Distributed dividends						-3.5	-3.5	-1.4	-4.9
Share issue					1.0		1.0		1.0
Acquisition of treasury shares			-0.1				-0.1		-0.1
Sale of treasury shares			0.1				0.1		0.1
Share of non-controlling interests associated with the acquisition of subsidiaries								0.3	0.3
Management incentive scheme						0.2	0.2		0.2
Total			0.0		1.0	-3.3	-2.3	-1.1	-3.4
Equity on 31 December 2015	0.3	13.3	-0.1	2.1	2.9	35.1	53.5	1.4	54.9

Turnover by business segment

EUR million	10-12/2015	10-12/2014	1-12/2015	1-12/2014
IT Services	32.4	30.2	110.5	109.3
Financial Process	7.6	10.0	32.4	37.6
Eliminations and others	-0.9	-0.1	-2.2	-1.5
Group total	39.2	40.1	140.6	145.3

Operating profit by

EUR million	10-12/2015	10-12/2014	1-12/2015	1-12/2014
IT Services	1.9	1.4	6.4	5.6
Financial Process	-0.7	0.7	1.2	4.1
Group items and others	0.0	0.0	0.0	0.0
Group total	1.2	2.1	7.5	9.7

Changes in tangible fixed assets

EUR million	1-12/2015	1-12/2014
Carrying amount at the beginning of the period	5.2	5.3
Increases	1.8	3.2
Decreases	-0.2	-0.8
Depreciation and amortisation	-2.5	-2.6
Carrying amount at the end of the period	4.4	5.2

Commitments and contingencies

EUR million	31 Dec. 2015	31 Dec. 2014
Debts and their securities		
Loans from financial institutions	18.5	25.4
Business mortgage	0.0	11.4
Subsidiary shares	0.0	16.4
Derivative contracts		
Interest swaps		
Fair value	-0.1	-0.2
Rated value SEK (SEK 13,074,320)	1.4	4.2
Rated value EUR	5.9	6.8
Other liabilities		
Leasing liabilities	6.1	7.0
Other rental liabilities	7.3	6.7
Other contingent liabilities	0.0	0.1
Bank guarantees	0.2	0.3
Total other liabilities	13.7	14.1

During the financial period, the Group signed a new Creditors Agreement with financial institutions. The agreement replaced mortgage and share pledges.

For further information, please contact: Arto Herranen, CEO, tel. +358 44 7193 000 and Christian Homén, CFO, tel. +358 40 750 6902 (email format: firstname.lastname@enfo.fi).

Enfo is a Nordic IT service company offering business solutions, financial processes and managed IT services. Our passion is helping customers transform their business in the digital dimension. We are constantly thinking beyond tomorrow while taking responsibility for today. Enfo's annual turnover is EUR 140 million (2015), and the company employs approximately 1,000 niched experts. For further information, please visit enfo.fi.

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