

# FINANCIAL STATEMENT

# BULLETIN

1 January – 31 December 2017



# ENFO OYJ'S FINANCIAL STATEMENT BULLETIN

## 1 January – 31 December 2017

### Enfo Q4: Turnover increased, profit decreased

On 4 October 2017, Enfo Oyj sold its majority stake in Enfo Partner Oy, a subsidiary providing financial business process outsourcing services, to Administer Oy, specialized in electronic financial management services. The divested Financial Process Services business is reported under discontinued operations. Enfo Oyj's sale of the entire share capital of its subsidiary, Enfo Zender Oy, to Ropo Capital was completed on 1 February 2017. The divested Information Logistics business is reported under discontinued operations.

The figures in the financial statement bulletin reflect continuing operations with comparison data unless otherwise stated.

### Key points of the financial statement bulletin

- Turnover increased by 5.2% in October–December to EUR 36.2 (34.4) million. Turnover for January–December increased by 5.9% to EUR 132.9 (125.5) million.
- The operating margin excluding non-recurring items was EUR 2.5 (2.1) million in the fourth quarter and EUR 6.4 (6.5) million for January–December.
- The operating profit (EBIT) was EUR -2.6 (-0.1) million in the fourth quarter. The operating profit for January–December was EUR -5.1 (2.5) million.
- The profit before taxes was EUR -2.6 (-0.2) million in the fourth quarter. Profit before taxes since the start of the year amounted to EUR -6.1 (1.5) million.
- In the review period, the profit from continuing operations in the fourth quarter was EUR -3.6 (-0.4) million, and EUR -7.2 (1.2) million since the start of the year. The profit earned in discontinued operations was EUR 15.5 million in 2017. The profit for the financial year, including discontinued operations, was EUR 8.4 (1.2) million.
- The earnings per share in the fourth quarter (continuing operations) were EUR -8.73 (-1.05). The earnings per share for the full year (continuing operations) were EUR -13.46 (-1.53). The earnings per share for January–December including discontinued operations were EUR 9.91 (-1.60).
- Operating cash flow was EUR 5.2 (5.8) million in the fourth quarter, and EUR 3.8 (5.5) million for January–December.
- Enfo's continuing operations employed an average of 911 employees (820) during the year and a total of 888 employees (921) at the end of the year.

### Outlook for 2018

The Group's turnover is expected to increase in 2018. The Group's operating margin is also expected to increase in 2018.



## Risks and uncertainties

Short-term risks and uncertainties are associated with maintaining competitive prices in all of the Group's business areas. The competition for expert employees is a major factor in terms of growth. The largest long-term uncertainties are associated with a decrease in demand for traditional IT services.

## CEO's review

Arto Herranen, Enfo's CEO until the end of 2017, comments on 2017 as follows:

"2017 was a year of change for Enfo. The year was characterized by acquisitions and divestments that fulfill our chosen strategy. Enfo is now a Nordic IT service company that is capable of both building and running data-driven operations for its customers. In a market split between small development-driven and large management-driven operators, Enfo combines the strengths of a small, agile player with those of a large and reliable operator. The integration of e-man AB, a company specializing in integration solutions, which Enfo Sweden AB acquired in November 2016, continued in 2017. In February 2017, Enfo sold Enfo Zender Oy, which was engaged in the Information Logistics business, to Ropo Capital. In October, Administer Oy, specializing in electronic financial management services, acquired the majority stake of Enfo's subsidiary Enfo Partner Oy, which provides financial business process outsourcing services. Since the transaction, Enfo has had a less than 20% stake in the company. Administer and Enfo have agreed on broad cooperation.

During the year, Enfo considerably revised its business structure with the aim of accelerating the strategic implementation and improving the customer orientation of its operations. In July, the Group divided its operations into three business areas. The new business structure entered into force at the beginning of October. In connection with this, we initiated a transformation program in August and, as a result, reduced the number of personnel employed by the Group, mainly in managerial and administrative positions, by a total of 36. As a consequence of these changes, we recognized large non-recurring costs through profit and loss.

Towards the end of autumn, Enfo sharpened up its strategy, revised its mission and vision and defined three must-win battles related to talent, its integrated service offering and customers."

Seppo Kuula, Enfo's CEO from the beginning of 2018, comments as follows:

"In 2018, Enfo will focus on profitability and a sustainable business foundation. Towards 2020, Enfo takes the role of a modern data integrator, with focus on comprehensive data management, combining new digital services with development of business and IT. Cloud and hybrid solutions will play a key role. Going forward, bringing together new digital service development with existing IT services and solutions is imperative. This demands a broad perspective on use of technologies. Enfo both builds and runs data-driven operations, services and solutions with its customers. We have an extensive customer base of large and medium-sized enterprises in Finland and Sweden. By further integrating the offering for these customers, Enfo has a unique position and considerable growth potential.

In 2018, we will develop our competence management to be able to scale expertise in areas where demand exceeds supply. We will also put efforts towards recruiting. We will develop our culture based on our values and our leadership with lean principles. In addition, we will enhance internal steering mechanisms and invest in internal and external communications.

Focus of the strategy work in 2018 will be on anchoring the refined strategy among employees and stakeholders, as well as on execution of defined must-win battles. Enfo enables data-driven business transformation for a more intelligent Nordics. Enfo's must-win battles towards 2020 are: a workplace to love; collaborative, integrated value creation; and to be the trusted partner."

## Timetable for financial reporting in 2018

The financial statement bulletin for 2017, including tables, is published on Enfo's website at 9 a.m. (EET) on 2 March 2018. The annual report will be published on 9 March 2018. Enfo Oyj's Annual General Meeting will be held on 27 March 2018.

The interim report for Q1/2017 will be published on 26 April 2018, Q2 on 23 August 2018, and Q3 on 26 October 2018.

## Enfo's business

Enfo Oyj is the parent company of Enfo Group. Enfo is a Nordic IT service company enabling data-driven business transformation. Enfo builds and runs data-driven solutions and services with its customers and employs approximately 900 experts in Finland and Sweden.

## Turnover and profit

Enfo Group's turnover from continuing operations in October–December rose 5.2% to EUR 36.2 (34.4) million. Full-year turnover increased by 5.9% to EUR 132.9 (125.5) million. EUR 52.5 million of the turnover was earned in Finland and EUR 80.4 million was earned in Sweden.

The operating margin excluding non-recurring items was EUR 2.5 (2.1) million in the fourth quarter and EUR 6.4 (6.5) million for January–December. The operating profit for the fourth quarter was EUR -2.6 million, or -7.2% of turnover (EUR -0.1 million or -0.4%). Full-year operating profit was EUR -5.1 million or -3.8% of turnover (EUR 2.5 million or 2.0%).

The profit before taxes was EUR -2.6 (-0.2) million in the fourth quarter. Full-year profit before taxes was EUR -6.1 (1.5) million. The Group's net financing expenses were EUR 0.0 (0.0) million in the fourth quarter and EUR 0.9 (0.9) million for the full year. Profit from continuing operations in the review period amounted to EUR -3.6 (-0.4) million in the fourth quarter, and EUR -7.2 (1.2) million since the start of the year. The profit earned in discontinued operations was EUR 15.5 million in 2017. The profit for the financial year, including discontinued operations, was EUR 8.4 (1.2) million. The earnings per share in the fourth quarter (continuing operations) were EUR -8.73 (-1.05). The earnings per share for the full year (continuing operations) were EUR -13.46 (-1.53). The earnings per share for January–December including discontinued operations were EUR 9.91 (-1.60).

Enfo's turnover for 2017 was affected by divestments. Despite the growth, turnover did not meet the targets, and organic growth was held back by the competition for expert personnel. The earnings were affected by non-recurring items – both in terms of expenses and income – related to corporate transactions and the transformation program implemented during the year. Non-recurring items related to the transformation program are also burdened the operating cash flow. As a consequence of annual goodwill impairment testing, the Group incurred an impairment loss of EUR 4.1 million.

## Financing and investments

Enfo's net investments in the financial year amounted to EUR 1.8 (10.4) million. The company's equity ratio at the end of the financial year was 46.6% (41.5). Interest-bearing net liabilities at the end of December amounted to EUR 30.1 (38.9) million and net gearing was 57.4% (70.8).

## Changes in the Executive Management Team

At the turn of the year, Enfo's CEO, Arto Herranen, stepped down as CEO and took up a position on the Board of Directors. In 2018, the Group's Executive Management Team comprises: Seppo Kuula (CEO), Lars Aabol (EVP, Sales), Erik Brügge (EVP, Digital Transformation), Antti Hemmilä (General Counsel), Christian Homén (CFO), Henrik Norell (SVP, HR), Sami Kähkönen (EVP, IT Transformation), Hans Sollerman (EVP, Business Transformation) and Lina Tjerneld (EVP, Marketing and communications).

## Personnel

Enfo's continuing operations employed an average of 911 employees (820) during the year and a total of 888 employees (921) at the end of the year. Administrative staff accounted for approximately 6% of Enfo's personnel. On average, 318 (318) employees were in Finland and 594 (502) were in Sweden.

## Events since the review period

Enfo's former CEO, Arto Herranen, began serving as a member of Enfo's Board of Directors on 1 January 2018.

Seppo Kuula began working as Enfo's CEO at the beginning of 2018. Hans Sollerman (EVP, Business Transformation) and Lina Tjerneld (EVP, Marketing and Communications) were appointed as members of the Executive Management Team in January and February 2018. Sollerman succeeds Mats Eliasson in this position.

At the end of the financial year, the Group was in breach of one of the covenants of its financiers' agreement requiring the Group's interest-bearing net liabilities/operating margin to be less than 5, so the Group classified the loans covered by the covenant as current liabilities on the balance sheet date. In February 2018, the Group received approval from its financiers for the covenant breach.

## Shares

On 31 December 2017, Enfo Oyj had a total of 670,349 shares. According to the company's list of owners, the company had a total of 117 shareholders at the end of the financial year, including the company itself. However, this figure does not include foreign shareholders whose shares are nominee-registered. At the end of the financial year, the company held 4,490 treasury shares (0.7% of all of the shares). The company has one series of shares, and the shares are connected to Euroclear Finland Oy's book-entry system.

At the end of 2017, the company's ten largest shareholders were Osuuskunta KPY, Ilmarinen Mutual Pension Insurance Company, Rongo Cap Oy, the Gösta Serlachius Fine Arts Foundation, Enfo Oyj's Personnel Fund HR, Keski-suomalainen Oyj, Einari Vidgrén Oy, Hannu Isotalo Oy, Kallax Oy, and the Saastamoinen Foundation. Osuuskunta KPY holds 84.67% of Enfo's shares.

## Proposal of the Board of Directors on the use of retained earnings

On 31 December 2017 the parent company had distributable assets totaling EUR 60,805,015.27. The Board of Directors proposes to the Annual General Meeting that the Board of Directors be authorized to decide to pay a dividend as it considers appropriate. The authorization would enable the distribution of a maximum of EUR 3 million in dividends, amounting to approximately EUR 4.50 per share based on the number of shares on the date of the meeting invitation. The authorization will be valid until the Annual General Meeting 2019.

## Accounting Principles

This financial statement 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 2017 financial statements. The figures in the tables have been rounded to the nearest million euros so they may not add up to precise totals. The figures presented in the tables are audited.

## Consolidated income statement

EUR million	1.10- 31.12.2017	1.10- 31.12.2016	1.1-31.12.2017	1.1-31.12.2016
<b>Turnover</b>	36,2	34,4	132,9	125,5
Other operating income	0,0	0,0	0,0	0,1
Materials and services	-9,1	-10,1	-32,9	-32,6
Employee benefit expenses	-19,3	-18,1	-78,2	-68,2
Depreciation, amortization and impairment	-5,2	-1,4	-9,1	-5,5
Other operating expenses	-5,3	-5,0	-17,9	-16,8
<b>Operating profit</b>	-2,6	-0,1	-5,1	2,5
Financial income	0,9	0,1	1,2	0,1
Financial expenses	-0,9	-0,1	-2,1	-1,1
<b>Profit before taxes</b>	-2,6	-0,2	-6,1	1,5
Income taxes	-1,0	-0,3	-1,1	-0,3
<b>Profit for the period for continued operations</b>	-3,6	-0,4	-7,2	1,2
<b>Profit for the period for discontinued operations</b>	0,0	0,3	15,5	0,0
<b>Profit for the period</b>	-3,6	-0,2	8,4	1,2
Attributable to				
Ow ners of the parent company	-4,8	-0,4	6,6	-1,0
Non-controlling interests	1,2	0,2	1,8	2,1
Earnings per share, continuing operations EUR	-8,7	-1,1	-13,5	-1,5
Earnings per share, EUR	-8,7	-0,6	9,9	-1,6

## Consolidated comprehensive income statement including discontinued operations

EUR million	1.1-31.12.2017	1.1-31.12.2016
<b>Profit for the period</b>	8,4	1,2
Exchange rate differences caused by net investments in foreign subsidiaries	-0,5	-0,7
Other translation differences	-0,1	-0,4
Net investment hedging	0,0	-0,1
Cash flow hedging	0,0	0,1
<b>Comprehensive income for the period</b>	7,8	0,1
Attributable to		
Ow ners of the parent company	6,1	-2,0
Non-controlling interests	1,7	2,1

## Consolidated balance sheet

EUR million

	31.12.2017	31.12.2016
<b>Assets</b>		
<b>Non-current assets</b>		
Tangible assets	3,5	4,4
Goodwill	69,5	77,8
Other intangible assets	5,3	6,3
Available-for-sale investments	0,1	0,1
Receivables	0,8	0,3
Deferred tax assets	1,6	1,5
Total non-current assets	80,8	90,4
<b>Current assets</b>		
Inventories	0,0	0,1
Trade receivables	25,3	26,5
Other receivables	3,2	3,3
Tax assets based on the period's taxable income	1,7	2,9
Available-for-sale investments	0,0	0,0
Cash and cash equivalents	1,9	5,0
Total current assets	32,1	37,8
<b>Assets of discontinued operations</b>	0,0	5,4
<b>Total assets</b>	112,9	133,6
<b>Equity and liabilities</b>		
<b>Equity</b>		
Share capital	0,3	0,3
Share premium account	0,0	13,3
Other reserves	25,4	8,5
Retained earnings	25,1	30,9
<b>Total equity attributable to owners of the parent company</b>	50,8	53,0
<b>Non-controlling interests</b>	1,7	1,9
<b>Total equity</b>	52,5	54,9
<b>Non-current liabilities</b>		
Interest-bearing liabilities	11,5	21,5
Other liabilities	0,9	1,1
Deferred tax liabilities	0,9	0,8
Total non-current liabilities	13,3	23,3
<b>Current liabilities</b>		
Interest-bearing liabilities	20,6	22,4
Trade payables	6,0	7,1
Other liabilities	20,5	23,0
Total current liabilities	47,1	52,5
<b>Total liabilities</b>	60,4	75,9
<b>Liabilities of discontinued operations</b>	0,0	2,9
<b>Total equity and liabilities</b>	112,9	133,6

## Condensed statement of cash flows including discontinued operations

EUR million	1.1-31.12.2017	1.1-31.12.2016
<b>Cash flow from operations</b>		
Profit for the period	8,4	1,2
Adjustments to the profit for the period	-6,7	7,6
Change in working capital	4,5	-0,3
Interest paid and received	-0,8	-0,8
Taxes paid	-1,5	-2,3
<b>Net cash flow from operations</b>	<b>3,8</b>	<b>5,5</b>
<b>Cash flow from investments</b>		
Acquisition of subsidiaries less cash and cash equivalents on the acquisition day	-0,7	-11,8
Investments in tangible and intangible fixed assets	-0,8	-0,4
Sales of tangible and intangible fixed assets	0,1	0,0
Investments: Investments accounted for using the equity method	-2,4	0,0
Sale of subsidiary less cash and cash equivalents on the sale date	19,0	0,0
Loans issued	-0,5	0,0
<b>Net cash flow from investment activities</b>	<b>14,8</b>	<b>-12,3</b>
<b>Cash flow from financing activities</b>		
Changes in loans	-9,9	10,5
Changes in equity	-10,3	0,3
Repayment of financial leasing liabilities	-2,7	-3,3
<b>Net cash flow from financing activities</b>	<b>-23,0</b>	<b>7,5</b>
<b>Changes in cash and cash equivalents</b>	<b>-4,4</b>	<b>0,8</b>
Effect of exchange rate changes on cash and cash equivalents	-0,2	0,1
Cash and cash equivalents at the beginning of the period	5,0	5,7
Cash of the discontinued operations at the beginning of the period	1,5	0,0
Cash of the discontinued operations at the end of the period	0,0	-1,5
Cash and cash equivalents at the end of the period	1,9	5,0



## Key figures, continued operations

### EUR million

	1.1-31.12.2017	1.1-31.12.2016
Turnover (EUR million)	132,9	125,5
Operating profit (EUR million)	-5,1	2,5
% of turnover	-3,8	2,0
Profit before taxes (EUR million)	-6,1	1,5
% of turnover	-4,6	1,2
Profit for the period (EUR million)	-7,2	1,2
% of turnover	-5,4	1,0
Earnings per share, continuing operations EUR	-13,5	-1,5
Earnings per share, discontinuing operations EUR	23,4	-0,1
Earnings per share, EUR	9,9	-1,6
Return on investment, %	-4,2	2,7
Return on equity, %	-9,2	2,2
Equity ratio, %	46,6	41,5
Net gearing, %	57,4	70,8
Interest-bearing net debt (EUR million)	30,1	38,9
Equity per share, EUR	76,2	80,5
Average number of employees	911	820
Number of shares	670 349	660 761

## Information on sold business operations

### EUR million

2017

Consideration received	20,8
Carrying amount of the divested net assets	-2,6
Expenses related to the sale	-0,4
Profit before tax	17,8
Capital gains tax	0,0
Capital gains after taxes	17,8

## Profit from discontinued operations

### EUR million

1.1-31.12.2017 1.1-31.12.2016

Turnover	6,6	33,8
Expenses	-8,8	-33,8
Profit before tax	-2,2	0,0
Taxes	0,0	0,0
Profit after taxes	-2,3	0,0
Capital gain from subsidiaries after taxes	17,8	0,0
<b>Profit from discontinued operations</b>	<b>15,5</b>	<b>0,0</b>

## Changes in shareholders' equity

EUR million	Share capital	Share premium account	Treasury shares	Translation differences	Value change and other funds	Retained earnings	Total	Non-controlling interests	Total equity
<b>Equity on 1 Jan 2016</b>	0,3	13,3	-0,1	2,1	2,9	35,1	53,5	1,4	54,9
Profit/loss for the period						-1,0	-1,0	2,1	1,2
<b>Comprehensive income</b>									
Other comprehensive income items									
Exchange rate differences caused by net investment in foreign subsidiaries				-0,7			-0,7		-0,7
Net investment hedging				-0,1			-0,1		-0,1
Other translation differences				-0,6		0,3	-0,4	-0,1	-0,4
Cash flow hedging					0,1		0,1		0,1
Other comprehensive income items for the period after taxes				-1,4	0,1	0,3	-1,0	-0,1	-1,1
<b>Comprehensive income for the period</b>				-1,4	0,1	-0,7	-2,0	2,1	0,1
<b>Transactions with owners</b>									
Distributed dividends						-3,5	-3,5	-1,0	-4,6
Share issue					5,0		5,0		5,0
Purchase of treasury shares			-0,1				-0,1		-0,1
Non-controlling interest related to the acquisition of a subsidiary						0,2	0,2	-0,6	-0,3
Redemption obligation						-0,1	-0,1		-0,1
<b>Total transactions with owners</b>	0,0	0,0	-0,1	0,0	5,0	-3,4	1,5	-1,6	-0,1
<b>Equity on 31 Dec 2016</b>	0,3	13,3	-0,1	0,7	8,0	30,9	53,0	1,9	54,9
	<b>Share capital</b>	<b>Share premium account</b>	<b>Treasury shares</b>	<b>Translation differences</b>	<b>Value change and other funds</b>	<b>Retained earnings</b>	<b>Total</b>	<b>Non-controlling interests</b>	<b>Total equity</b>
<b>Equity on 1 Jan 2017</b>	0,3	13,3	-0,1	0,7	8,0	30,9	53,0	1,9	54,9
Profit/loss for the period						6,6	6,6	1,8	8,4
<b>Comprehensive income</b>									
Other comprehensive income items									
Exchange rate differences caused by net investment in foreign subsidiaries				-0,5			-0,5		-0,5
Other translation differences				-0,5		0,5	0,0	-0,1	-0,1
Other comprehensive income items for the period after taxes				-1,0	0,0	0,5	-0,5	-0,1	-0,6
<b>Comprehensive income for the period</b>				-1,0	0,0	7,1	6,1	1,7	7,8
<b>Transactions with owners</b>									
Distributed dividends					-7,9	-0,7	-8,5	-1,8	-10,4
Share issue					0,9		0,9		0,9
Purchase of treasury shares			-0,3				-0,3		-0,3
Sale of treasury shares			0,0				0,0		0,0
Redemption obligation						-0,5	-0,5		-0,5
<b>Total transactions with owners</b>		0,0	-0,2	0,0	-7,0	-1,1	-8,4	-1,8	-10,2
Transfers between items		-13,3	0,0		25,1	-11,7	0,0		0,0
<b>Equity on 31 Dec 2017</b>	0,3	0,0	-0,4	-0,3	26,1	25,1	50,8	1,7	52,5

## Changes in tangible fixed assets

<b>EUR million</b>	<b>1.1-31.12.2017</b>	<b>1.1-31.12.2016</b>
Carrying amount at the beginning of the period	4,4	4,4
Increases	1,7	3,3
Decreases	-0,3	-0,7
Depreciation and amortisation	-2,3	-2,5
Carrying amount at the end of the period	3,5	4,4

## Commitments and contingencies

<b>EUR million</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Leasing liabilities	4,1	4,7
Other rental liabilities	9,3	9,2
Other contingent liabilities	0,3	0,1
Bank guarantees	0,3	0,3
Total other liabilities	14,0	14,3

## Enfo

### Data-driven business transformation

Enfo is a Nordic IT service company enabling its customers' data-driven business transformation. Enfo's portfolio encompasses infrastructure for managing and developing data, integration and analysis of data for execution and development of business, and digital service creation for enabling new business innovation. We are 900 niched experts working for a more intelligent world, with technology empowering people, businesses and societies.

For more information, visit [enfogroup.com](http://enfogroup.com)

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