Data-driven
business
transformation

Annual report 2019

Enfo

Enfo is a Nordic IT service company enabling its customers' data-driven business transformation. With our niche expertise in hybrid platforms, information management and applications, we bring together relevant data for more intelligent operations.

We both build and run digital solutions – supporting our customers in mastering complexity. We are some 900 experts working for a more intelligent world, in which technology empowers people, businesses and societies.

Enfo 2019

In 2019, Enfo focused on profitability and collaborative value creation. We continued our own transformation, worked to leverage our competence in cloud and information management and enhanced our competence management.

KEY FIGURES AND HIGHLIGHTS

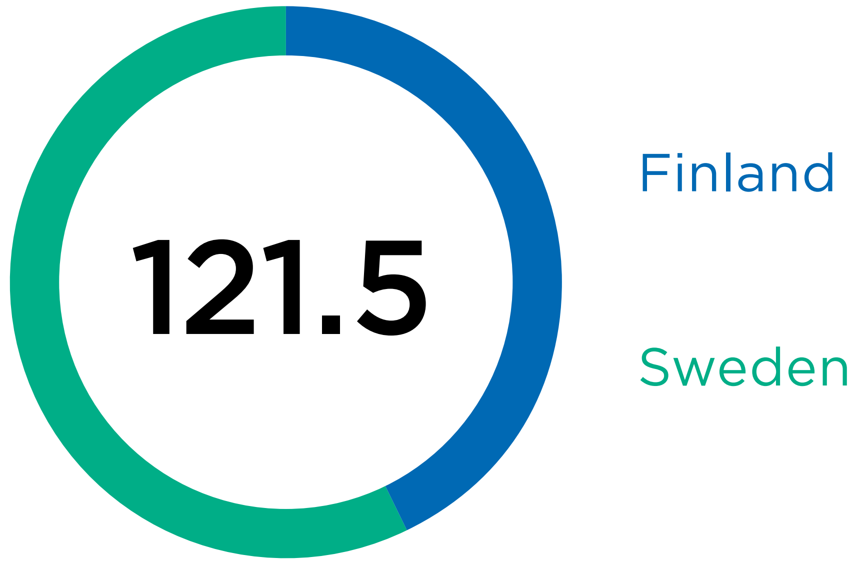
CEO'S REVIEW

Key figures and highlights of 2019

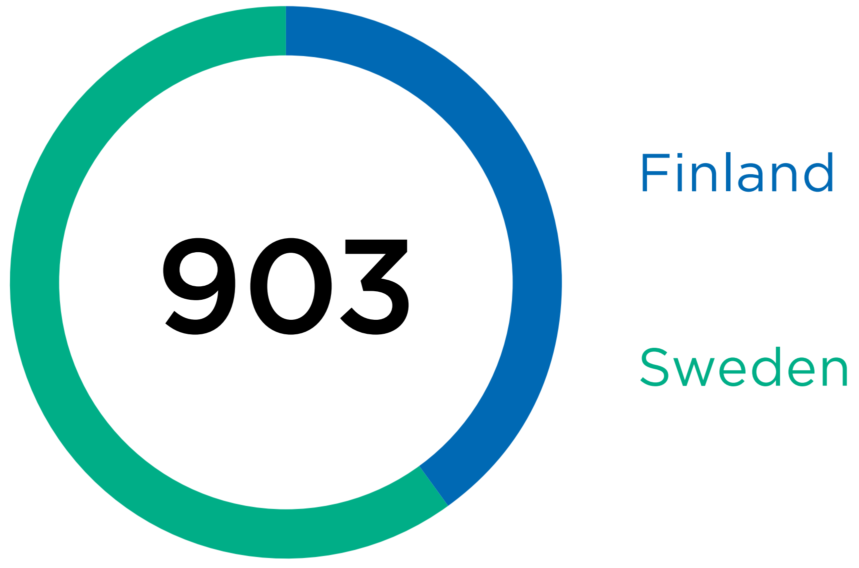
Enfo's operating profit improved in 2019 by EUR 3.8 million. Net sales declined mainly as a result of disposing non-profitable business.

Key figures	IFRS 2019	IFRS 2018
Net sales (EUR million)	121.5	125.6
Operating profit (EUR million)	1.4	-2.5
Profit for the period (EUR million)	-1.4	-4.5
Return on equity %	-3.0	-5.6
Equity ratio %	36.4	43.8
Net gearing %	96.0	69.5
Interest-bearing net liabilities (EUR million)	41.6	32.0
Balance sheet total (EUR million)	119.6	105.5

Net sales
EUR million, total



Experts
total



EBITDA
EUR million

9.4
(7.8%)

Customers
(approx.)

140 Finland
230 Sweden

Highlights

- Alignment of sales, marketing and business operations
- Visual identity supporting the Enfo story
- New financing package
- Advancing business control
- Defining corporate responsibility approach
- Broadening of expertise regarding business-critical solutions with SAP acquisition

CEO's review

In 2019, we focused on profitability after building a sustainable business foundation in 2018. We worked with collaborative value creation and continued to prioritize our people.

In 2018, we built our shared story and offering, as well as a structure for value creation. Through common goals and cultural transformation, we built a solid foundation with improved employee experience, which led to improved customer experience and lowered attrition. In 2019, we moved into the second phase of transformation with profitability at the forefront. Lower hierarchy and greater autonomy in the organization required improved business control and advanced processes for operational management. During the year, we supported business units struggling with efficiency, improved in-house transparency regarding sales and delivery to minimize waste, took actions to decrease overhead costs and tightly followed up on utilization of value-creative actions. Thanks to these efforts, operating efficiency developed positively.

Our competence management program was launched and developed during the year. The program aims at continuously balancing competence demand and supply. This provides essential data for our sales management, delivery operations and business control and brings operational efficiency in the short term and competitive advantage in the long term. Collaborative value creation was the prioritized must-win battle in 2019 and we aligned our sales, marketing and business operations further and worked with a co-creational approach in customer liaisons. Naturally, we continued to engage in our must-win battle from 2018 – being a workplace to love.

In 2020, we are continuing to the third phase of our current strategy – growth. Our winning aspiration is to be a Nordic leader in data-driven business transformation and to support hybrid enterprise software systems transition to the modern digital age. In practice, this means mastering the complexity of data management in integrated ecosystems at a time in which business-critical applications are moving to cross-platform environments, which in turn supports modern workplace development with AI-assisted edge devices, augmented analytics and distributed ledgers with robotics. Gartner predicts that, by 2021, over 75% of mid-size and large organizations will have adopted a multi-cloud or hybrid IT strategy. Integration platforms are closely following these developments. Here, IT generalists with cross-platform competence and the capacity to both build and run solutions are at the forefront. Enfo is privileged to be large enough to have all the required competences for credible deliveries in this complex transformation, but small enough to be agile in co-creating solutions based on customer needs.

> **"Focus in our field shifts from discrete digital services to business-critical IT solutions."**
> **Seppo Kuula**
> CEO

I want to thank all Enfonians for their resilience on our transformation journey. I also want to thank our customers, partners and peers in different ecosystems. In 2020, our prioritized must-win battle is to be a trusted partner. I am looking forward to an inspirational 2020, advancing our field together with all of you.

Direction

Enfo’s strategy is based on enabling data-driven transformation, supporting the move of business-critical applications and data to a cross-platform environment. Enfo wants to be a responsible player and, in 2019, developed its CR approach.

STRATEGY

OPERATING ENVIRONMENT

CORPORATE RESPONSIBILITY

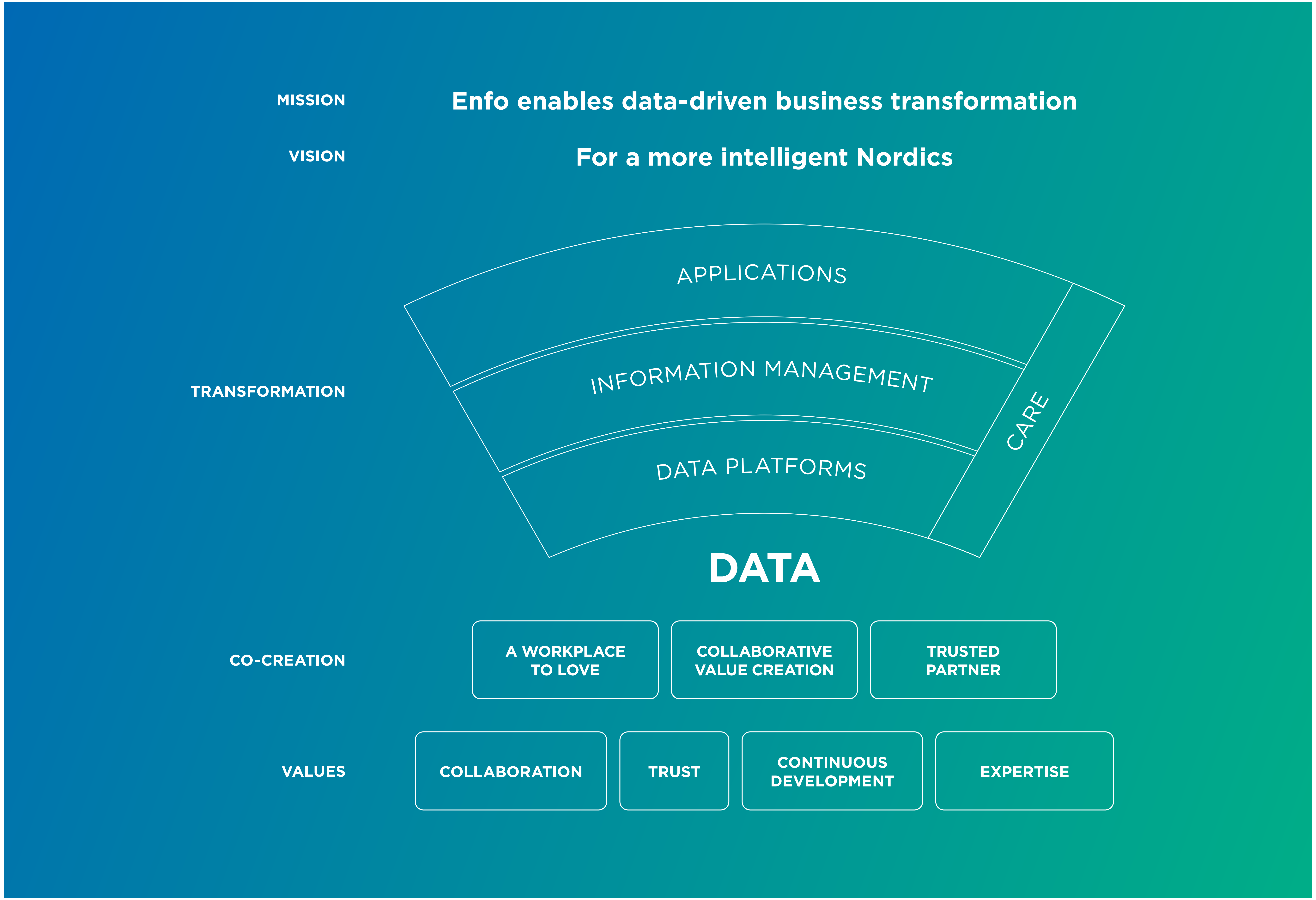
Strategy

In 2019, Enfo focused on profitability. Increased cooperation, competence management and tightened business control have set the stage for growth in 2020.

Enfo's strategy is based on enabling data-driven business transformation. Underpinned by the values of collaboration, trust, continuous development and expertise, this transformation will enable a more intelligent Nordics.

At Enfo, we build and run digital solutions and provide broad support for our customers to enable them to move their business-critical applications and data to a cross-platform environment. Our significant customer base has been built over the course of our long history. Our main markets are large and medium-sized enterprises and corporations in Sweden and Finland.

Our key strength is our cross-platform expertise and we aim to cultivate that strength to be able to establish ourselves as a leading provider of cross-platform management regarding business-critical applications and data in the Nordic region. Our expertise covers the data platforms for data management, information management to govern exponentially increasing amounts of data,



applications including integrations and analytics for the use of data, as well as genuine care.

We create value through close and careful cooperation with our customers, taking ownership of their business transformations as if they were our own.

Must-win battles

Enfo is in the middle of a three-year transformation. This strategy includes three must-win battles related to talent, collaborative value creation and customers.

Enfo's three must-win battles are:

- **A workplace to love.** Enfo is a workplace where we are authorized to act and encouraged to grow and nurture a culture of caring. At the core of all of our actions are our values: collaboration, trust, continuous development and expertise.
- **Collaborative value creation.** Our strength lies in our expertise. We develop our leadership and improve our agility through collaboration and predictability. We work together, focus on the needs of our customers and respond to change, driven by digitalization. We work towards one common goal and with one common story.
- **Trusted partner.** We understand our customers' business and possess broad knowledge of technology that enables data-driven transformation, as well as competence to co-create value.

In 2018, the first year of our strategy period, we worked to bring Enfonians together. We developed measures and processes to create common culture for leadership, sales and business management and advanced our shared story and offering towards a competitive posi-

Must-win battles towards 2020

	Actions points	Achievements 2019	Next steps 2020
A workplace to love	• Reinforce common story and values • Develop lean leadership • Secure a clear organization • Make administration simpler and data-driven • Enable competence acquisition, competence management and competence development disciplines • Improve employee communications to build commitment, pride and a sense of belonging	• Continued to strengthen common culture through employee communications measures • Monthly eNPS developing positively • Stabilized employee turnover in line with target level • Exceeded recruitment target level • Leadership training focused on coaching for development • Developed onboarding procedures to strengthen common culture • Published Code of Conduct • "A workplace to love" was the prioritized must-win battle in 2018	• Develop career banding and job levelling, with a view to create clearer career paths • Focus on competence development as a strategic area, ensure competence management and development to respond to market demand
Collaborative value creation	• Create measures and processes for the common good, not silos • Continuously develop Enfo's service portfolio • Learn to manage common sales organization with business area specific requirements • Create common culture for leadership, sales and business management	• Aligned sales, marketing and business operations • Launched new visual identity and website to support shared story • Supported business units struggling with efficiency • Improved business control • Decreased shared costs considerably • Tightly followed utilization rates • Improved EBITDA margin • "Collaborative value creation" was the prioritized must-win battle in 2019	• Further develop competence management program to improve steering of sales, business operations and business control
Trusted partner	• Segment Enfo customers to choose where to go for strategic partnership • Create one overarching story for trusted partnerships and embrace individuality in every partnership • Co-creational partnership development	• Empowered key customer management • Brought solution sales closer to the business areas • Developed co-creational approach in customer relations	• Continue to work on trusted partnerships and increase their number. Enhance segmentation. Track partnership goals and follow up on actions and results in trusted partnership relations in line with KPIs • Enhance co-creational approach • Aim for continuous growth in chosen market with the chosen offering • Continue leveraging experience and expertise in the cloud and information management • Develop sales governance • "Trusted partner" is the prioritized must-win battle in 2020

tion. Likewise, we defined our value proposition: mastering complexity, confidence in the cloud and genuine care.

2018 was centered around sustainable business, 2019 has been a year focused on profitability and 2020 will prioritize growth.

Strategy implementation in 2019

In 2019, Enfo prioritized collaborative value creation as a must-win battle. Our endeavors to achieve profitability and collaborative value creation can be tracked quarterly over the year.

In Q1, Enfo continued its own transformation by further aligning sales and business operations both in Finland and Sweden. Later in the year, actions were taken to bring marketing closer to the business operations.

Enfo had already decided in 2018 to close down the Care Transform Karlskrona business unit over the course of H1/2019 and this was implemented during the first half of the year, as planned.

During the year, we worked on our competence management program. This program aims at balancing competence demand and supply to achieve profitability. We also developed our financial tools and processes, as well as our business control in order to increase ownership in business units. We made rearrangements within units struggling with profitability and took actions to decrease costs, such as decreasing travel and transforming our Espoo office to be mobile.

Throughout the year, we worked to leverage our competence in cloud and information management. Everything we do can be done in the cloud. In customer relations, there was emphasis placed on a co-creational approach.

Over the year, there was an upward trend in monthly eNPS, employee turnover stabilized in line with our target level and recruitment exceeded its target level.

Supporting enterprise software system transformation to the modern digital age.

Looking ahead to 2020

With improved business control, Enfo is now ready to focus on growth and its must-win battle of being a trusted partner. In 2020, we will prepare for a broadening of the ownership base in 2021. Building on our cross-platform expertise, our broad customer base and our competence to co-create value, our winning aspiration in 2020 is to be a Nordic leader in data-driven business transformation, supporting enterprise software system transformation to the modern digital age.

We expect to see improvements in operational efficiency thanks to our competence program, which will generate valuable data for sales, resourcing and competence development and recruitment.

We will develop our sales governance further. Furthermore, we aim to develop our offering with a focus on business-critical applications in the cloud and to grow with our chosen offering in chosen markets.

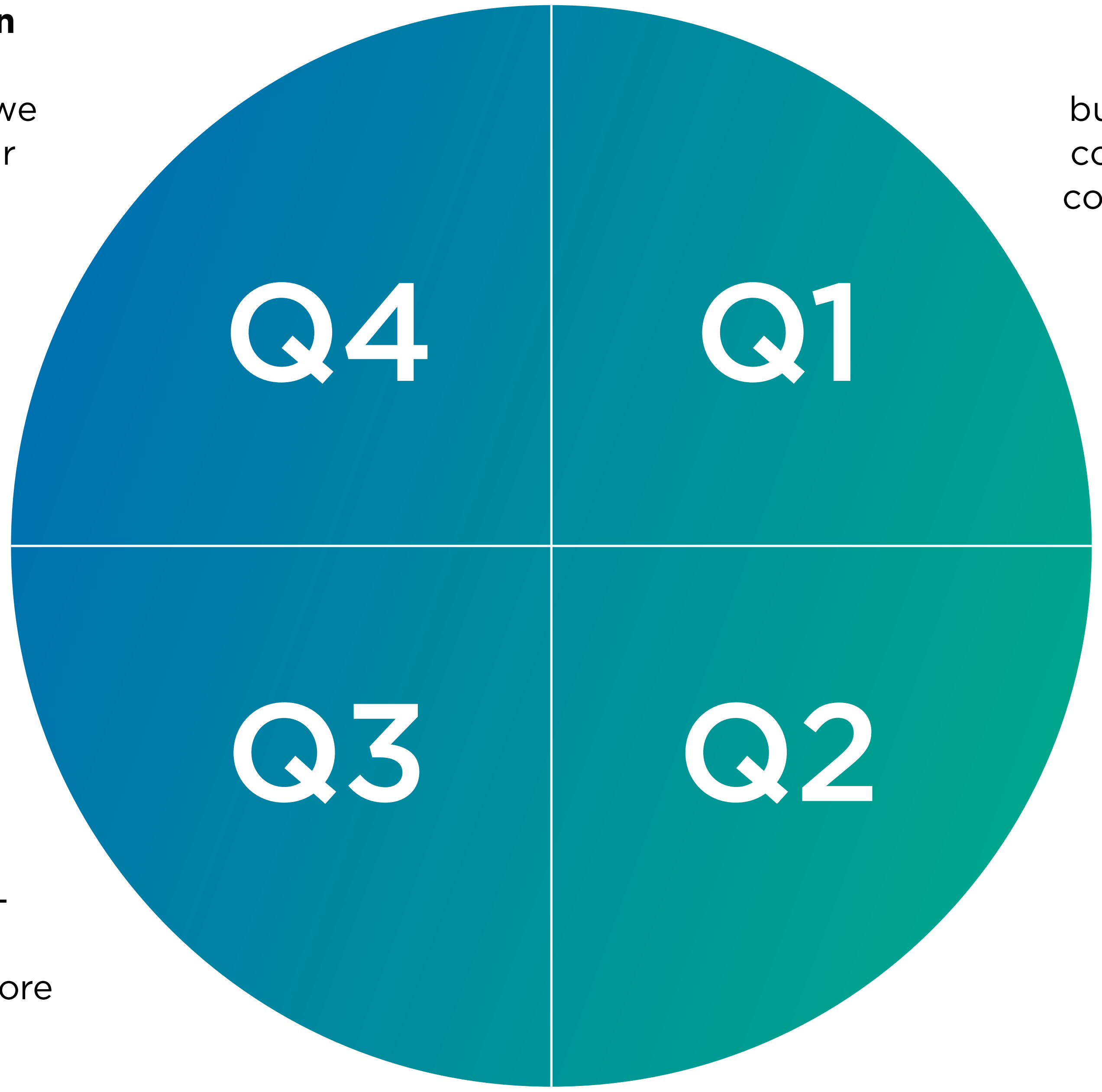
In the end of 2019, Enfo acquired Solteq's SAP ERP business. SAP is a market leader in enterprise resource planning and management systems. With this deal, Enfo built a foundation to become a Nordic leader in SAP on cloud migration and maintenance services. Within the next years, SAP is ending support for its legacy ERP versions, pushing migration to SAP S/4HANA. From before, Enfo had a partly-owned subsidiary, Zuite Business Consulting, focusing on SAP consultancy.

In January 2020, Enfo and TIBCO Software Inc., a global leader in enterprise data, announced Enfo as a strategic partner to TIBCO and an exclusive reseller of TIBCO solutions in the Nordic and Baltic Countries. TIBCO solutions run on all clouds and this partnership aligns with our strategy to take business-critical IT environments from on-premise to a cross-platform environment.

Focus 2019: Profitability

Cloud and information management
Throughout the year, we worked to leverage our competence in cloud and information management, as well as to develop trusted partnerships in customer relations.

Cooperation
We aligned sales and business operations and continued to strengthen common culture and anchor story and values.



Competence management
We worked on a competence management program that will enable us to manage our business and competence acquisition based on market demand and will therefore provide a competitive advantage.

Ownership, internal steering mechanisms
We developed ownership in business units as well as business control to enhance proactive transparency and maneuverability.

Operating environment

In 2019, customers moved much further into the cloud. In a cross-platform environment, the importance of integrations and managing complexity increases.

The IT services industry has continued to see a dramatic and continuous rise in the amount of data, which has continued to drive the market. This growth has required an increased focus on data storage and management and has led to customers moving further into the cloud. Customers no longer opt for cloud solutions for their own sake, but rather as a place for business-critical functions.

With data being stored across platforms, handling it is becoming increasingly complex. In order for organizations to progress through to cloud maturity, they must invest more time into developing their skillsets across all relevant areas. The decentralized nature of the cloud means that application management and integration between cloud-hosted, SaaS and on-premises applications is becoming more difficult.

Closer partnerships

Customers are more often seeking a co-creative partner for continuous development with support for operations. Building teams and being part of the customer erodes the boundary between suppliers and their customers, enabling a deeper level of support. This will, in the end, require service providers to offer more customized services supporting specific business needs, rather than standardized services.

Cross-platform operations have been the latest milestone in the IT services industry. Cloud technology enables ecosystems in which there is no single owner, but rather multiple organizations connected together and will enable technology such as blockchain to provide trust in an untrusted environment.

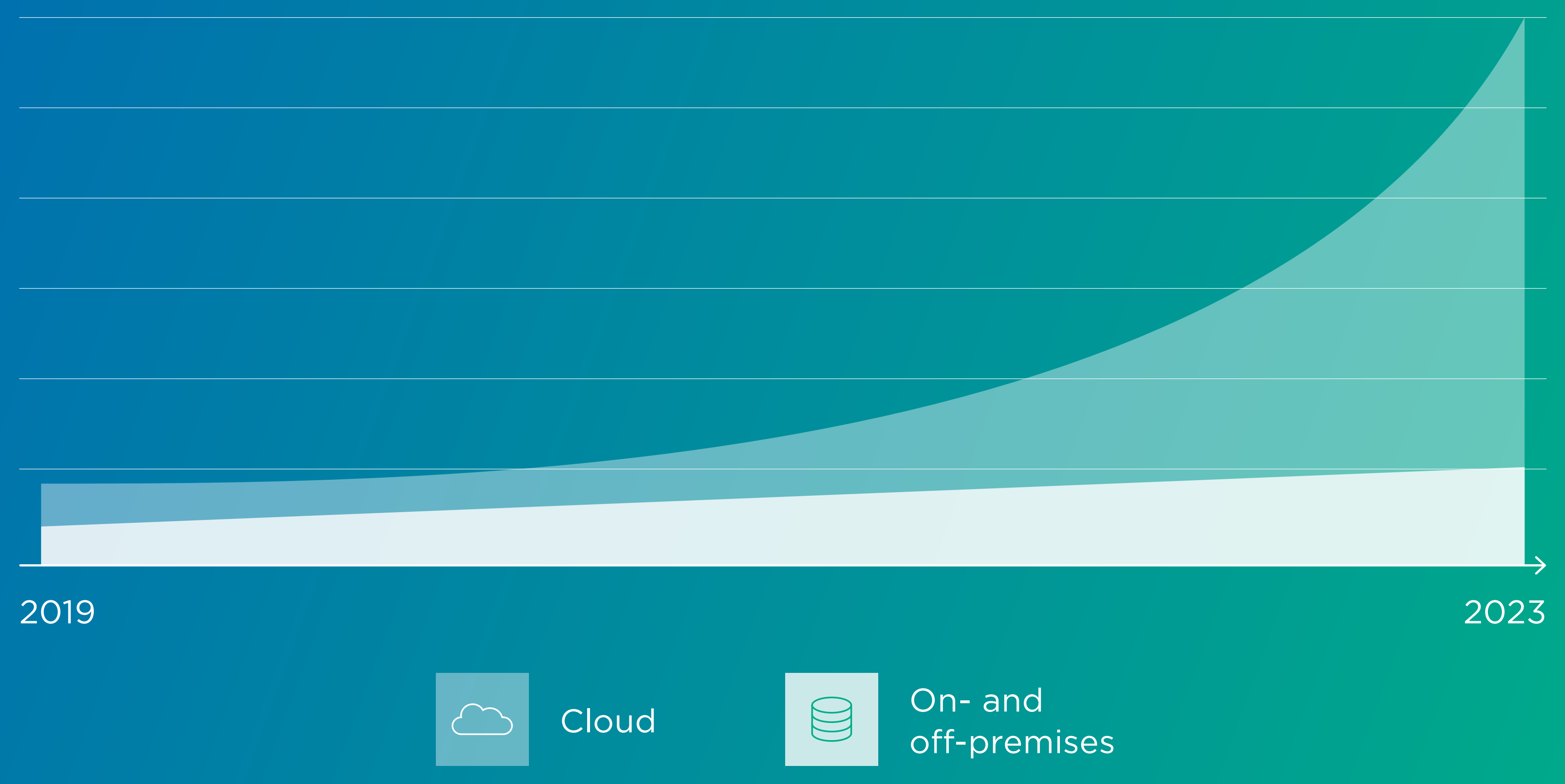
The operating environment is also heading towards immersive technologies in client services, an environment in which applications will be in the cloud. In that environment IoT will become even more important.

Bridging the gap

Where reliable cloud platforms are still a relatively recent innovation, ERP systems and business-critical applications, still to a large extent, reside within data centers. However, customers are seeking to make the journey towards cross-platform technology in order to reduce costs and increase security, to enable the latest technologies and the technologies of the future, such as blockchains, machine-learning and quantum computing.

Heading for the clouds

Exponentially increasing amounts of data fuel growth in the IT services market, mainly in the public cloud. On- and off-premises solution will also continue to play a role, albeit to a lesser extent.



Corporate responsibility

Enfo, as an organization that acknowledges its social and environmental impacts, welcomes the broad discussion and societal engagement on corporate responsibility (CR) and wants to be an active part of it.

In 2019, we formed our CR strategy. For Enfo, sustainability is about creating long-term value for itself and its customers by integrating environmental, social and financial opportunities and risks into strategy and operations. The aim is to:

- have a clear and consistent implementation plan going forward
- strengthen Enfo's brand as a responsible supplier and employer, and
- meet the reporting standards of the Nordics and ensure we adhere to legal obligations for CR reporting

We are constantly developing our operations in accordance with good business practices and ethics in areas related to the environment, society, our employees, human rights and anti-corruption.

The long-term aim of Enfo's CR work is to integrate responsibility and sustainability into our business model. We are currently at the start of this journey. In 2020, we will develop and execute a plan for the first stage of our CR journey to meet our identified CR objectives.

Our governing documents include our Code of Conduct, Anti-Corruption Policy, Work Environment Policy and Environmental Policy. These are addressed in our training courses, on our website and in the relationships that we share with our customers and suppliers.

Enfo's CR mission is to be the obvious choice as an employer and supplier through responsible digital development and business.

Our CR mission

Enfo's CR mission is to be the obvious choice as an employer and supplier through responsible digital development and business. For Enfonians, this means empowerment, continuous development and Enfo being a workplace to love. For our customers, this means enabling sustainable and responsible business-critical solutions in a cross-platform environment.

Enfo’s CR approach and sustainable development goals

Based on EU guidelines and supported by the GRI framework, Enfo assessed its CR approach by evaluating its value proposition, supply chain, partnerships, employees and owners against the sustainability structure of people, planet and profit. We identified both risks and opportunities in these areas and then mapped them onto our values of collaboration, trust, continuous development and expertise.

For our CR work to be as effective, engaging and relevant as possible, we involved the entire organization. This included top management and board member interviews, focus groups and a comprehensive employee survey. We also reviewed 20 of our largest customers’ CR approaches to identify expectations and demands and we organized workshops to decide our CR approach, our efforts and goals and which UN sustainable development goals (SDGs) are most relevant to us.

After analyzing the data and findings, Enfo used the UN SDGs – the established framework that companies use to strive for responsible and sustainable business – to determine the themes of its CR strategy. These themes are:

- (4) quality education
- (5) gender equality
- (8) decent work and economic growth
- (9) industry, innovation and infrastructure
- (12) responsible consumption
- (13) production and climate action

To ensure the effectiveness of our CR work, it is led by a dedicated cross-functional CR team and headed up by a management-level owner.

Enfo’s corporate responsibility approach

Values	Cornerstones	Objectives
Collaboration	Enfo is a workplace where we are authorized to act, encouraged to grow and have a culture of caring for each other and the world as a whole.	• Ensure that Enfonians participate in CR training. • Promote gender equality, diversity and fair treatment amongst Enfonians. • Promote wellness and a sustainable work life.
Trust	We seek trusted partnerships in customer relations and long-term cooperation to build a better society and a more sustainable world.	• Support chosen charities and NGOs for a sustainable planet. • Be certified in environmental and quality management (ISO 14001, ISO 9001). • Minimize CO_2 emissions in our ways of travelling (i.e. virtual meetings and public transport). • Promote reuse and recycling of electronic and other equipment. • Promote clean energy use in all our operations. • Be recognized as a responsible actor in our ecosystem.
Continuous development	We enable sustainable and responsible digital development for our customers’ journey to a cross-platform environment.	• Support our customers through digital solutions in their efforts to do responsible and sustainable business. • Develop new offerings together with customers and partners for a more sustainable planet.
Expertise	We are 900 experts that build and run digital solutions which empower people, industry, infrastructure and societies.	• Share our expertise through local initiatives such as youth hackathons, collaborations with universities and Enfo Academy. • Support chosen charities and NGOs within knowledge education for a more intelligent world.

Compliance

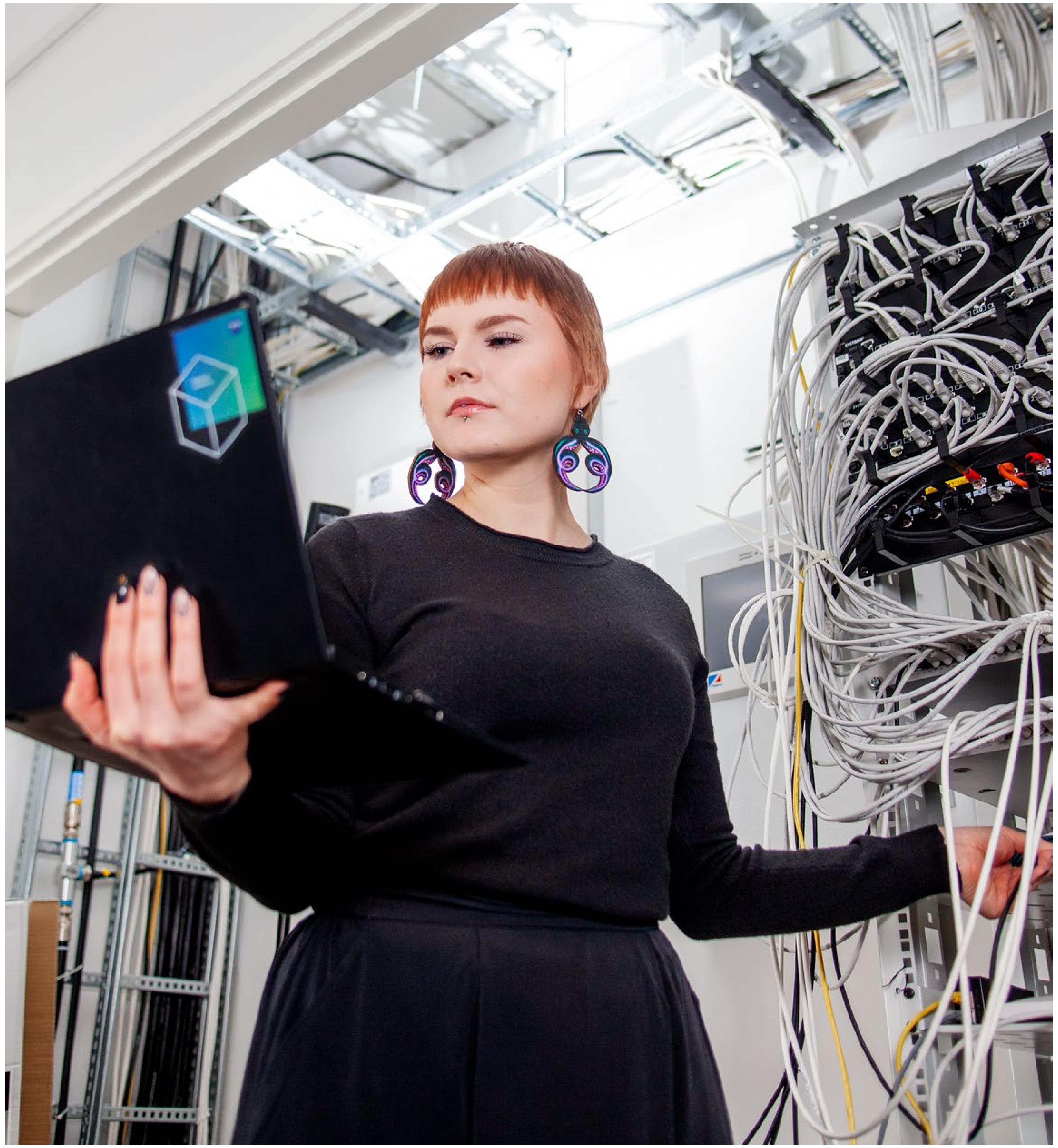
In 2019, Enfo published its Code of Conduct and Anti-Corruption Policy. We also clarified our internal purchasing and sourcing processes further. The Code of Conduct and Anti-Corruption Policy apply to all employees, contractors and suppliers to make sure that we all conduct business in an ethical and responsible way and in accordance with Enfo's policies and values.

In general, risks of conflict of interest, corruption and bribery can exist in relationships with suppliers and customers, such as when it comes to receiving and giving gifts and entertainment. By informing and educating, Enfo is determined to consolidate a honest and positive culture throughout its operations. Enfonians are encouraged to raise questions, concerns or reports to their closest manager, Enfo's General counsel or by sending a message to a custom email address.

Digital responsibility

In 2019, Enfo continued to collaborate and co-create with its customers and partners by staying up to date with the latest technology in platforms and digital solutions. We keep our customers' data safe by ensuring that it is stored safely and in accordance with ISO 27001, which is implemented in our data center in Kuopio. We also continue to provide support to our customers when they face cyberattacks. In any instances in which customers engaged us regarding cyberattacks in 2019, Enfo acted appropriately.

Over the year, we reshaped our digital risk management processes. Through this framework, decisions are based on risk factors with a focus on digital information security risk.



We also implemented enhanced mobile device security during the year.

To improve network performance, we adopted a software-defined networking (SDN) approach. This has led to faster and more reliable network sites that allow us to work more efficiently within cloud services.

Enfo does not, however, keep its broad security expertise to itself. In 2019, we developed cybersecurity services that we offer to our customers.

Actions for 2020

Enfo will continue to manage its data according to the EU General Data Protection Regulation (GDPR) and provide security training to all employees in order for them to be digitally responsible. In addition, we will take steps to raise our technical security standards. These steps will include looking at enhancing cloud security and further increasing mobile security.

Certifications awarded to Enfo's businesses and offices

- ISO 9001:2015 (Quality system)
- ISO 14001:2015 (Environment)
- ISO/IEC 27000 (Information security)
- Helsinki Region Transport, "Employer that makes you move"
- LEED and BREEAM certifications (Environment, premises)

Further information on certified operations is available from Enfo or the certification body.

Challenges and possibilities

As the world becomes more digital, companies need to ensure that their data is used both safely and wisely. There is a general concern within the society regarding use and abuse of personal data, the impact of artificial intelligence as well as unethical use of new technologies.

For us, digital responsibility means taking these concerns seriously by providing secure processes and digital solutions.

Digital responsibility SDGs

- **Quality Education.** Enfo hosts youth hackathons that aim to inspire and give direction to youth groups. Enfo's Analytics Academy provides opportunities for students to learn information management through a trainee program. More broadly, Enfo Academy provides a learning pass for Enfonians to develop their skills.

Social responsibility

One of Enfo's strategic goals is to provide a working environment for employees in which wellbeing and safety are emphasized. Through this goal, our work is designed to create a physically, mentally and socially healthy workplace for all employees, in which risks of work-related injuries and illness are prevented.

Over the year, there was a successful focus on wellness clubs in Sweden and Finland. Employees have been given their own mandate to formulate at least five activities that can appeal to a broad spectrum of Enfonians, such as yoga, running and wall climbing, as well as non-physical activities such as seminars featuring inspiring guest speakers.

We see the importance of being socially, financially and environmentally responsible in our daily work. This is reflected in our policies and the way we do business.

Our efforts for an improved work environment meet the requirements of working environment laws and regulations. All employees have equal rights to professional development in their existing work areas or in new areas. Internally, these issues are reviewed using tools such as our employee survey.

We value expertise and knowledge. This year, Enfo supported the Arcanys Early Learning Foundation, among others. We also continue to organize local youth hackathons and collaborate with universities. In addition, we make donations to charities that focus on women, such as From One To Another, which provides high school education for Kenyan girls and Hand In Hand, which empowers women all over the world through job creation.

Actions for 2020

Personal development is an area in which we want to excel. We started our competence management program in 2019. One part of this program looks at career banding and job levelling, with a view to create clearer career paths within Enfo while supporting the overall strategic competence development. A learning platform will be rolled out to all Enfonians in 2020.

Enfo's impact on society in 2019

Materials and services	EUR **29.3** million
Salaries to employees	EUR **55.7** million
Pension insurance premiums and pensions	EUR **8.7** million
Interest payments on loans	EUR **0.9** million
Corporate taxes	EUR **1.3** million

We promote clean energy usage in all our operations and, during 2020, we will look for new solutions in this area.

Challenges and possibilities

One of the major health risks in Enfo's industry is psychosocial ill health due to demanding work situations and stress. To address this, we make use of an internal collaboration group that works systematically with the physical and psychosocial work environment.

One risk related to human rights is discrimination and limitation of opportunities in the workplace due to, for example, gender, ethnicity or sexual orientation. We seek to prevent this through our Code of Conduct.

We see the importance of being socially, financially and environmentally responsible in our daily work. This is reflected in our policies and the way we do business.

Social responsibility SDGs

- **Quality education.** As an advocate for education, Enfo supports carefully selected organizations which act for a more intelligent world. We also organize youth hackathons and support quality education via our Enfo Academy initiatives.
- **Gender equality.** Enfo wants to help create conditions that support inclusive and equal opportunities for professional growth and development. As such, we ensure equality among Enfonians and make donations to organizations that empower education worldwide.
- **Decent work and economic growth.** Enfo promotes wellness and a sustainable work life through activities that enhance wellbeing. At Enfo, we promote diversity and do not tolerate child labor or any form of illegal or forced labor.

Environmental responsibility

Through our solutions we can help our customers on their sustainability journey to offer more sustainable products and services to their customers, or help them to reduce their own environmental impact, such as through cloud computing or digital alternatives to travel.

Our Environment Management System (EMS) is certified according to the ISO 14001 standard and includes an analysis of environmental impacts, risks and opportunities. A follow-up is carried out on the EMS every six months. During the year, the EMS audit scheme was harmonized across all of our locations.

In 2019, we updated our company car policy to reduce carbon emissions from our car fleet. We also renewed our travel booking system in Q1 and started monitoring our emissions in Q2 to better manage our environmental footprint. Our travel policy discourages unnecessary travel and promotes video conferencing and remote working in order to reduce our environmental impact. As a result, the emissions from Enfo's corporate travel decreased by 34% from Q2 to Q4.

During the year, Enfonians also made contributions to charities for a sustainable planet through social media sharing.

Actions for 2020

On a quarterly basis, we will measure travel emissions, which also include those of Enfo's car fleet, as well as the occupation rate of our video conferencing rooms.

We will safeguard our certifications in environmental and quality management, ISO 14001 and ISO 9001 and we also plan to be certified in the energy efficiency system ETJ+ in Finland.

We promote clean energy usage in all our operations and, during 2020, we will look for new solutions in this area. We aim to have all premises classified according to LEED or BREEAM environmental certifications.

Challenges and possibilities

We are aware that the ICT sector has been seen as an area that negatively affects society and the environment. The digital journey to the cloud is often seen as a step in the right direction when attempting to mitigate environmental impacts. Enfo's focus on cloud-based digital development conforms to this.

Our environmental impact is mainly related to our data center's electricity consumption. Also, our premises need energy for heating and cooling and our transportation and traveling causes environmental impacts. To reduce our footprint, Enfo's data center uses green energy and we promote limited travelling as well as the use of green energy in all our premises.

Environmental responsibility SDGs

- **Industry, innovation and infrastructure.** This area is potentially where Enfo can have the most impact – co-creating with customers and partners and examining how we can support them in their sustainability and responsibility journey.
- **Responsible consumption and production.** Enfo makes use of reused and recycled electronic equipment to directly reduce our consumption. We promote the usage of green energy in all our premises.
- **Climate action.** We strive to minimize travel emissions through the use of virtual meetings and public transport.

Enfo's support for Arcanys Learning Foundation

Arcanys Early Learning Foundation in the Philippines provides free parent-child coaching programs for disadvantaged families to teach basic math and logic. Enfo has been sponsoring the organization's third learning center in Cebu city which helps 400 families within the program. Since 2012 Arcanys has provided over 120,000 math sessions to more than 4,300 families. We are proud to support Arcanys in their initiatives to enable early education for a brighter future.

Customers

With its customers, Enfo both builds and runs digital solutions, mastering the complex scene of hybrid platforms, applications and data. We pride ourselves in our comprehensive cross-platform expertise and provide genuine care in the long term. In its customer relationships, Enfo aims for co-creation and being a trusted partner.

Business operations

Enfo supports its customers in moving business-critical solutions to a cross-platform environment.

In 2019, Enfo worked to enhance a co-creational approach in its customer relations. Customer-centricity continues to be at the core of our operations, and, in the long term, we aim for co-creation in our customer relationships. Co-creation illustrates a deep maturity in these relationships, in which our customers and Enfonians work closely together towards value creation. In 2020, Enfo's prioritized must-win battle is to be a trusted partner.

As a mid-size independent company in the Nordics, Enfo benefits from its size. While it has the skillset and expertise of a larger company, it has the agility of a smaller one. This enables us to prioritize long-term care for customers and their solutions. Ongoing services comprise a significant share of Enfo's revenue, and they provide a stable backbone for our business.

In 2019, we de-centralized solution sales by moving them to their respective business areas. In order for customer account executives to focus on co-creation and to commit to delivering tailored solutions to their customers, they have been afforded a stronger operational mandate.

Enfo's efforts to be customer-centric were reflected in its most recent service experience survey results. In surveys undertaken in the second half of the year, 88% of respondents would recommend Enfo to others.

Our focus on customer-centricity is also reflected in the fact that strategic accounts, typically with services from many business units, make up a significant share of Enfo's revenue. Enfo's customers are primarily medium-sized and large enterprises.

Four business areas and a broad partner network

Enfo has certified competencies across a wide range of partner technologies which enable its comprehensive service offering. Among our partners are Amazon Web Services, IBM and Microsoft.

Enfo's four business areas – Data platforms, Information management, Applications and Care – provide broad support for customers in managing business-critical solutions and data in a cross-platform environment.

Data platforms covers our data center operations in Kuopio, as well as our public and hybrid cloud operations.

Information management supports customers in handling data to support new business opportunities and make existing operations more efficient.

Applications provides integration services, application maintenance and support and identity access management.

Care feeds into all of Enfo's operations and encompasses our service center and continuous 24/7/365 customer support, as well as modern workplace and cybersecurity services.

Our value proposition

Having defined its value proposition in 2018, Enfo continues to adhere to three central commitments:

- **Mastering complexity.** We both build and run digital solutions to support our customers in mastering the complex scene of hybrid platforms, applications and data.
- **Confidence in cloud.** We pride ourselves in our comprehensive cross-platform expertise. With our steadfast confidence in the cloud, our aim is to be the leading cross-platform service provider for business-critical applications and data in the Nordics.
- **Genuine care.** We take ownership of our customers' business transformation as if it were our own.

Business areas

Data platforms
Versatile platforms for the management of data

Main service areas
- Public cloud
- Private cloud, hybrid cloud and data center

Market size in Sweden and Finland
EUR 4.0 billion*
for infrastructure services

Employees
41

Information management
Information as a strategic asset: how to master exponentially growing amounts of data

Main service areas
- Data architectures
- Audits
- Data modelling
- Data governance
- Data lakes
- Data warehousing
- Planning
- AI and machine learning
- Master data management
- BI dashboards and applications
- Information competence center

Market size in Sweden and Finland
EUR 0.7 billion*
for data management and analytics services

Employees
153

Applications
Applications, digital services and integration with all leading technologies

Main service areas
- Integration maintenance and support
- Integration development
- Application maintenance and support
- Identity and access management
- Strategic asset management

Market size in Sweden and Finland
EUR 0.9 billion*
for integration services

Employees
261

Care
Genuine care for our customers and their solutions

Main service areas
- Service center
- MSO365
- Networks
- Cybersecurity
- Modern workplace
- IT in mergers and acquisitions
- Solution management
- Device care
- Robotic process automation RPA

Market size in Sweden and Finland
EUR 1.4 billion*
for application management services

Employees
310

*Source: Gartner, Radar, 3rd party market research

Our offering

Managing data streams, refining, analyzing and using data wisely

Platforms
Select the platforms for your data that stand the test of business transformation – on- and off-premises, public or private cloud

Data
Build smart data management architecture and shift focus from data challenges to business opportunities

Security
Manage risks and protect your most valuable data assets proactively in the workplace and beyond

Integrations
Make integration the cost-effective hero that empowers your business

Processes
Reach both quick wins and long-term benefits by having the right processes in place

Applications
Build and run your tailored applications with a trusted partner

Analytics
Gain a bird’s-eye view into your data to uncover insight and apply it for profit

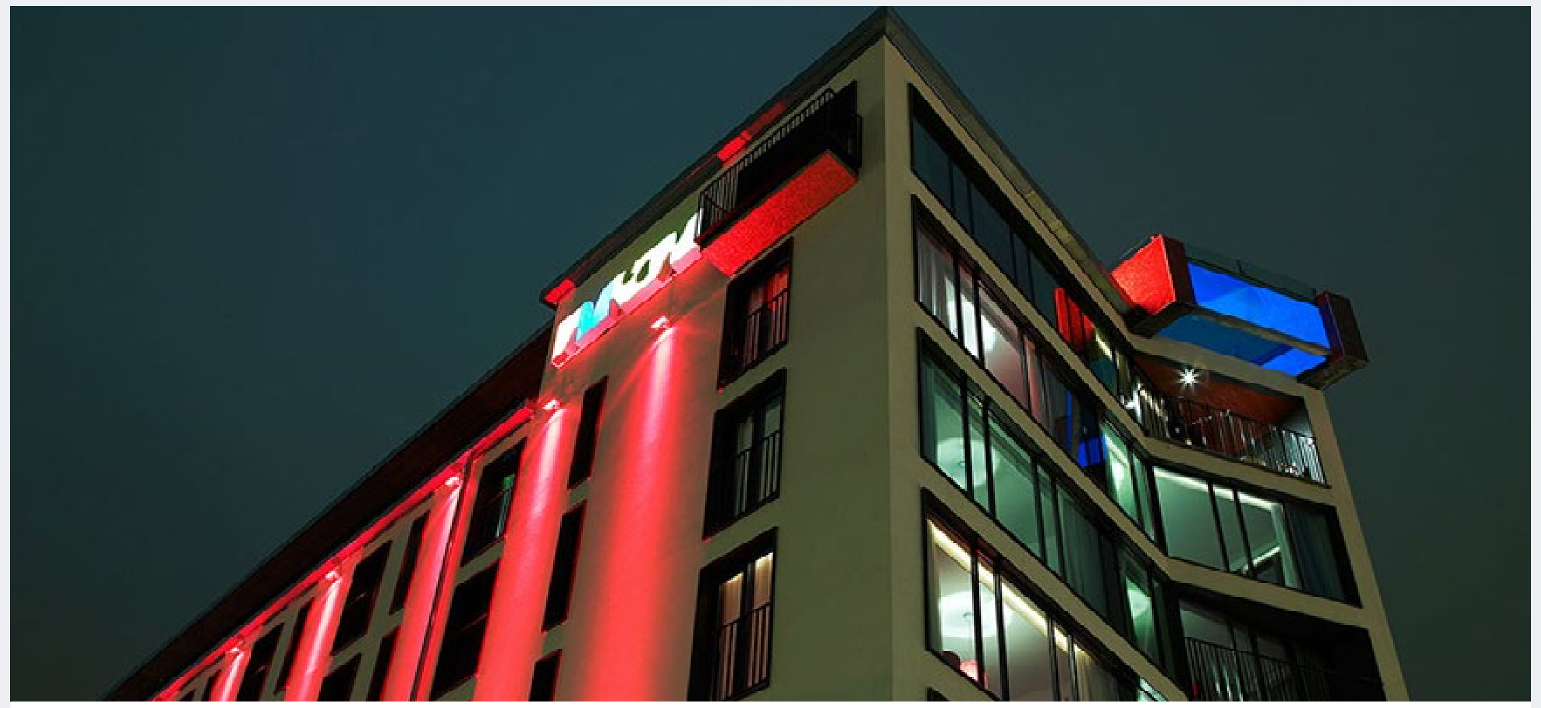
Workplace
Cater to your end-users’ needs and raise productivity to a new level

Success stories

Bluewater Group – cleaner oceans with Integration as a Service

Bluewater Group has a vision – that everyone should have access to clean water. To be able to offer its services in the most cost-effective way possible, Bluewater wanted to become better acquainted with its end-customers. This was the start of Bluewater and Enfo's joint journey towards a scalable and flexible IT environment in which integrations are purchased as a service. Through its collaboration with Enfo and Integration as a Service, Bluewater's innovative journey towards cleaner oceans can continue.

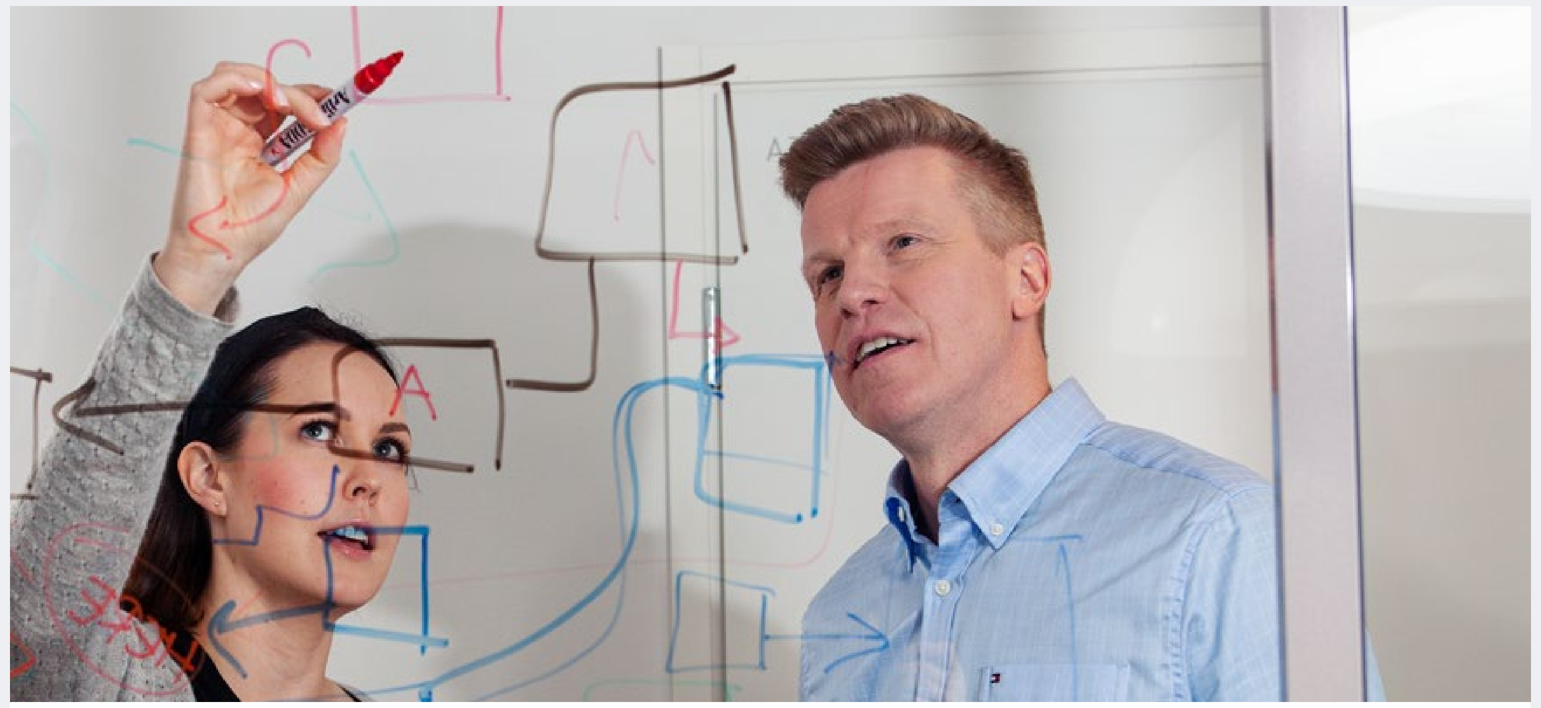
View case study →



Nordic Choice Hotels – creating the world's best digital guest journey with APIs

Nordic Choice Hotels is one of the largest hotel groups in the Nordics. Competition is harsh, and in order to offer the best booking and hotel experience, Nordic Choice uses digitalization with its smart integrated solutions where data is key. Enfo has worked closely with Nordic Choice since 2015. An important mission for Enfo has been to build the integration team "Nordic Integration Platform." Digital transformation has allowed Nordic Choice to launch new channels, functions and features more rapidly than ever before.

View case study →



Destia – moving business-critical solutions to the cloud

Destia takes care of Finland's traffic routes and the infrastructure of our living environments. For this purpose, Destia needs reliable information systems. Enfo planned and executed the migration of a considerable part of Destia's business-critical systems and database solutions to the cloud. At the same time, other systems at Destia were optimized. The result of the migration was a scalable and stable hybrid environment, bringing cost savings to Destia and speeding up the development of new services.

View case study →

Experts

Enfo wants to be a workplace to love and to provide its experts with the authorization to act, encouragement to grow and a culture of caring. Enfo's values are collaboration, trust, continuous development and expertise.

OUR EXPERTS

Our experts

In 2019, Enfo developed its leadership and worked on collaborative value creation.

Enfo's experts are the heart of its business and the key to its success. Over the course of 2019, Enfo has continued to build a shared company culture based on the values of collaboration, trust, continuous development and expertise, set at the start of 2018. These endeavors have been reflected in a stabilized employee turnover and a consistent rise in eNPS, both of which are measured monthly.

Value creation at Enfo is possible thanks to the competence and dedication of its people. Maintaining, developing and recruiting a high level of talent plays a crucial role in shaping Enfo as a trusted partner. Enfo has achieved enhanced profitability – its strategic goal for 2019 – partly by ensuring that Enfonians are motivated to stay and grow. Cooperation, ownership and competence management have therefore been critical.

Training and wellness

In 2019, Enfo has sought to apply and concretize the leadership philosophy it laid out in 2018 through measures such as coaching training sessions for managers. Training initiatives aimed at developing leadership and coaching

Enfonians at a glance

Some
900
experts

Investments in employee training
559
EUR/person

1%
Employee turnover, average per month

Enfo employees answer
4.11
on a scale from 1–5 when asked if Enfo is a good place to work

23%
Percentage of female employees

Enfo excellence awards 2019
93,623
EUR in total

skills have been rolled out. The training academies created in 2018 have been developed further and work has begun on a learning management system (LMS) that will make all training materials accessible through one portal in the future.

Wellness has continued to be a priority for Enfo. Every office has either a wellness club or a culture club, all of which are active, and training sessions were held during the year on subjects such as yoga, climbing and knitting. Club members have also participated in several running competitions.

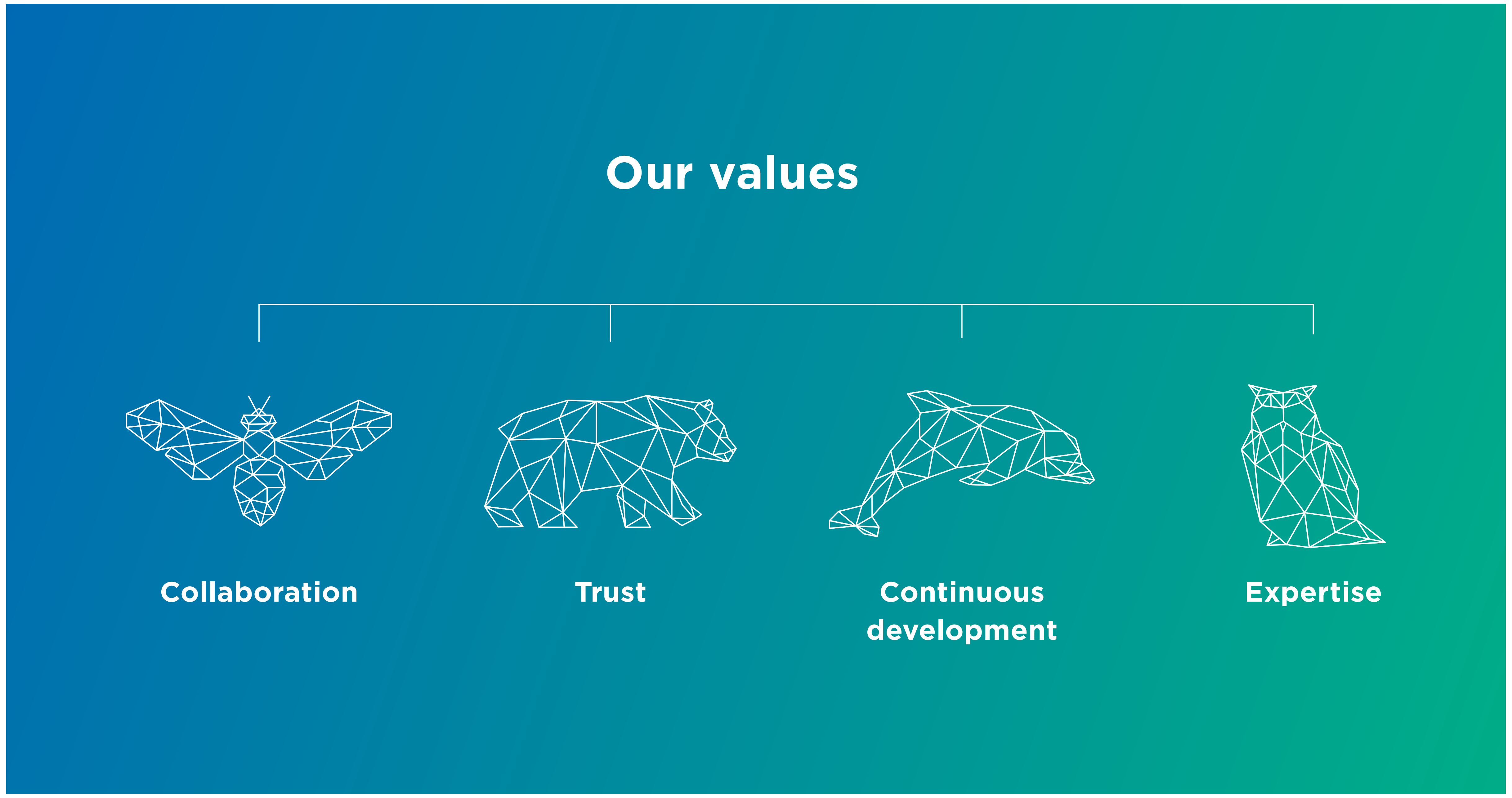
Onboarding and Code of Conduct

Onboarding has also developed. A company culture and values brochure has been provided to new employees, as well as a welcome video. New employees have received expanded company introductions which include half-day meetings with top-level management.

In 2019, the new Code of Conduct was launched to ensure that all Enfonians act in an ethical and responsible way. This applies to everyone equally and we expect the same level of commitment from our contractors and suppliers.

Looking ahead to 2020, Enfo is in the process of creating a career framework which seeks to clarify which roles are available at which levels. This will allow the company to be more explicit about career possibilities for employees. Corporate responsibility is also being developed.

Looking ahead to 2020, Enfo is in the process of creating a career framework which seeks to clarify which roles are available at which levels.



Enfo's leadership philosophy

Care
An Enfo leader sees the whole. They care about customers and colleagues, developing the company in the long term and delivering on promises.

Add value
An Enfo leader looks for value. They build relations within Enfo, with customers, partners and society at large.

Communicate
An Enfo leader honors dialogue, sharing of information and engagement to build commitment and pride. An Enfo leader listens.

Think like an entrepreneur
An Enfo leader looks ahead and takes mandate, driving constant improvement on an individual, team and company level.

Respect
An Enfo leader embraces diversity and looks for the best in people. They are enablers who make the workday more fun for others.

Corporate governance

Corporate governance report

Enfo Oyj's administration and management complies with the company's Articles of Association, the Finnish Companies Act and the Finnish Corporate Governance Code 2020 for Finnish listed companies, with exceptions. The Code is available on the Securities Market Association's website (www.cgfinland.fi).

The Board of Directors has established an Audit Committee with the objective of preparing matters related to the company's financial reporting and control. Taking into account the extent of the company's operations, the company does not have other committees nominated by the Board of Directors. However, the shareholders have appointed a Shareholders' Nomination Board as described in recommendation 18b of the Code.

The application guidelines for good corporate governance were revised and approved by the Board of Directors on January 30, 2020. A yearly report on the corporate governance is part of the Annual Report.

The parent company of Enfo Group, Enfo Oyj, is a Finnish public limited company. The domicile of the company is Kuopio. Ultimate responsibility for the administration and operations of Enfo Group lies with the General Meeting of Shareholders, the Board of Directors and the CEO. Enfo Group includes subsidiary companies in Finland, Sweden, Denmark and Norway. Enfo Oyj has a branch office in the UK.

Enfo Oyj is part of Cooperative KPY Group. The parent company of Cooperative KPY Group is Cooperative KPY, domiciled in Kuopio. Enfo follows Cooperative KPY's Group Guidance. Enfo Oyj does not have an Ultimate Beneficial Owner (UBO) as described in the applicable money laundering regulations.

The shares of Enfo Oyj have been incorporated to the book-entry account system maintained by Euroclear Finland Oy.

The General Meeting of Shareholders

The General Meeting of Shareholders constitutes Enfo's highest decision-making body in which shareholders participate in the management and supervision of the company. The company must hold one Annual General Meeting during a financial period. Extraordinary General Meetings are held if required. Shareholders exercise their voting rights in the General Meeting.

The General Meeting is attended by the CEO and the members of the Board of Directors. The auditor also attends the Annual General Meeting. Those who are nominated as members of the Board of Directors for the first time must attend the General Meeting where the election is decided on.

The shareholders have the right to place a matter belonging to the General Meeting according to the Finnish Limited Liability Companies Act up for discussion at a General Meeting. In order to exercise this right at the General Meeting, shareholders must report their intention to the company's Board of Directors in writing in such sufficient time as to allow the matter to be included in the notice to the General Meeting.

The company publishes the notice of the General Meeting and presents the meeting agenda and any documents presented to the General Meeting on its website at least three weeks prior to the General Meeting. At its discretion, the Board of Directors may also publish the notice of the meeting in a national newspaper. After the meeting, Enfo publishes the decisions made by the General Meeting.

The Annual General Meeting was held on March 27, 2019.

The Shareholders' Nomination Board

Enfo has a Shareholders' Nomination Board, which consists of the largest shareholders of the company or persons nominated by the largest shareholders. The Shareholders' Nomination Board may also include members of the Board of Directors. The Nomination Board follows the Charter of the Nomination Board approved by the General Meeting of Enfo.

The duties of the Shareholders' Nomination Board are to prepare the proposals to the General Meeting regarding the appointment and remuneration of the members of the Board of Directors and the appointment of the auditor.

Having a diverse Board of Directors is an essential component of a responsible business, which enables the achieving of the company's strategic targets. When planning the composition of the Board of Directors, the Shareholders' Nomination Board takes into account the needs and development phases of the company's business operations. The diversity of the Board of Directors is assessed from various viewpoints. Key factors include the expertise and education of members supplementing those of other members, varied experience in different business fields and managerial positions, as well as the personal qualities of each member. The objective is that both genders are represented by at least two members. In 2019, the Board consisted of two women and four men.

The Annual General Meeting of March 27, 2019 elected the members of the Shareholders' Nomination Board as follows: Anssi Lehikoinen, Pekka Kantanen, Lauri Kerman (Secretary) and Tarja Tikkanen (Chairperson). In 2019, the Nomination Board convened once, and the attendance rate was 100%.

The Board of Directors

The Board of Directors of Enfo Oyj is responsible for the company's management and for the appropriate organization of its operations. The Board of Directors is responsible for appointing and dismissing the CEO, approving the company's strategic goals and risk management principles as well as ensuring the functioning and supervision of the management system. The Board of Directors also ensures that the company agrees on the values that are followed in its operations. The Board of Directors represents all shareholders.

The members of the Board of Directors are elected annually at the Annual General Meeting based on the proposal of the Shareholders' Nomination Board. The Board of Directors consists of at least five members and a maximum of seven members. The Board of Directors selects the Chairman of the Board among its members based on the proposal of the Shareholders' Nomination Board.

The majority of the members of the Board of Directors must be independent of the company. In addition, at least two of the members who are independent of the company must also be independent of the company's major shareholders.

The Board of Directors produces a yearly written agenda that covers a schedule for meetings and a plan of matters to be addressed in the meetings, including the following:

- Financial reviews
- Strategic planning
- Shareholder affairs
- Management evaluation and remuneration schemes
- Assessment of the performance of the Board of Directors
- Business reviews
- Personnel questions
- Customer satisfaction
- Risk management

In addition to the matters listed on the agenda, the Board of Directors of Enfo addresses and decides on matters that may potentially have a significant impact on the company's finances, business or operating principles.

The Board of Directors evaluates its own performance once a year. The evaluation is carried out as a self-assessment or by an external expert.

Enfo Oyj's Annual General Meeting on March 27, 2019 elected Anssi Lehikoinen, Lauri Kerman, Mikko Laine, Kaisa Olkkonen, Susanna Rahkamo and Claes Wallnér as members of the Board of Directors, as proposed by the Shareholders' Nomination Board. The meeting of the Board of Directors held on the same day elected Anssi Lehikoinen as the Chairman of the Board of Directors, as proposed by the Shareholders' Nomination Board.

In 2019, the Board of Directors convened 13 times and the overall attendance rate of the Board members was 99%.

Audit Committee of the Board of Directors

In March 2019, the Board established an Audit Committee with the objective of preparing matters related to the company's financial reporting and control. The Audit Committee does not have independent decision-making authority, but the Board makes the decisions on the basis of preparations by the committee. The Audit Committee consists of at least two members, appointed by the Board from among the Board members, for one year at a time. The Board of Directors has appointed Kaisa Olkkonen as Chairman of the Audit Committee and Mikko Laine as ordinary member.

The tasks of the Audit Committee are:

- monitoring the statutory auditing and reporting process of the financial statements and consolidated financial statements as well as overseeing the veracity of them
- supervising the financial reporting process
- reviewing the efficiency of Enfo's internal control, internal audit and risk management systems
- approving the internal audit guidelines and reviewing the internal audit plans and reports
- reviewing the description of the main features of the internal control and risk management systems in relation to the financial reporting process, included in Enfo's Corporate Governance Statement
- evaluating the independence and work of the statutory auditor, particularly the provision of related services to Enfo
- evaluating compliance with laws, regulations and company policies and monitoring significant litigations affecting Enfo

The Audit Committee convenes regularly at least four times a year. In 2019, the Audit Committee had three meetings. The participation rate was 100%.

CEO and other management

According to the Finnish Companies Act, the CEO is responsible for the day-to-day running of the company in compliance with the principles and guidelines set by the Board of Directors. The Board of Directors appoints and discharges the CEO, decides on the financial benefits and other terms and conditions of the CEO's term of office, and supervises the activities of the CEO.

The CEO may, taking the scope and quality of the company's operations into account, only take unusual or far-reaching action with the authorization of the Board of Directors. The CEO is responsible for the lawfulness of the company's accounting and the reliable organization of asset management. The CEO cannot be appointed as a member of the Board of Directors.

Seppo Kuula, M.Sc. (Tech, industrial engineering), eMBA (marketing) and Engineer (machine automation) is the CEO of the Enfo Group.

The CEO is assisted by the Group's Management Team, which is responsible for the operative management of Enfo Group. The Group's Management Team convenes at least once a month. In addition to the CEO, at the beginning of February 2020, the members of the Group's Management Team included Nina Annila (EVP, Care and Data platforms Finland), Björn Arkenfall (EVP, Applications and Information management Sweden), Erik Brügge (EVP, Care and Data platforms Sweden), Antti Hemmilä (General Counsel), Sami Kähkönen (EVP, Applications and Information management Finland), Henrik Norell (EVP, People operations) and Mari Orttenvuori (CFO).

Incentive schemes

Functional and competitive rewarding is a significant tool in recruiting capable management and experts for the company, which in turn improves the company's financial success and the implementation of good corporate governance. Rewarding supports the fulfilment of objectives set by the company and the company's strategy, as well as long-term results.

Rewarding must be in proportion considering the company's development and long-term value formation. Rewards are tied to performance and profit criteria and their fulfilment is monitored, increasing trust in the functionality of the rewarding scheme.

The Annual General Meeting decides upon the fees paid to the Board of Directors. The monthly fee of the Chairman of the Board of Directors is EUR 4,000 and that of a Board member is EUR 1,000. In addition, the Board members and the Chairman are each paid a total of EUR 600 per meeting in attendance fees. The members of the Audit Committee are paid a meeting fee equal to the meeting fee of the members of the Board. The travel expenses of Board members are compensated for in accordance with the company's travel policy. The Board members are insured under the employees' pension insurance (TyEL) scheme, excluding Claes Wallnér, a Swedish citizen. The contribution attributable to the member is deducted from the fee, and the company pays the part attributable to the employer.

The total reward paid to the company's CEO and members of the Group's Management Team consists of a fixed monthly salary with fringe benefits, an annual bonus and a share-based long-term incentive scheme. The company does not have any specific pension solutions for the management. The company's Board of Directors decides upon rewards paid to the CEO and members of the Group's Management Team.

In 2019, the company paid a total of EUR 382,960 in salaries and fees to CEO Seppo Kuula, of which the result-based bonuses accounted for EUR 75,000. The period of notice in the executive agreement of Seppo Kuula, valid until further notice, is six months if the CEO terminates the agreement. If the company terminates the agreement, the CEO will also receive an amount corresponding to the salary of six months.

In 2019, EUR 1,540,548 were paid in salaries and fees to all members of the Group's Management Team.

The Group's permanent employees are party to various short-term incentive or bonus schemes. In addition, the Group has a long-term incentive scheme directed at the management and key personnel.

In 2019, the short-term incentive or bonus scheme for the management and key persons in Finland and Sweden involved approximately 60 persons. For management and key persons the central determining criteria for the bonus included profitability of the Group or business area and/or personal objectives, and bonus accounted for, at most, 10–30% of a person's annual salary. In 2019, the incentive scheme had a single earning period (full year 2019).

In addition to the annual bonus scheme, the Group has a long-term share incentive scheme directed at the management and key personnel. On December 31, 2019 the number of key persons belonging to the target group was 19 and the maximum amount of shares payable as a reward to these persons is 10,574. The company may also pay the reward entirely or partially in cash.

In 2019, the company did not pay share rewards based on earlier share-based incentive schemes.

The short-term incentive or bonus scheme for the management and key persons in 2020 will be decided upon in the first quarter 2020.

The governance of Group companies, affiliated companies and offshore operations

Enfo Group consists of subsidiary companies in Sweden (5), Denmark (1) and Norway (1). During 2018, several Swedish group companies were merged into two operating companies, which reduces the amount of administration. The members of the boards of directors of the subsidiary companies are members of the management of Enfo. In Denmark and Norway, a third-party service provider has been retained to provide administrative services. Enfo Oyj has a branch office in the UK.

In provision of services, Enfo uses regular partners in the Philippines, India and Poland. However, Enfo does not own shares in these companies, nor does Enfo have offices in these countries. In separate assignments agreed with these partners, the partners follow the instructions of Enfo or Enfo's customers.

Other governance

The company's internal audit is based on regular reporting, active work within the Board of Directors and the work of the Audit Committee.

The objective of risk management is to ensure that the company operates efficiently and profitably, that information is reliable and regulations and operating principles are complied with. The aim is to identify, assess and monitor any risks related to business operations.

The company has conducted an analysis of the probability of threats and risks related to business operations, the impact of the threats and risks actually taking place and risk management. The risk management plan prepared on the basis of the analysis is updated and developed in an active and determined manner in order to control the risks related to business operations. The status of risk management is reported quarterly to the Board of Directors.

The Group's financing decisions are made centrally within the parent company following the investment policy approved by the Board of Directors, and the Board receives a quarterly report on the company's financial standing.

The internal audit requires auditors to screen different Group units. The service is purchased from an external provider. Internal auditors report directly to the Board of Directors.

The company reports information about potential related-party activities in the Board of Directors' report and notes to the financial statements. Currently, the company has no related-party activities that would be significant or deviate from ordinary business operations.

The auditor has an important position as an auditing body appointed by the shareholders. The Shareholders' Nomination Board presents a proposal of the auditor to the Annual General Meeting.

The company's auditor is Authorised Public Accountants PricewaterhouseCoopers Oy, with Authorised Public Accountant Pekka Loikkanen as the main auditor. In the period of January 1 to December 31, 2019, the Group paid the auditor a total of EUR 182,928 in auditing fees and EUR 150,892 in fees not related to auditing.

Enfo's Board of Directors

Anssi Lehikoinen

Chairman of the Board
M.Sc. (Technology), Ph.D.

Anssi Lehikoinen is Chairman of the Board of Rocsole Oy and VRT Finland Oy. He is a member of the Board of Osuuskunta KPY and Nostetta Oy. Lehikoinen has served as CEO of Numcore Oy November 2007 to April 2012, CEO of Rocsole Oy May 2012 to May 2014 and part-time Professor of Practice (Innovation management and commercialization) at the University of Eastern Finland December 2014 to November 2017.

Member of Enfo Oyj's Board of Directors since March 30, 2016 and Chairman since March 30, 2017.

Holds no shares in Enfo Oyj. Independent of the company, dependent on a significant shareholder.

Lauri Kerman

Member of the Board
M.Sc. (Economics), eMBA

Lauri Kerman is Managing Director at Osuuskunta KPY. Member of the Board of Directors of Enfo Oyj, Voimatel Oy, Vetrea Terveys Oy, Kiinteistö Oy Lentokapteeni and KPY Novapolis Oy. Main work experience: Director of Icecapital Banking, Partner at Iridium Corporate Finance and Portfolio Manager at Ilmarinen Mutual Pension Insurance Company.

Member of Enfo Oyj's Board of Directors since March 19, 2014.

Holds no shares in Enfo Oyj. Independent of the company and dependent on a significant shareholder.

Mikko Laine

Member of the Board
BBA, MBA

Mikko Laine is Partner in Broadius Partners Oy with over 10 years of advisory experience. Laine also serves as Partner and Member of the Board of Finnsweet Oy and Partner and Chairman of the Board of Nostetta Oy. Previously Laine has been Partner and Member of the Board of Human Care Network Oy and Kotihotelli Oy, and Member of the Board of Pyn Rahastoyhtiö Oy.

Member of Enfo Oyj's Board of Directors since March 30, 2017.

Holds indirectly 4,187 shares in Enfo Oyj. Independent of the company and significant shareholders.

Kaisa Olkkonen

Member of the Board
Master of Laws

Kaisa Olkkonen is CEO of SSH Communications Security Oyj, Member of the Board and of the Audit Committee at Cargotec Oyj and member of the Board at John Nurminen foundation. Advisor at Morelex Oy, 3D Bear Oy and Familings Oy.

Member of Enfo Oyj's Board of Directors since March 30, 2016.

Holds 196 shares in Enfo Oyj. Independent of the company and significant shareholders.

Susanna Rahkamo

Member of the Board
Ph.D.

Susanna Rahkamo is Senior Partner and leadership consultant at Pertec Consulting. She is Vice President at the Finnish National Olympic Committee, Chair of European Olympic Committees Olympic Culture and Legacy Commission, and Chair of Development Commission International Skating Union.

Member of Enfo Oyj's Board of Directors since March 27, 2018.

Independent of the company and significant shareholders.

Claes Wallnér

Member of the Board
M.Sc.

Claes Wallnér is management consultant at No WaIT AB, angel investor for sustainable energy and board member in several companies. Previously, he has been Group CIO at Vattenfall AB and Head of Business Process & IT at Outokumpu Oyj.

Member of Enfo Oyj's Board of Directors since March 27, 2018.

Independent of the company and significant shareholders.

Enfo’s Management Team

Seppo Kuula

CEO, Chairman of the Management Team

Seppo Kuula is Master of Science (tech, industrial engineering), eMBA (marketing) and Engineer (machine automation). Kuula was the CEO of Siili Solutions Oyj 2010-2017, and before that, he led business operations and sales both in publicly listed and private companies in Europe and the US.

CEO of Enfo Oyj from the beginning of the year 2018. Holds 6,987 shares in Enfo Oyj.

Nina Annila

EVP, Care and Data platforms Finland

Nina Annila has more than 20 years of experience from the IT sector. At Enfo, she has worked in delivery of IT outsourcing services and software development as well as sales and customer management. She returned to Enfo after working in TietoEnator and Otava in 2010 and was a member of Enfo’s Management Team also 2011–2013. Her educational background is in Mathematics and ICT.

Member of the Management Team of Enfo Oyj since August 24, 2018. Holds 205 shares in Enfo Oyj.

Björn Arkenfall

EVP, Applications and Information management Sweden

Björn Arkenfall has a Master of Science degree in Computer and Electrical Engineering. He has worked at Enfo as a SVP and VP in the integration business unit since 2016 and before that at e-man as a deputy CEO and COO.

Member of the Management Team of Enfo Oyj since February 1, 2019. Holds no shares in Enfo Oyj.

Erik Brügge

EVP, Care and Data platforms Sweden

Erik Brügge is a Bachelor of Science in Informatics. He has previously worked in consulting at Zipper AB. Since 2008, when Enfo acquired Zipper, he has held management positions at Enfo Zipper.

Member of the Management Team of Enfo Oyj since July 1, 2017. Holds 222 shares in Enfo Oyj.

Antti Hemmilä

General Counsel

Antti Hemmilä is LL.M. He has previously been Specialist Partner at Attorneys at law Borenius Ltd. specializing in company law, M&A and capital markets.

Member of the Management Team of Enfo Oyj since July 1, 2017. Holds 750 shares in Enfo Oyj.

Sami Kähkönen

EVP, Applications and Information management Finland

Sami Kähkönen is a Master of Science in Information Technology. He has previously worked as CEO in Enfo Rongo. He has also worked at Tieto (previously TietoEnator) as a consultant and as Director in Data & Analytics.

Member of the Management Team of Enfo Oyj since July 1, 2017. Holds directly or indirectly 6,319 shares in Enfo Oyj.

Henrik Norell

EVP, People operations

Henrik Norell has an education within human resources. Norell has previously acted as Head of HR CBRE Sweden AB, HR Manager Nordic at Ingram Micro AB, HR Director at Nasdaq OMX and HR Specialist at Accenture.

Member of the Management Team of Enfo Oyj since January 9, 2017. Holds 320 shares in Enfo Oyj.

Mari Orttenvuori

CFO

Mari Orttenvuori is a Bachelor of Science in Business. She has previously worked as CFO at M-Brain and in various financial management positions at Oriola, Elisa and Nokia.

Member of the Management Team of Enfo Oyj since September 23, 2019. Holds no shares in Enfo Oyj.

Financial statements and Board of Directors' report

Board of Directors’ Report

Enfo Oyj (Business ID: 2081212-9) is a Nordic IT service company that enables data-driven business transformation for its customers. Enfo builds and runs business-critical applications and services with its customers. Enfo employs approximately 900 experts in Finland and Sweden.

Market development

According to forecasts for the sector, the market for IT services will enjoy robust growth, both in Finland and Sweden. This development is being driven by the exponential growth in data amounts and the transition to a cross-platform environment. The development of cloud platforms puts emphasis on mastering complexity in a hybrid environment and providing capabilities for the long-term maintenance of business-critical applications. The significance of strategic partnerships is growing as customers seek to build long-term relationships with selected, trusted partners.

Net sales and profit

The Group net sales in 2019 decreased by 3.3% to EUR 121.5 (125.6) million. The main reason for the decline was ending of the non-profitable business in Karlskrona. EUR 52.7 million of the net sales were generated in Finland and EUR 68.8 million in Sweden. Sales from recurring services amounted to EUR 48.0 (46.1) million, sales from consulting to EUR 62.3 (68.7) million and intermediary sales to EUR 11.2 (10.8) million in 2019.

EBITDA was EUR 9.4 (3.8) million in 2019. Full-year operating profit (EBIT) increased by EUR 3.8 million and was EUR 1.4 (-2.5) million or 1.1% of net sales. The improvement in operating profit was mainly due to efficiency measures to minimize waste in delivery processes and improved overhead cost control. Full-year profit before taxes amounted to EUR -0.1 (-3.6) million and profit for the period was EUR -1.4 (-4.5) million. Full year 2019 earnings per share were EUR -4.6 (-9.2).

Enfo has adopted the IFRS 16 standard, using the modified retrospective approach as at January 1, 2019, thus information for the comparative period has not been restated. The application of IFRS 16 increased fixed assets and debt by EUR 8.7 million. The effect on EBITDA in 2019 was EUR 3.5 million. EUR 3.6 million was recognized as short term debt and EUR 5.1 million as long term debt. The standard change increased net cash flow from operations and decreased net cash flow from financing activities by EUR 3.5 million in comparison to prior period. More information in note 22.

Investments and financing

Enfo’s net investments in 2019 amounted to EUR 15.4 (1.8) million. The total consisted of a EUR 0.6 million investment in a competence management program, the acquisition of SAP business for EUR 4.3 million, EUR 7.8 million in additions during the period due to IFRS 16 standard, and a EUR 2.7 million investment in operations and production.

In May, Enfo signed a new EUR 20 million financing package with a consortium of creditors, including previous lenders Nordea Bank and OP Corporate Bank, as well as Ilmarinen and LähiTapiola as new lenders. The financing package included repayment of the EUR 10 million multi-issuer bond due in June 2019 and re-financing of existing long-term bank financing.

As at December 31, Enfo remained in compliance with the financial covenants specified in its loan agreements:

- Net gearing less than 100%
- Interest-bearing net liabilities/EBITDA less than 4.5

At the end of 2019, Enfo had EUR 13.7 (15.0) million short-term credit limit of which EUR 9.5 (10.9) million was withdrawn at the end of December.

Interest-bearing liabilities at the end of December amounted to EUR 42.6 (32.2) million and were composed of EUR 29.9 (19.1) million in bank loans, EUR 12.7 (3.1) million in lease liabilities and EUR 0.0 (10.0) million in bonds.

The company’s equity ratio at the end of the financial year was 36.4% (43.8) and net gearing was 96.0% (69.5). The net financial expenses of the Group were EUR 1.5 (1.2) million. Net cash flow from operations equaled EUR 9.3 (2.3) million. The end-of-year balance sheet totaled EUR 119.6 (105.5) million.

Implementation of the strategy

In 2019, Enfo implemented the second phase of the 2018-2020 strategy period. The strategy is based on Enfo’s mission of enabling data-driven business transformation in the Nordic countries. Our winning aspiration is to be a Nordic leader in data-driven business transformation, supporting the migration of business-critical applications to a cross-platform environment. Enfo offers comprehensive support: hybrid platforms, information management for enriching exponentially increasing amounts of data, and application integrations and analytics for the utilization of data. Enfo operates in the Nordic countries, with Sweden and Finland as its primary markets. Co-creation with customers and other stakeholders is at the core of the strategy. Enfo aims for trusted partner status and long-term collaboration in its customer relationships.

Enfo focused on building a sustainable foundation for its business and prioritized the expertise-related strategic must-win battle “A workplace to love” in 2018. In 2019, Enfo focused on profitability and gave priority to the strategic must-win battle “Collaborative value creation”. Enfo enhanced its competence management program aimed at balancing competence demand and supply. The program generates valuable information for sales, resourcing, and competence development and recruitment. Over the year, Enfo also developed business control and its tools and processes. Cooperation between sales, marketing and the business areas was also enhanced. At the end of December, Enfo acquired Solteq's SAP ERP business in Finland. From before, Enfo already had a minority share in Swedish SAP consultancy business Zuite Business Consulting. SAP is a global leading ERP platform. With the acquisition, Enfo set a foundation to become a Nordic leader in SAP on cloud migration and maintenance services. The building and running of business-critical applications in the long term, with SAP as the spearhead, forms the basis for Enfo's profitable growth in 2020, when the prioritized must-win battle is ”Trusted partner”. During the year, Enfo seeks to lay the groundwork for expanding its ownership base in 2021.

Responsibility

Enfo drew up a corporate responsibility strategy in 2019. Enfo's CR mission is to be the obvious choice as an employer and supplier through responsible digital development and business. For Enfo, sustainability is about creating long-term value for itself and its customers by integrating environmental, social and financial opportunities and risks into strategy and operations. Based on comprehensive groundwork, Enfo defined the themes of its corporate responsibility strategy in line with the UN's Sustainable Development Goals (SDG). These themes are: (4) quality education, (5) gender equality, (8) decent work and economic growth, (9) industry, innovation and infrastructure, (12) responsible consumption, and (13) production and climate action.

Enfo published its Codes of Conduct for its employees and suppliers in 2019. This was supplemented by the publication of the Anti-Corruption Policy. Enfo's corporate responsibility is governed by these documents, along with the Work Environment Policy and Environmental Policy.

Enfo keeps its customers' data safe by ensuring that it is stored securely and in accordance with ISO 27001, which is implemented in Enfo's data center in Kuopio. Enfo's environmental management system is certified according to the ISO 14001:2015 standard.

Board of Directors, management and auditor

The Chairman of the company's Board of Directors is Anssi Lehikoinen. The other members of the Board of Directors at the beginning of 2020 were Lauri Kerman (Managing Director of Osuuskunta KPY), Mikko Laine (Partner and Advisor at Broadius Partners), Kaisa Olkkonen (CEO of SSH Communications Security), Susanna Rahkamo (Senior Partner and leadership consultant at Pertec Consulting), and Claes Wallnér (management consultant at No WalT AB).

In January 2020, the Group's Management Team consisted of CEO Seppo Kuula, Nina Annila (EVP, Care and Data platforms Finland), Björn Arkenfall (EVP, Applications and Information management Sweden), Erik Brügge (EVP, Care and Data platforms Sweden), Antti Hemmilä (General Counsel), Sami Kähkönen (EVP, Applications and Information management Finland), Henrik Norell (EVP, People operations) and Mari Orttenvuori (CFO). In the 2019 financial year, the company's auditor was Authorized Public Accountants PricewaterhouseCoopers Oy, with Pekka Loikkanen, Authorized Public Accountant, as the designated chief auditor.

Shares, owners and share capital changes

Enfo Oyj had a total of 679,251 shares on December 31, 2019. According to the company's list of owners, the company had a total of 126 direct shareholders at the end of the financial year, including the company itself. This figure does not include foreign shareholders whose shares are nominee-registered. At the end of the financial year, the company held 13,388 treasury shares (1.97% 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.

Enfo Oyj is the parent company of Enfo Group, which belongs to Osuuskunta KPY Group. The parent company of Osuuskunta KPY Group is Osuuskunta KPY. Enfo Group comprises subsidiaries in Finland, Sweden, Denmark, and Norway. Enfo Oyj has a branch in the United Kingdom. At the end of 2019, the company's ten largest shareholders were Osuuskunta KPY, Ilmarinen Mutual Pension Insurance Company, Rongo Cap Oy, the Gösta Serlachius Fine Arts Foundation, Seppo Kuula, Keskisuomalainen Oyj, Einari Vidgrén Oy, Lululemon Oy, Hannu Isotalo Oy and Kallax Oy. Osuuskunta KPY holds 83.56% of Enfo's shares.

Enfo Oyj had a total of 679,251 shares on January 1, 2019. The company did not issue new shares or convey any treasury shares in the financial year. The company purchased a total of 2 treasury shares during the financial year. The purchase was made in the context of an arrangement, in which Enfo offered to buy the shares of shareholders owning less than 10 shares at fair value.

Personnel and remuneration

Enfo employed an average of 903 employees (884) during the year and a total of 916 employees (881) at the end of the year. On average, 360 (321) employees were in Finland and 543 (561) were in Sweden. The Group's personnel expenses totaled EUR 70.9 (73.4) million in 2019. Personnel expenses made up 59% (57) of all expenses in the income statement. Enfo paid salaries and bonuses to its personnel to a total amount of EUR 55.7 (61.6) million.

At the end of 2019, the average duration of a permanent employment relationship in the Group was 5.2 (5) years. A clear majority of 77% (77) of the Group's personnel are men. The average age of the personnel was 42.6 (42).

Decisions of the Annual General Meeting

The Annual General Meeting of Enfo Oyj held on March 27, 2019 decided that no dividend would be paid for 2018 in accordance with the Board of Directors' proposal. The AGM decided to discharge the CEO and the members of the Board of Directors from liability for the financial year ended on December 31, 2018. In accordance with the proposal of the Nomination Board, it was decided that PricewaterhouseCoopers Oy should continue as Enfo's auditor. The auditor announced that Pekka Loikkanen, Authorized Public Accountant, would continue as Enfo's designated chief auditor.

Anssi Lehikoinen, Lauri Kerman, Mikko Laine, Kaisa Olkkonen, Susanna Rahkamo and Claes Wallnér were re-elected as ordinary members of the company's Board of Directors. At the organization meeting held after the Annual General Meeting, the Board of Directors elected Anssi Lehikoinen as the Chairman and Kaisa Olkkonen as the Deputy Chairman.

It was decided to re-elect Anssi Lehikoinen, Pekka Kantanen and Lauri Kerman (Secretary) to the Nomination Board, and re-elect Tarja Tikkanen as its Chairwoman. The Nomination Board's proposal for the establishment of an Audit Committee was accepted.

The Annual General Meeting also decided on authorizations with the following primary terms and conditions:

- The issue of a maximum of 175,000 new shares through a rights issue on one or more occasions. The authorization is valid until further notice.
- The issue or conveyance of a maximum of 60,000 new shares or treasury shares through a directed rights issue. The authorization is valid until further notice.
- The repurchase of up to 20,000 treasury shares. The authorization is valid until further notice.

Events following the financial year

On December 30, 2019 the Board of Directors resolved on a rights issue of approximately EUR 4.2 million with pre-emptive subscription rights for the company's current shareholders, as authorized by the Annual General Meeting of March 27, 2019. The full number of shares was subscribed in January 2020, and the 82,233 new subscribed shares were entered in the Trade Register in February 2020. The proceeds from the rights issue will be used to finance the acquisition of the SAP ERP business of Solteq Oyj, done in December 2019.

Enfo and TIBCO Software Inc, a global leader in enterprise data, announced a strategic partnership in January 2020, making Enfo an exclusive reseller of TIBCO solutions in the Nordic and Baltic Countries.

Outlook

The Group's net sales and EBITDA are expected to increase in 2020 compared to 2019. Enfo's profitable growth is based on building and running business-critical applications in a cross-platform environment, with SAP as a spearhead. The competence management program, along with increased operational efficiency and improved maneuverability will also contribute to this positive development.

Risks and uncertainties

Competition for experts is a major factor in terms of growth, and the main short-term risks are related to the recruiting and efficient onboarding of employees. The internal capability to develop competence management, advance tools for maneuverability, and continue to execute offering is essential in the short term. In the long term, Enfo's growth will be influenced by the market's willingness to migrate business-critical solutions to cross-platform environments.

Proposal of the Board of Directors for dividend distribution

On December 31, 2019 the parent company's distributable funds totaled EUR 62,414,111.28. The Board of Directors proposes to the Annual General Meeting that no dividend will be distributed for the financial year 2019.

Consolidated financial statements (IFRS)

Consolidated statement of income

IFRS, EUR 1,000

	Note	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Net sales	4	**121,456**	**125,561**
Other operating income	5	184	662
Materials and services	6	-29,303	-30,263
Salaries and other employee benefits	7	-70,917	-73,387
Depreciation, amortization, and impairment	8	-8,053	-6,249
Other operating expenses	9	-11,976	-18,775
Operating profit/loss		**1,390**	**-2,452**
Financial income	10	1,398	2,024
Financing expenses	10	-2,889	-3,190
Financing expenses (net)	10	-1,492	-1,167
Profit/loss before taxes		**-101**	**-3,619**
Income taxes	11	-1,254	-845
Profit/loss for the financial year		**-1,356**	**-4,464**
Attributable to			
- owners of the parent company		-3,048	-6,090
- non-controlling interests		1,693	1,626
Earnings per share calculated on the basis of the profit attributable to the owners of the parent company:			
Diluted and undiluted earnings per share for company shareholders	12	-4.59	-9.17

Consolidated statement of comprehensive income

IFRS, EUR 1,000

	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Profit/loss for the financial year	**-1,356**	**-4,464**
Items that may be recognized through profit or loss in the future:		
Financial assets measured at fair value in the comprehensive income statement	8	-5
Exchange rate differences caused by net investments in foreign subsidiaries	-292	-663
Other translation differences	171	-33
Other items of comprehensive income for the financial year after taxes	-113	-701
Total comprehensive income for the financial year	**-1,469**	**-5,165**
Attributable to		
owners of the parent company	-3,133	-6,721
non-controlling interests	1,664	1,556

Consolidated statement of financial position

IFRS, EUR 1,000

	Note	Dec 31, 2019	Dec 31, 2018
Assets			
Non-current assets			
Property, plant, and equipment	13	12,375	2,755
Goodwill	15	66,541	66,094
Other intangible assets	14	9,480	4,180
Financial assets measured at fair value in the comprehensive income statement	16	131	123
Receivables	17	933	874
Deferred tax assets	18	1,512	1,523
Total non-current assets		**90,972**	**75,548**
Current assets			
Trade receivables	19	21,989	24,384
Other receivables	19	3,888	3,616
Tax assets based on the financial year's taxable income	19	1,731	1,810
Financial assets measured at fair value in the comprehensive income statement	16	2	2
Cash and cash equivalents	20	984	156
Total current assets		**28,593**	**29,968**
Total assets		**119,566**	**105,516**

	Note	Dec 31, 2019	Dec 31, 2018
Equity and liabilities			
Equity			
Equity attributable to owners of the parent company			
Share capital	21	265	265
Treasury shares	21	-1,123	-1,123
Translation differences	21	-2,089	-1,569
Fair value reserve and other reserves	21	26,762	26,755
Retained earnings		17,844	20,139
Total equity attributable to owners of the parent company		**41,659**	**44,466**
Non-controlling interests		**1,714**	**1,630**
Total equity		**43,373**	**46,096**
Non-current liabilities			
Deferred tax liabilities	18	526	713
Financial liabilities	22	26,874	1,235
Other liabilities	24	125	376
Total non-current liabilities		**27,525**	**2,323**
Current liabilities			
Trade payables	24	6,310	4,927
Other liabilities	24	25,451	20,523
Tax liabilities based on the financial year's taxable income	24	1,163	680
Financial liabilities	22	15,744	30,966
Total current liabilities		**48,668**	**57,097**
Total liabilities		**76,193**	**59,420**
Total equity and liabilities		**119,566**	**105,516**

Consolidated statement of cash flows

IFRS, EUR 1,000

	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Cash flow from operations		
Profit for the financial year	-1,356	-4,464
Adjustments:		
Depreciation, amortization, and impairment	8,053	6,249
Financial items	1,492	693
Capital gains/losses from fixed assets	0	69
Taxes	1,254	845
Non-cash transactions	78	0
Change in working capital:		
Change in trade receivables and other receivables	2,756	841
Change in trade payables and other payables	65	734
Interest paid	-1,234	-850
Interest and dividends received	8	9
Taxes paid	-1,817	-1,852
Net cash flow from operations	**9,300**	**2,273**
Cash flow from investment activities		
Investments in tangible and intangible fixed assets	-1,378	-1,088
Sales of tangible and intangible fixed assets	201	72
Net cash flow from investing activities	**-1,177**	**-1,017**

	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Cash flow from financing activities		
Rights issue	0	678
Dividents paid	-1 580	- 1667
Transactions related to treasury shares	0	-728
Proceeds from non-current borrowings	20,548	4,946
Repayment of current borrowings	-19,433	-3,925
Repayment of leasing liabilities	-6,650	-2,286
Net cash flow from financing activities	**-7,115**	**-2,981**
Change in cash and cash equivalents	1,008	-1,725
Net foreign exchange difference on cash and cash equivalents	-180	-67
Cash and cash equivalents at beginning of the financial year	156	1,948
Cash and cash equivalents at end of the financial year	**983**	**156**

Consolidated statement of changes in equity

IFRS, EUR 1,000

	Share capital	Treasury shares	Translation differences	Fair value reserve and other reserves	Retained earnings	Total	Non-controlling interest	Total equity
Equity Jan 1, 2018	**265**	**-395**	**-299**	**26,081**	**25,117**	**50,770**	**1,741**	**52,510**
Profit/loss for the financial year					**-6,090**	**-6,090**	**1,626**	**-4,464**
Comprehensive income								
Other items of comprehensive income								
Financial assets measured at fair value in the comprehensive income statement				-5		**-5**		**-5**
Exchange rate differences caused by net investments in foreign subsidiaries			-663			**-663**		**-663**
Other translation differences			-607		644	**37**	-70	**-33**
Other items of comprehensive income for the financial year after taxes			-1,270	-5	644	**-631**	-70	**-701**
Comprehensive income for the financial year			**-1,270**	**-5**	**-5,446**	**-6,721**	**1,556**	**-5,165**
Transactions with owners								
Dividends						**0**	-1,667	**-1,667**
Share issue				678		**678**		**678**
Purchase of treasury shares		-728				**-728**		**-728**
Total transactions with owners		**-728**		**678**		**-50**	**-1,667**	**-1,717**
Other adjustments					467	**467**		**467**
Equity Dec 31, 2018	**265**	**-1,123**	**-1,569**	**26,754**	**20,138**	**44,465**	**1,630**	**46,094**

	Share capital	Treasury shares	Translation differences	Fair value reserve and other reserves	Retained earnings	Total	Non-controlling interest	Total equity
Equity Jan 1, 2019	**265**	**-1,123**	**-1,569**	**26,754**	**20,138**	**44,465**	**1,630**	**46,094**
Profit/loss for the financial year					**-3,048**	**-3,048**	**1,693**	**-1,356**
Comprehensive income								
Other items of comprehensive income								
Financial assets measured at fair value in the comprehensive income statement				8		**8**		**8**
Exchange rate differences caused by net investments in foreign subsidiaries			-292			**-292**		**-292**
Other translation differences			-241		440	**199**	-29	**171**
Other items of comprehensive income for the financial year after taxes			-533	8	440	**-85**	-29	**-114**
Comprehensive income for the financial year			**-533**	**8**	**-2,608**	**-3,133**	**1,664**	**-1,469**
Transactions with owners								
Dividends						**0**	-1,580	**-1,580**
Share bonuses					67	**67**		**67**
Redemption obligation					251	**251**		**251**
Total transactions with owners					**318**	**318**	**-1,580**	**-1,262**
Other adjustments					9	**9**		**9**
Equity Dec 31, 2019	**265**	**-1,123**	**-2,102**	**26,762**	**17,857**	**41,660**	**1,714**	**43,372**

Notes to the consolidated financial statements

1. Basic information of the company

Enfo Oyj is a Finnish limited liability company. Enfo Oyj and its subsidiaries together form the Enfo Group (“Enfo” or “Group”). Enfo is a Nordic IT service company that enables data-driven business transformation for its customers. Enfo builds and runs business-critical applications and services with its customers.

The domicile of the company is Kuopio, Finland. Enfo is part of Osuuskunta KPY Group, the parent company of which is Osuuskunta KPY, domiciled in Kuopio.

The consolidated financial statements have been prepared for the accounting period of 12 months from January 1 to – December 31, 2019. The financial statements have been authorised for issue by the Board of Directors of Enfo Oyj on February 27, 2020. According to the Finnish Companies Act, the Annual General Meeting has the right to approve or reject the financial statements, or to amend them after issuance.

2. Accounting principles for the consolidated financial statements

Basis of presentation

Enfo Oyj’s consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) approved for use in the European Union, valid on December 31, 2019. Enfo has adopted the changes to standards and interpretations affecting Enfo that took effect during the financial year. The most significant effects are described in the section “Changes in accounting standards”. The IFRS standards and amendments thereto that took effect in 2019 other than those described below did not have a material impact on the result or the financial position of the Group or on the presentation of the financial statements.

The financial statements are presented in thousands of euros. Figures have been rounded from exact figures and therefore the sum of figures presented individually can deviate from the presented sum figure calculated based on the exact figures. Key figures have been calculated using exact figures. The financial statements are prepared under the historical cost convention except as disclosed in the accounting principles.

Changes in accounting standards

Enfo has adopted IFRS 16 using the modified retrospective approach by recognizing the cumulative effect of initially applying the standard in the opening balance sheet as at January 1, 2019. On adoption of the standard, assets and liabilities were recognized at an equal value in the opening balances on January 1, 2019 and information for the comparative period has not been restated. Under IFRS 16 all lease agreements are presented on the lessee's consolidated statement of financial position. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. These right-of-use assets are depreciated over the contract period or over the useful life of the asset, which is the shorter. Interest cost of leases are presented in financing expenses. There are optional exemptions for short-term leases and leases of low value items which Enfo has selected to utilize and the lease expense on these is recognized on a straight-line basis over the contract period within other operating expenses.

At initial application of IFRS 16 Enfo has recognized new assets and liabilities, mainly for its leases of facilities and vehicles and related lease liability of EUR 8.7 million. Of the debt, EUR 3.6 million was booked as short term and EUR 5.1 million as long term. The figures presented under note 26. Commitments and contingencies in 2019 do not include lease liabilities recognized on the balance sheet. IFRS 16 affects the calculation of key figures calculated from the balance sheet total or on the basis of interest-bearing liabilities. The change also increases cash flow from operating activities and reduces cash flow from financing compared with the previous period.

Consolidation principles

Subsidiaries

The consolidated financial statements include in addition to Enfo Oyj the companies in which the Group has control. The Group has control when it holds more than 50% of the voting rights or otherwise has the power to govern the financial and operating policies of company.

Intra-group shareholdings have been eliminated using the acquisition method. Any conditional additional purchase consideration is recognized at fair value on the acquisition date and classified as a liability or equity. Acquired subsidiaries are consolidated from the date on which control is transferred to the Group, and divested subsidiaries until the date on which control ceases. The acquisition consideration, including the conditional consideration and the identifiable assets acquired and liabilities assumed, is measured at the acquisition date fair values. The acquisitions-related costs are accounted as expenses.

All intra-group transactions, receivables, liabilities, profits, and internal distribution of profit are eliminated in the consolidated financial statements.

The proportion of non-controlling interests in the acquired company is valued at either fair value or according to proportional ownership of the acquired company's identifiable net assets at the time of acquisition. The distribution of profit or loss between owners of the parent company and non-controlling interests is presented in the consolidated statement of income. The distribution of comprehensive consolidated income between owners of the parent company and non-controlling interests is disclosed in the consolidated statement of comprehensive income. Non-controlling interests' share in equity is disclosed on the consolidated statement of financial position as a separate item within equity.

The subsidiaries have adopted the same financial year and accounting principles as the parent company.

Foreign currency items

The result and financial position of Group units is measured in the currency of their primary economic environment (the functional currency). The consolidated financial statements are presented in euros, which is the functional and presentation currency of the Group's parent company.

Transactions in foreign currencies are translated into euros at the rate of exchange prevailing at the date of the transaction. Monetary foreign currency items are translated into euros using the rates prevailing on the closing date. Gains or losses arising from foreign currency transactions and the translation of monetary items are recognized in the income statement. Foreign exchange rate gains and losses on operations (sales and purchases) are included in the corresponding items above operating profit. Exchange rate gains and losses related to financing are included in financial income and expenses.

The income statements of foreign Group companies have been translated into the parent company's currency based on the average exchange rate of the accounting period and the balance sheets are translated at the closing date exchange rate. Any exchange rate differences arising from the translation, as well as those arising from the translation of equity of foreign subsidiaries, are recognized in equity. If a foreign subsidiary is sold or dissolved, the accumulated translation differences are recognized in the income statement as part of capital gain or loss. Exchange rate differences arising from a monetary item from net investment in a foreign subsidiary are recognized in the consolidated financial statements in equity and are recognized through profit or loss on disposal of the investment.

Accounting estimates and management judgements

The preparation of the financial statements in accordance with the IFRS requires management to make judgements, estimates and assumptions that affect the measurement of the reported assets and liabilities and other information, such as contingent assets and liabilities and the recognition of income and expenses in the consolidated statement of income.

The estimates and judgements are based on past experience whereas the assumptions regarding future are based on most likely closing date scenarios relating to the development of the Group's economic environment impacting sales and revenues. The Group regularly monitors the outcome of these estimates and judgements and the reasons for changes in them together with business area management using both internal and external sources of data. Any changes in the estimates and judgements are recognized in the period during which they occur, and in all subsequent periods. Although these estimates and assumptions are based on the management's best knowledge of current events and actions, actual results may differ from the estimates used in the preparation of financial statements.

For Enfo, the most significant management judgement relate to assumptions used in goodwill impairment testing, share-based payments and deferred taxes. Management judgement is also needed in the application of accounting standards where alternative recognition, measurement or disclosure methods exist under the current IFRS standards.

3. Financial risk management

The Group is subject to financial risks in its normal business operations. The management of financial risks is centralized in the parent company in accordance with the Treasury policy approved by the company's Board of Directors. Financial risk management aims to minimize the negative impact of financial risks on the Group's result, equity, and liquidity. Derivative financial instruments may be used to hedge against risks. The company had no open exposures during 2019 and 2018 financial years.

Market risks

Exchange rate risk

The parent company's functional and presentation currency is EUR. Approximately 43% of the Group's net sales were generated in euros and 56% in Swedish krona in the financial year. The group also has small-scale business activities in Norway and Denmark.

The sales revenue and respectively, purchases in subsidiaries are mainly generated in the local currency and thus do not cause significant exchange rate risks for the Group, with the exception of USD-denominated purchase agreements. USD exchange rate risks were not hedged in the 2019 financial year.

Net exchange rate losses recognized through profit or loss amounted to EUR 115 thousand in the financial year, of which EUR 203 thousand consisted of net realized exchange rate profits. The exchange rate risk of the income statement arises in particular from SEK loans granted by the parent to its subsidiaries. The related exchange rate risk is partially hedged by external SEK loans.

Significant exchange rate risks affecting other equity items are attributable to the parent company's SEK-denominated loan to the subsidiary classified as net investment, to equity of the foreign subsidiaries, and to goodwill and purchase price allocation items.

The Group's foreign-currency assets and liabilities, translated into euros at the rate on the balance sheet date, are as follows:

EUR 1,000	2019	2018
Receivables		
EUR/SEK	46,971	43,154
SEK/USD	341	392
SEK/Other currencies	47	517
Total	**47,360**	**44,063**
Liabilities		
EUR/SEK	13,813	19,623
EUR/USD	520	0
EUR/Other currencies	9	0
SEK/USD	613	105
SEK/Other currencies	52	9
Total	**14,955**	**19,728**

The Group has external loans denominated in both euros and Swedish krona, which are consequently partially exposed to exchange rate fluctuations.

Sensitivity analysis for changes in exchange rates

EUR 1,000	Impact on profit before taxes		Impact on other equity items	
2019	5%	-5%	5%	-5%
EUR/SEK	-744	708	-928	1,026
EUR/USD	13	-14	0	0
Other currencies	36	-15	0	0
Total	**-695**	**678**	**-928**	**1,026**
2018	5%	-5%	5%	-5%
EUR/SEK	-256	286	-946	1,045
EUR/USD	-14	15	0	0
Other currencies	-24	27	0	0
Total	**-294**	**328**	**-946**	**1,045**

Impact on other equity items includes only changes in loan to the subsidiary classified as a net investment.

Interest rate risk

The Group's interest-bearing liabilities and, to a minor extent, its short-term financial market investments expose the Group to a cash flow interest rate risk.

The group's loan portfolio on December 31, 2019 consisted of loans denominated in EUR and SEK. Loan interest rates consist of a reference rate and a margin. The margin is determined by the Group's net indebtedness. It is reviewed every six months and is tied to the financial covenants included in the loan agreements.

The specification of interest-bearing liabilities is as follows:

	Currency, 1,000 2019	2018	EUR 1,000 2019	2018
Bank loans, current				
EUR	1,193	1,755	1,193	1,755
SEK	90,000	177,557	8,615	17,315
Total			**9,808**	**19,070**
Bank loans, non-current				
EUR	15,000	0	15,000	0
SEK	54,054	0	-5,117	0
Total			**20,117**	**0**
Bonds, non-current				
EUR	0	9,991	0	9,991
Other interest-bearing liabilities				
Non-current lease liabilities, EUR*	4,219	1,235	4,219	1,235
Non-current lease liabilities, SEK	26,510	0	2,537	0
Current lease liabilities, EUR*	3,638	1,906	3,638	1,906
Current lease liabilities, SEK	24,010	0	2,298	0
Total			**12,693**	**3,140**
Cash and cash equivalents			985	156
Interest-bearing net liabilities			**41,633**	**32,045**

*The comparative year information consists of finance lease liabilities

The Group's other interest-bearing liabilities consist of the payment obligations of lease liabilities. The lease agreements are mainly based on fixed instalments, and changes in interest rates do not have a direct impact on the payment amounts.

The Group has analysed the impact of potential change in interest rates of the Group's primary loan financing on its financial performance. The Group's effective interest rate in 2019 was 3.0% (2.2%). A change of one percentage point in the reference rate of variable-rate loans would have decreased the Group's result and equity by EUR 201 thousand.

Liquidity

In order to ensure sufficient liquid assets to fund its operations and repay maturing loans, the Group regularly monitors the amount of financing required for business operations. In order to guarantee the availability and flexibility of Group financing, funding has been obtained from several financial institutions and through different types of financing, with attention being paid to the balanced maturity distribution of loans and appropriate loan periods. In May, the Group signed a new EUR 20,000 thousand long term financing package with a consortium of creditors, including previous lenders Nordea Bank and OP Corporate Bank, as well as Ilmarinen and LähiTapiola as new lenders. The financing package included repayment of the EUR 10,000 thousand multi-issuer bond that fell due in June 2019 and re-financing of existing long-term bank financing.

Maturity analysis of financial liabilities is presented in note 22.

The Group's liquidity was satisfactory on the balance sheet date.

The Group's trade payables of EUR 8,753 thousand and other current non-interest-bearing liabilities of EUR 24,239 thousand will fall due in 2020.

The Group's financing is largely managed with the financing package of approximately EUR 20,000 thousand negotiated in 2019, and committed credit limit of EUR 13,700 thousand. EUR 4,192 thousand of the credit limit remained unused on December 31, 2019.

Credit risk

In order to minimize credit risks in financing, the Group enters into agreements only with financial institutions and other parties with a solid financial rating. Customers' credit ratings are reviewed regularly. The Group does not have any significant concentrations of credit risk from receivables, as the Group has a customer base distributed across various sectors. The credit losses recognized during 2019 amounted to EUR 22 thousand (0). Since the credit losses on trade receivables have historically been negligible, no expected credit loss has been recognized in the financial statements. The Group's maximum credit risk corresponds to the carrying amount of financial assets at the end of the financial year.

Age distribution of sales receivables on December 31

EUR 1,000	2019		2018	
Not fallen due	16,841	76.59%	19,841	81.37%
1-14 days	4,257	19.36%	3,596	14.75%
15-30 days	138	0.63%	295	1.21%
31-60 days	473	2.15%	376	1.54%
61-90 days	120	0.54%	80	0.33%
91 days	162	0.74%	195	0.80%
	21,990	**100.00%**	**24,384**	**100.00%**

Capital management
The objective of Enfo's capital management is to ensure the continuity of operations, adequate liquity and value creation for owners. The Group continuously monitors its capital structure through gearing.

The capital structure is influenced by decisions such as dividend distribution and share issues. The Annual General Meeting's resolutions and authorizations given to the Board of Directors are presented in the Board of Directors' report. On December 30, 2019 Enfo Oyj's Board of Directors decided on a rights issue of approximately EUR 4.2 million with pre-emptive subscription rights for the company's current shareholders, as authorized by the Annual general meeting of March 27, 2019.

No specific objective has been defined for Enfo's capital structure, but the company's loan agreements include financial covenants that guide it:
- Net gearing less than 100%
- Interest-bearing net liabilities/EBITDA less than 4.5 on December 31, 2019, after which the covenant will be gradually reduced to 3.0 by June 30, 2021

The Group actively monitors its financial covenants and anticipates future scenarios to ensure that they are met. Financial covenants were not breached in the financial year ended on December 31, 2019. The company's equity ratio was 36.4% (43.8) at the end of the financial year. Interest-bearing net liabilities at the end of December amounted to EUR 41.6 (32.0) million and net gearing was 96.0% (69.5).

4. Net sales

Accounting Principles

Net sales
Net sales are presented net of discounts and indirect sales taxes. Exchange rate differences arising from foreign currency denominated sales are recognized within sales.

Recognition principles
Enfo Oyj reports net sales by type. Net sales are divided into four types: consulting, recurring services, intermediary sales and commissions. Consulting services include the revenue from time and material-based and fixed-price projects included in long-term customer contracts. Recurring services include revenue from outsourcing and maintenance services, while the revenue from licenses, cloud capacity and hardware is recognized within intermediary sales.

Enfo Oyj applies IFRS 15, Revenue from Contracts with Customers standard. According to IFRS 15, revenue is recognized when control of the goods or services is transferred to the customer. Under IFRS 15, the contract qualifies as a customer contract when each party's rights and obligations are described, it is approved by both parties and in which both parties are committed to fulfilling their respective obligations. The contract must also have commercial substance and it must be probable that the corporation will collect the consideration to which it is entitled in exchange for the goods or services delivered to the customer. The Group's customer contracts do not include significant financing components or rights of return.

With the exception of intermediary sales, Enfo Oyj recognizes sales revenue over time. Revenue from intermediary sales is recognized at a point in time, with the exception of license sales that include maintenance services recognized as revenue over time.

Sales of services, recurring services Revenue from services is recognized as income in the financial year when the services are rendered.

Sales of services, consulting. Revenue from services is recognized as income in the financial year during which the services are rendered. Revenue from services is recognized according to the percentage of completion when the outcome can be reliably estimated. The percentage of completion is the proportion of the costs incurred by the review date to the estimated costs of the project. For short-term services, revenue is recognized when the service has been provided and it is likely that economic benefit from the service will flow to the company. When services are performed over a specific period of time, revenue is recognized using straight-line method, unless some other method is a better indicator of the percentage of completion. If the costs incurred and revenue recognized exceed the amount invoiced, the difference is presented under Contract assets. If the costs incurred and revenue recognized are lower than the amount invoiced, the difference is presented under Contract liabilities. If it is likely that the total costs required for completing the project will exceed the total revenue from the transaction, the expected loss is recognized as an expense immediately.

Intermediary sales. Revenue from the sale of hardware or provision of software is recognized when the material risks, rewards and control has been transferred to the buyer, the revenue and costs can be reliably determined, and it is likely that the economic benefit associated with the transaction will flow to the company. Maintenance services related to software are recognized over the contract period.

Commissions from the sale of hardware and software. Revenue is recognized in the financial period during which the right for the commission incur and the outcome of the transaction can be reliably estimated.

Revenue from customer contracts – breakdown
Net sales from customers mainly consist of the sale of IT services. The Group's net sales are distributed as follows:

EUR 1,000	Recognition date	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Revenue from customer contracts			
Sales of services, recurring services	Over time	47,951	46,108
Sales of services, consulting	Over time	62,286	68,682
Intermediary sales	Over time	3,478	3,258
Intermediary sales	At a point in time	7,741	7,513
Total		**121,456**	**125,561**

Information about geographical areas
The Group operates mainly in Finland and Sweden.

EUR 1,000	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Net Sales		
Finland	53,273	53,548
Sweden	63,910	64,105
Other countries	4,273	7,908
Total Net sales	**121,456**	**125,561**

Summary of contract balances
The consolidated statement of financial position includes the following assets and liabilities based on customer contracts:

EUR 1,000	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Trade receivables	21,989	24,384
Contract assets:		
Current	624	485
Contract liabilities:		
Current	2,052	2,665

Contract assets are included within other receivables and contract liabilities within other liabilities.
Majority of contract liabilities consist of consultancy services invoiced in advance for which revenue is recognized on a monthly basis over the contract period.

Set out below is the amount of revenue recognized from amounts included within contract liabilities at the beginnig of the period:

EUR 1,000	Dec 31, 2019	Dec 31, 2018
Recognized sales revenue included in contract liabilities at the beginning of the year	2,583	975

5. Other operating income

EUR 1,000	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Other	184	662
Total	**184**	**662**

Marketing fees, supplier refunds, capital gains from fixed assets and purchase price adjustments related to acquisitions are recognized within other operating income.

6. Materials and services

EUR 1,000	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Purchases during the financial year	8,402	8,038
External services	20,901	22,226
Total	**29,303**	**30,263**

Purchases during the financial year include purchases made for operations and production.
External services include mainly subcontracting costs.

7. Personnel and employee benefits

Accounting Principles

Pension liabilities
The Group's pensions are carried out through external pension insurance companies. The pension liabilities are classified as defined contribution plans, whereby payments made into pension plans are recognized in the current period consolidated statement of income.

Share-based payments
Enfo has a share-based incentive system for the Group's management and other key personnel. The share bonus scheme includes a benefit paid out in shares if the scheme's conditions are met. The fair value of the benefit is equal to the fair value of the share at the time of issue and is recognized as an expense in the income statement on a straight-line basis over the resting period. The amount recognized as an expense is based on the Group's estimate of the number of shares expected to be issued. The effects of non-market-based conditions are not included in the fair value of the benefits, but are taken into account in the estimate of the number of shares to be issued. The assumption on the number of shares issued is updated on each closing date. Changes in estimates are recognized in the consolidated statement of income.

Average number of Group personnel during the period	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Finland	360	323
Sweden	541	560
Norway	2	1
Total	**903**	**884**
Number of personnel at the end of the financial year	**916**	**881**

Employee benefit expenses

EUR 1,000	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Salaries and fees	55,620	61,595
Share based payments	34	34
Pension costs	8,709	8,792
Other indirect employee costs	6,554	2,966
Total	**70,917**	**73,387**

Employment benefits for management

EUR 1,000	2019	2018
Salaries and other short-term employee benefits	1,541	1,911
Benefits after employment, statutory pension	315	339
Total	**1,856**	**2,250**

Share-based payments

Share bonus scheme 2018-2021

The group introduced a share bonus scheme for key personnel in 2018. If the scheme’s conditions are met during the resting period, the bonus will be paid to the participants in the company’s shares. The bonus can also be paid fully or partially in cash. Participating in the scheme and receiving the bonus requires the key person to own a certain number of company shares (ownership shares). The scheme has one earning period ending on June 30, 2022. If the employment or service relationship of a key person participating in the scheme ends during the earning period, the key person will not be entitled to the bonus. In such cases, the company is also entitled but not obligated to redeem the person’s shares entitling to participation in the scheme.

19 key persons participated in the scheme on December 31, 2019. If the scheme’s conditions are met during the earning period, it will yield a maximum bonus of 10,574 shares. New key persons can be added to the scheme during the earning period.

The fair value of the scheme has been calculated by simulating the probability of its completion, using the volatility of peer group shares. A total of EUR 34 thousand of share-based payments were recognized as expenses during the financial year. The amount recognized under the scheme within equity was EUR 67 thousand on December 31, 2019.

The company did not award any share bonuses in 2019 on the basis of share-based incentive schemes.

8. Depreciation, amortization, and impairment

EUR 1,000	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Depreciation and amortization		
Intangible assets	1,746	2,514
Property, plant, and equipment	6,307	2,223
Total	**8,053**	**4,736**
Impairment		
Goodwill	0	1,513
Total depreciation, amortization and impairment	**8,053**	**6,249**

9. Other operating expenses

EUR 1,000	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Voluntary personnel expenses	1,946	2,466
Travel expenses	1,846	2,156
Premises	299	3,924
Vehicle expenses	1,138	1,279
Hardware and software expenses	2,468	2,436
Other administrative expenses	2,512	2,931
Telephone and data expenses	653	630
Marketing, sales, and representation expenses	719	1,225
Other operating expenses	395	1,728
Total	**11,976**	**18,775**

Premises costs are not comparable due to the adoption of the IFRS 16 standard.

The Group did not have any significant research and development expenses.

Auditor’s fees

EUR 1,000	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Audit	183	170
Tax advice	5	12
Other services	146	58
Total	**334**	**239**

10. Financial income and expenses

Accounting Principles

Interest and dividend income is recognized when it is likely that the associated economic benefit will flow to the entity and the amout can be reliably determined. Interest income is recognized in accordance with the effective interest method, and dividends are recognized when the shareholder obtains the right to receive payment.

EUR 1,000	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Dividend income	8	7
Interest income	1	2
Exchange rate gains	1,389	1,842
Other financial income	0	173
Total financial income	**1,398**	**2,024**
Interest expenses	881	570
Exchange rate losses	1,504	2,411
Interest expenses on lease liabilities	291	0
Other financial expenses	213	210
Total financial expenses	**2,889**	**3,190**

11. Income taxes

Accounting Principles

Tax expenses in the income statement comprise of tax based on taxable income together with changes in deferred taxes. Taxes are recognized through profit or loss unless they are associated with items recognized directly in equity or other items of comprehensive income, where the tax is recognized within the item in question. Taxes based on taxable income for the period are calculated according to the applicable tax rates in each country.

EUR 1,000	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Tax based on the financial year's taxable income		
Taxes on the profit for the financial year	1,445	1,020
Adjustments for previous financial years	-13	-2
Total taxes based on the financial year's taxable income	**1,432**	**1,018**
Deferred taxes		
Increase/decrease in deferred tax assets	-17	3
Increase/decrease in deferred tax liabilities	-161	-176
Total deferred taxes	**-178**	**-173**
Income tax expenses	**1,254**	**845**

Comparison of taxes based on the current tax base of 20.0% (20.0% in Finland in 2018) and taxes presented in the income statement:

EUR 1,000	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Profit before taxes	-101	-3,619
Taxes based on the current tax rate in Finland	-20	-724
Different tax rates of foreign subsidiaries	-47	-49
Change in deferred taxes – change in the Swedish tax rate	-20	0
Non-deductible expenses	571	547
Income not subject to tax	-152	-192
Non-recognized deferred tax assets	995	1,269
Appropriations	-1	-8
Taxes for previous financial years	-13	2
Utilization of previously unrecognized tax losses	14	0
Other items	-73	0
Taxes in the income statement	1,254	845

The weighted average of the applied tax rates was 20.8% in 2019.

There were no tax expenses or income related to other comprehensive income statement items during the financial year or the corresponding period.

12. Earnings per share

Earnings per share are calculated by dividing the profit for the period attributable to equity-holders of the parent company by the weighted average of outstanding shares for the period.

EUR 1,000	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Profit attributable to the company's shareholders	-3,048	-6,090
Weighted average number of shares	664	664

Diluted/undiluted earnings per share	2019 EUR	2018 EUR
Diluted and undiluted earnings per share for company shareholders	-4.59	-9.17

13. Tangible assets

Accounting Principles

Property, plant, and equipment are recognized at original acquisition cost less depreciation and amortization. Subsequent expenses will only be included in the carrying amount of a tangible asset if it is likely that the future financial benefit related to the asset will flow to the Group and the acquisition cost of the asset can be reliably determined. Other repair and maintenance costs are recognized through profit or loss on the date of occurrence.

Property, plant, and equipment are depreciated using the straight-line method over their estimated useful lives. The Group applies the following estimated useful lives:

Machinery and equipment 3-5 years
Other tangible assets 10 years
Right-of-use assets 1-5 years

The residual value and useful life of assets are reviewed regularly in connection with each financial statement and interim report and, if required, adjusted to reflect changes in expected financial benefit. Depreciation of property, plant and equipment begins when the asset item is available for use and ceases when the asset is classified as being held for sale according to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Right-of-use assets are entered at the start of the lease period and valued at acquisition cost, which includes the original amount of the lease liability and the payments made to the lessor by the lease start date, minus any incentives and the lessee's direct expenses at the beginning of the lease. Right-of-use assets are depreciated over the useful life of the asset or over the lease period, if shorter. Interest rates are calculated using the effective interest method, in which lease liabilities falling due in the future are discounted to the present. The interest expenses are larger in the beginning and decrease towards the end of the lease period.

A single pre-defined discount rate is applied to essentially similar lease agreements. The discount rate used is either the lease agreement's internal rate or the incremental borrowing rate. If the internal rate of the lease agreement is not readily determinable, future minimum lease payments are discounted using the Group's incremental borrowing rate of 2.5%. The Group complies with the IFRS 16 standard's guidelines for determining the lease period. An expected lease period estimated by the management is applied to lease agreements that are valid until further notice.

EUR 1,000	2019	2018
Machinery and equipment		
Acquisition cost Jan 1	3,489	4,134
Increases	0	17
Decreases	-32	-628
Exchange rate differences	-6	-34
Acquisition cost Dec 31	3,451	3,489
Accumulated depreciation Jan 1	3,320	3,707
Accumulated depreciation on decreases	-32	-543
Depreciation during the financial year	53	176
Exchange rate differences	-3	-20
Accumulated depreciation Dec 31	3,338	3,320
Carrying amount Dec 31	113	169

EUR 1,000	2019	2018
Other tangible assets		
Acquisition cost Jan 1	28	119
Decreases	-35	-87
Exchange rate difference	0	-4
Acquisition cost Dec 31	-7	28
Accumulated depreciation Jan 1	-7	43
Depreciation during the financial year	0	17
Accumulated depreciation on decreases and transfers	0	-78
Exchange rate differences	0	12
Accumulated depreciation Dec 31	-7	-7
Carrying amount Dec 31	0	35

EUR 1,000	2019	2018
Tangible right-of-use assets*		
Acquisition cost Jan 1	8,753	8,641
Adjustment due to changes in the accounting principles, see note 22	8,710	0
Adjusted carrying amount at the beginning of the period	17,463	8,641
Increases	7,533	1,655
Decreases	-3,181	-1,543
Exchange rate differences	-86	0
Acquisition cost Dec 31	21,729	8,753
Accumulated depreciation Jan 1	6,203	5,674
Accumulated depreciation on decreases	-2,965	-1,369
Depreciation for the financial year	6,255	1,988
Write-off	0	-90
Exchange rate differences	-26	0
Accumulated depreciation Dec 31	9,467	6,203
Carrying amount Dec 31	12,263	2,551
Total tangible assets	**12,374**	**2,753**

*Amounts for comparison year include finance lease assets according to IAS 17 -standard

Right-of-use assets on the balance sheet

EUR 1,000	2019	Jan 1, 2019
Intangible assets	314	570
Tangible assets		
Buildings	5,019	5,310
Machinery and equipment	7,243	6,519
Total	**12,576**	**12,399**

Right-of-use assets in the income statement
Depreciation of right-of-use assets

EUR 1,000	2019
Intangible assets	-526
Tangible assets	
Buildings	-2,251
Machinery and equipment	-4,004
Total	**-6,329**
Interest payments on fixed assets	-292
Lease payments for right-of-use assets	-6,985

14. Intangible assets

Accounting Principles

Intangible assets are recognized at initial acquisition cost less depreciation and any impairments. Depreciation is determined on a straight-line basis over the asset's useful life. The estimated useful life of intangible assets is 1-5 years. The Group has no intangible assets with an unlimited useful life.

Identifiable intangible assets acquired through the combination of business operations will be recognized separately from goodwill. The combination of businesses has provided the Group with intangible rights that relate to customer relationships and trademarks. Intangible rights are recognized at fair value on the acquisition date and they are depreciated over their estimated useful life.

Research and development costs

Research and development costs are recognized as expenses in the income statement, apart from the development costs that meet the capitalization criteria required by IAS 38 Intangible Assets. Development costs are capitalized on the balance sheet as intangible assets when the product is technically feasible, it can be utilized commercially, and it is expected to generate future financial benefits. Capitalized development costs include the material, work, and testing costs that are directly attributable to the completion of the product for its intended use. The development costs previously recognized as costs are not capitalized in subsequent financial years.

Amortization is recognized for the asset at the moment it is ready for use. An asset not yet ready for use is tested annually for impairment. After initial recognition, capitalized development costs are recognized at acquisition cost less accrued depreciation and impairment.

Other intangible assets

Purchased patents, trademarks, licenses, and other intangible assets with a limited useful life are recognized on the balance sheet and depreciation is recognized in the income statement on a straight-line basis over their useful lives.

The acquisition cost of intangible assets consists of the purchase price and all expenses that are directly attributable to the completion of the product for its intended use. Profit or loss arising from the disposal of intangible assets is presented in the income statement in other operating income or expenses.

Impairment of tangible and intangible assets

On each closing date, the Group reviews asset items for any indication of impairment. If there are such indications, the amount recoverable from the said asset item is assessed. The recoverable amount is the higher of the asset item's fair value less the cost arising from disposal and the asset item's value in use.

An impairment loss is recognized when the carrying amount of an asset item is greater than its recoverable amount. The impairment loss is recognized in the income statement. An impairment loss is reversed if the situation changes and the amount recoverable from the asset has changed since the date when the impairment loss was recognized. However, the impairment loss is not reversed to a value above the carrying amount of the asset before the recognition of the impairment loss.

EUR 1,000	2019	2018
Customer relationships and trademarks (business combinations)		
Acquisition cost Jan 1	14,861	15,435
Increases	3,000	1
Decreases	0	-1
Exchange rate difference	-253	-574
Acquisition cost Dec 31	17,608	14,861
Accumulated depreciation Jan 1	12,110	11,334
Depreciation and amortization	872	1,226
Exchange rate difference	-205	-451
Accumulated depreciation Dec 31	12,777	12,110
Carrying amount Dec 31	4,831	2,751

EUR 1,000	2019	2018
Other intangible assets*		
Acquisition cost Jan 1	7,373	6,662
Increases	2,670	130
Decreases, divestments	0	-74
Decreases	0	-664
Transfers between items	360	1,322
Exchange rate differences	0	-4
Acquisition cost Dec 31	10,403	7,373
Accumulated depreciation Jan 1	6,616	6,400
Accumulated depreciation on divestments	0	-61
Depreciation for the financial year	348	279
Exchange rate differences	0	-3
Accumulated depreciation Dec 31	6,964	6,616
Carrying amount Dec 31	3,439	757

*Other intangible assets mainly consist mainly of licenses, computer software, and contractual rights.

Enfo Oyj acquired Solteq's SAP ERP business in Finland at the end of December 2019.

EUR 1,000	
Consideration paid for the acquisition	
Paid in cash	4,041
Transferred liabilities	234
	4,275
The following assets and liabilities were recognized as a result of the acquisition:	
Intangible assets: customer contracts	3,000
Goodwill	1,275
	4,275

The expenses related to the acquisition, EUR 31 thousand, are included in administrative expenses in the income statement. The acquisition had no cash flow impact in the financial year. The purchase price will be paid in the 2020 financial year.

EUR 1,000	2019	2018
Intangible right-of-use assets*		
Acquisition cost Jan 1	2,213	2,172
Adjustment due to changes in the accounting principles, see note 22	17	0
Adjusted carrying amount at the beginning of the period	2,230	0
Increases	270	510
Decreases	0	-469
Acquisition cost Dec 31	2,500	2,213
Accumulated depreciation Jan 1	1,660	1,779
Accumulated depreciation on decreases	0	-467
Depreciation for the financial year	526	348
Accumulated depreciation Dec 31	2,186	1,660
Carrying amount Dec 31	314	553
Work-in-progress fixed assets		
Acquisition cost Jan 1	118	581
Increases	778	859
Decreases	0	-1,322
Acquisition cost Dec 31	896	118
Total other intangible assets	**9,480**	**4,179**

*Amounts for comparison year include finance lease assets according to IAS 17 -standard

15. Goodwill

Accounting Principles

Goodwill equals the part of the acquisition cost exceeding the Group's share of the fair value of the acquired company's net assets at the time of acquisition. Goodwill is measured at original acquisition cost less impairment.

Goodwill impairment testing

Goodwill is not amortized. Instead, it is tested annually or, if necessary, more frequently for any impairment. The impairment requirement is considered at the level of cash-generating units, defined according to how goodwill is tracked in internal management reporting. The carrying amount of a cash-generating unit and the assets allocated to the unit are compared to the recoverable amount generated by the unit. The recoverable amount is calculated according to value in use. If the recoverable amount is lower than the asset's carrying amount, the impairment is recognized as an expense in the income statement. The value in use is determined as the current value of future cash flows. The discount rate used for the calculations is based on the weighted average cost of capital (WACC), applied in the currency area in which the CGU is considered to be located. The WACC reflects the market's perception of the time value of money and the risks associated with Enfo's business. Projected cash flows are based on management estimates. Impairment losses recognized for goodwill cannot be reversed.

EUR 1,000	2019	2018
Goodwill		
Acquisition cost Jan 1	66,094	69,466
Increases*	1,275	0
Impairment**	0	-1,513
Exchange rate difference	-828	-1,859
Carrying amount Dec 31	66,541	66,094

*See note 14

**Goodwill was reduced in the 2018 financial year to correspond to the recoverable amount by recognizing a goodwill impairment. The loss is included in the item, "Depreciation, amortization, and impairment", on the income statement.

Goodwill is allocated to cash-generating units (CGU) reflecting Enfo's management system and structure.

Goodwill allocation to cash-generating units

EUR 1,000	2019	2018
Data platforms and Care	26,739	27,016
Applications	18,171	15,128
Information management	11,446	13,569
Zuite	10,185	10,381
Total	**66,541**	**66,094**

Impairment testing

The future cash flow estimates used for impairment testing are based on CGU-specific financial plans approved by the Group's management. The cash flow estimates used are based on the financial plans for the next three years. Cash flows after the forecast period are estimated using a growth expectation of 2%. The growth expectation used does not exceed the average long-term growth in the industry.

No material changes have taken place in the key assumptions used for impairment testing in comparison with previous years. The calculations are affected by the following assumptions:

Forecast net sales: The assumptions are based on a view of the general growth and price trend in the market and an estimate of the Group's market share. The assumptions made by management are based on prior experience of business development, the current market share and previous market share trends, and external appraisals of the outlook for the industry.

Development of personnel expenses and other expenses: The assumptions made by management are based on prior experience of personnel cost developments, known salary increase agreements, and the general view of the development of personnel costs.

The discount rate used is the weighted cost of capital before taxes (WACC). The risk-free interest rate, risk factor (beta), and risk premium parameters used to determine the discount rate are based on market information. The average rate used for the calculations before taxes is 9.3% (8.2%).

The goodwill created by the SAP acquisition was not tested in 2019, since the acquisition took place at the end of December.

Allocation and recognition of impairment losses

No impairment losses were recognized in the income statement in the 2019 financial year on the basis of annual impairment testing. In the 2018 financial year, Enfo recorded an impairment loss of EUR 586 thousand. Enfo also shut down the Care Transform Karlskrona business unit in Sweden and wrote off the goodwill, EUR 927 thousand, related to this business.

The impairment loss was allocated to units generating cash flow as follows:

EUR 1,000	2019	2018
Data platforms and Care	0	927
Applications	0	586
Information management	0	0
Zuite	0	0
Total	**0**	**1,513**

Goodwill testing will be influenced by how the Group achieves the targets set for 2020 and beyond. The sensitivity analysis estimated the impact of key calculation assumptions, such as net sales growth, cash flow after the forecast period, and changes in the discount rate. The key assumptions with which the recoverable amount for the units would be equal to the carrying amount:

	Data platforms and Care	Applications	Information management	Zuite
Net sales will fall short of the forecast in 2020–2022	2.9%	25.6%	1.0%	11.1%
Discount rate	10.5%	20.0%	9.5%	11.6%
Increase in cash flow after the forecast period	0.9%	-	1.7%	0.0%

16. Financial assets measured at fair value in the comprehensive income statement

EUR 1,000	2019	2018
Non-current	0	927
Jan 1	123	130
Changes in fair value	8	-7
Impairment	0	0
Dec 31	131	123
Current		
Jan 1	2	2
Dec 31	2	2

Available-for-sale investments consisted mainly of minor investments in equities.

17. Non-current receivables

EUR 1,000	2019	2018
Loan receivables from associated companies	0	500
Other loan receivables	500	0
Security deposits	364	288
Other non-current receivables	69	86
Total	**933**	**874**

18. Deferred tax assets and liabilities

Accounting Principles

Deferred taxes are calculated on all temporary differences between the carrying amount and tax value. Temporary differences arise from sources such as the fair value measurement of financial assets, differences between taxation values and carrying amounts on fixed assets, and the capitalization of intangible rights recognized in connection with business combinations. Deferred tax is not recognized for non-deductible impairment of goodwill or undistributed earnings of subsidiaries where it is probable that the difference will not reverse in the foreseeable future.

Deferred taxes have been calculated using the tax rates enacted or tax rates whose confirmed content has been announced by the closing date. Deferred tax assets are recognized for confirmed losses and other temporary differences as far as corresponding taxable profits are likely to be generated in the coming years. The management estimates the amount of deferred tax assets and the probability of utilization on each balance sheet date.

Deferred tax assets and liabilities are presented on the balance sheet as separate items included in non-current assets or liabilities. Deferred tax assets and liabilities are offset if the entity has a legally enforceable right to offset the tax assets and liabilities based on the period's taxable income, and the deferred tax assets and liabilities relate to income taxes collected by the same tax authority.

Changes in deferred taxes during 2018:

EUR 1,000	Dec 31, 2017	Recognized in the income statement	Recognized in equity	Exchange rate difference	Dec 31, 2018
Deferred tax assets:					
Tangible and intangible assets: different depreciation period in taxation, activated financial leasing assets	56	-3			53
Provisions	-21				-21
Employee benefits	47				47
Confirmed losses	1,507			-62	1,445
Total	**1,589**	**-3**	**0**	**-62**	**1,524**
Deferred tax liabilities:					
Different depreciation period in taxation for tangible assets	15	8			23
Measurement of financial assets at fair value	19		-1		18
Intangible assets recognized in connection with business acquisitions	883	-257		-27	599
Other items	0	73			73
Total	**917**	**-176**	**-1**	**-27**	**713**

Changes in deferred taxes during 2019:

EUR 1,000	Dec 31, 2018	Recognized in the income statement	Recognized in equity	Exchange rate difference	Dec 31, 2019
Deferred tax assets:					
Tangible and intangible assets: different depreciation period in taxation, activated financial leasing assets	53	17			70
Provisions	-21				-21
Employee benefits	47				47
Confirmed losses	1,445			-28	1,417
Total	**1,524**	**17**	**0**	**-28**	**1,513**
Deferred tax liabilities:					
Different depreciation period in taxation for tangible assets	23				23
Measurement of financial assets at fair value	18				18
Intangible assets recognized in connection with business acquisitions*	599	-157	-14		428
Other items	73	-4		-12	57
Total	**713**	**-161**	**-14**	**-12**	**526**

*The change in the Swedish corporate tax rate from 22% to 21.4% at the beginning of the year 2020 caused an adjustment to equity.

The group has EUR 11.6 million of unutilized confirmed losses from previous years, along with EUR 4.6 million from the 2019 financial year. These losses have no expiry date restrictions. No deferred tax assets have been recorded on the losses, as the ability to utilize the losses was uncertain on the balance sheet date.

19. Trade receivables and other receivables

Accounting Principles

Trade receivables are initially recognized at the unconditional consideration value, unless they contain significant financial components, in which case they are recognized at fair value. Thereafter, they are measured at amortized acquisition cost using the effective interest method, less the impairment deduction. There are no significant credit risk concentrations related to any of the receivables. The balance sheet values correspond best to the maximum credit risk amount. The principles of credit risk management are set out in note 3.

EUR 1,000	2019	2018
Trade receivables	21,989	24,384
Income tax receivables	1,731	1,810
Other accrued income	3,876	3,475
Other receivables	12	141
Total trade receivables and other receivables	**27,608**	**29,810**

20. Cash and cash equivalents

Accounting Principles

The cash flows on the cash flow statement consist of cash, bank deposits withdrawable on demand, other highly liquid short-term investments with an initial maturity of at most three months and which are easily interchangeable with a known amount of cash and with a low risk of value change, as well as credit accounts. On the balance sheet, credit accounts are included in current liabilities.

EUR 1,000	2019	2018
Cash in hand and at bank	984	156
Total	**984**	**156**

Cash and cash equivalents on the balance sheet correspond to the cash and cash equivalents presented in the cash flow statement. The fair values of cash and cash equivalents do not differ from the carrying amount.

21. Equity

Accounting Principles

Outstanding ordinary shares are presented as share capital. Treasury shares held by the Group are presented as deductions in equity. No profits or losses are recognized in the income statement for the buyback, sales, issuance, or cancellation of treasury shares. The consideration paid or received is recognized directly in equity.

Share capital

Changes in the number of shares are presented in the table below:

	Issued shares	Treasury shares	Outstanding shares
Dec 31, 2017	670,349	4,490	665,859
Purchase of treasury shares		8,896	
Share issue	8,902		
Dec 31, 2018	679,251	13,386	665,865

	Issued shares	Treasury shares	Outstanding shares
Dec 31, 2018	679,251	13,386	665,865
Purchase of treasury shares		2	
Dec 31, 2019	679,251	13,388	665,863

Enfo Oyj has one series of shares. Each share carries one vote. The company's shares are in the book-entry securities system.

Treasury shares

In 2019, Enfo Oyj purchased 2 treasury shares. On the balance sheet date, the company held 13,388 treasury shares. The treasury shares held by the company comprise 1.97% of all shares and voting rights.

Description of equity reserves:

Translation differences

The Group’s equity includes translation differences arising from the translation of the equities, goodwill and purchase price allocations of foreign subsidiaries, along with the translation of loan receivables corresponding to internal net investments into the rate on the balance sheet date.

Fair value reserve and other reserves

The fair value reserve includes unrealized changes in the fair value of available-for-sale investments less the tax effect, and the reserve for invested non-restricted equity.

EUR 1,000	
Dec 1, 2018	26,081
Change in the fair value of available-for-sale investments	-7
Deferred tax	1
Share issue, invested non-restricted equity	678
Acquisition and sale of subsidiaries	0
Dec 31, 2018	26,754
Jan 1, 2019	26,754
Change in the fair value of available-for-sale investments	8
Dec 31, 2019	26,762

Major shareholders

Major shareholders December 31, 2019	Shares
Osuuskunta KPY	567,593
Ilmarinen Mutual Pension Insurance Company	12,322
Rongo Cap Oy	11,233
Gösta Serlachius Fine Arts Foundation	9,900
Seppo Kuula	6,211
Keskisuomalainen Oyj	4,966
Einari Vidgrén Oy	4,768
Lululemon Oy	3,703
Hannu Isotalo Oy	3,276
Kallax Oy	3,132
Others	52,147
Total	**679,251**

Dividends

No dividend was paid for the 2018 financial year. The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the 2019 financial year.

22. Financial assets and liabilities

Accounting Principles

A financial instrument is any contract that generates a financial asset for one entity and, at the same time, a financial liability or equity instrument for another entity.

Financial assets

The Group's financial assets are classified into the following valuation categories: financial assets measured at fair value recognized through profit and loss, measured at amortized acquisition cost or measured at fair value in other items of comprehensive income. Financial assets are classified according to their purpose when acquired and at the time of acquisition. At present, the Group's financial assets are such that they are classified as items measured at amortized acquisition cost or at fair value in other items of comprehensive income.

Purchases and sales of financial assets are recognized on the transaction date at fair value. Transaction costs are included in the original carrying amount of the financial assets when the asset in question is not recognized at fair value through profit or loss.

Measured at amortized acquisition cost

This category includes the Group's trade and other receivables. Current sales receivables are recognized at the original invoiced amount less uncertain receivables. Receivables are included on the balance sheet under current or non-current assets according to their nature. If they mature in more than 12 months, they are included under non-current assets.

Measured at fair value in other items of comprehensive income

Financial assets measured at fair value in other items of comprehensive income consist of shares and interest-bearing investments and are recognized at fair value. Changes in fair value are recognized in other comprehensive income and presented under equity within the fair value reserve included in the item "Other reserves", net of tax. Changes in fair value are transferred from equity to the income statement when the investment is sold, or its value has decreased so that an impairment loss must be recognized on the investment.

Financial assets measured at fair value in other items of comprehensive income are included in non-current assets unless they are intended to be held for less than 12 months from the closing date, in which case they are included in current assets.

Financial liabilities

The group's financial liabilities, including trade payables and other payables and financial loans, are measured at amortized acquisition cost. Financial liabilities are classified as long-term liabilities if their maturity period is more than 12 months. Debts maturing within 12 months are classified as short-term liabilities.

Lease liabilities are recognized at the start of the lease period and valued at the present value of the unpaid rents payable during the lease period.

The Group's financial liabilities on December 31, 2019 arise from loans from financial institutions and from lease liabilities.

The Group's fixed assets consist mainly of IT hardware and the related software, cars and leased office premises. The software included in the IT hardware is presented in intangible assets. Lease agreements are generally made for 12-60 months with fixed instalments denominated in euros over the agreement period. The agreements may include extension options.

EUR 1,000	2019	2018
Non-current		
Loans from financial institutions	20,117	0
Financial leasing liabilities	0	1,235
Lease liabilities	6,756	0
Total	**26,874**	**1,235**
Current		
Loans from financial institutions	9,807	19,070
Bonds	0	9,991
Financial leasing liabilities	0	1,906
Lease liabilities	5,936	0
Total	**15,744**	**30,966**

Maturity analysis of financial obligations

	2019			
EUR 1,000	< 1 year	1-3 years	> 3 years	Total
Loans from financial institutions	321	20,117		20,439
Lease liabilities	5,936	5,517	1,240	12,693
Bank credit lines	9,486			9,486
Trade payables and other payables	32,924	30	95	33,049
Total	**48,668**	**25,664**	**1,335**	**75,667**
Interest payments	1,048	985	27	2,060

	2018			
EUR 1,000	< 1 year	1-3 years	> 3 years	Total
Loans from financial institutions and bonds	18,164			18,164
Financial leasing liabilities	1,906	1,214	21	3,140
Bank credit lines	10,897			10,897
Trade payables and other payables	26,130	259	117	26,506
Total	**56,426**	**2,144**	**138**	**58,707**
Interest payments	337	72		409

There is no material difference between the fair values and carrying amounts of the loans, since the interest rate is close to the market value or the loans have been classified as short-term loans. The fair values of the following non-current loans are:

EUR 1,000	2019 Carrying amount	2019 Fair value	2018 Carrying amount	2018 Fair value
Loans from financial institutions	20,117	19,469	0	0

The fair values of non-current loans are based on cash flows discounted at the reporting date's borrowing rate.

The weighted average of effective interest rates for loans from financial institutions in 2019 was 3.0 (1.5)

Reconciliation of lease liabilities

Only the assets and liabilities relating to lease agreements classified under financial leasing agreements under IAS 17 were recognized in 2018. The assets were presented in intangible and tangible fixed assets, and the liabilities as part of financial liabilities. See the note below on the adjustments made in connection with the adoption of IFRS 16 on January 1, 2019.

The application of the standard IFRS 16 increased fixed assets and debt by EUR 8.7 million. Of the debt, EUR 3.6 million was booked as short term and EUR 5.1 million as long term. The additions based on introducing IFRS 16 standard had an impact of EUR 3.5 million on the Group's EBITDA. The introduction of the standard had no effect on the Group's profit. The figures presented under the note 26. Liabilities for 2019 do not include lease liabilities recognized on the balance sheet. IFRS 16 affects the calculation of key figures calculated from the balance sheet total or on the basis of interest-bearing liabilities.

EUR 1,000	2019
Reconciliation of IFRS 16 transition	
Financial leasing liabilities Dec 31, 2018	3,140
+ increase in lease liabilities due to the change in standards (IFRS 16) Dec 31, 2018	8,720
Lease liabilities Jan 1, 2019	**11,860**
Attributable to	
Non-current liabilities	6,315
Current liabilities	5,545
Total Jan 1, 2019	**11,860**

23. Reconciliation of net liabilities

EUR 1,000	2019	2018
Cash and cash equivalents	984	156
Liquid investments	2	2
Loans (incl. credit accounts, also financial leasing liabilities in 2018)	-29,925	-32,201
Lease liabilities	-12,693	0
Net liabilities	**-41,632**	**-32,044**
Cash, cash equivalents, and liquid investments	985	158
Gross liabilities – fixed interest rate	-12,693	-13,131
Gross liabilities – variable interest rate	-29,925	-19,070
Net liabilities	**-41,632**	**-32,044**

	Financial liabilities			Other assets		
EUR 1,000	Loans	Leases	Subtotal	Cash and cash equivalents	Liquid investments	Total
Net liabilities Jan 1, 2018	-18,703	-3,437	-22,140	1,948	2	-20,190
Cash flows	-10,269	2,462	-7,807	-1,792	0	-9,599
Purchases – financial leasing	0	-2,165	-2,165	0	0	-2,165
Exchange rate adjustments	-90	0	-90	0	0	-90
Other changes	0	0	0	0	0	0
Net liabilities Dec 31, 2018	**-29,062**	**-3,140**	**-32,202**	**156**	**2**	**-32,044**
Recognized in connection with the adoption of IFRS 16		-8,700	-8,700	0		-8,700
Cash flows	-1,021	6,950	5,930	828	0	6,757
Purchases – leases	0	-7,803	-7,803	0	0	-7,803
Exchange rate adjustments	158	0	158	0	0	158
Other changes	0	0	0	0	0	0
Net liabilities Dec 31, 2019	**-29,925**	**-12,693**	**-42,617**	**984**	**2**	**-41,632**

24. Trade payables and other payables

Accounting Principles

Provisions are recognized when the Group has a legal or factual obligation resulting from an earlier event, fulfilment of the payment obligation is probable, and its amount can be reliably estimated. If it is possible to receive compensation for part of the obligation from a third party, the compensation is recognized as a separate asset item when it is practically certain that the compensation will be paid. Provisions are recognized at the present value of the expenses required to settle the obligation.

A restructuring provision is recognized in the financial year when the Group becomes legally or factually liable to pay. Compensation for termination of employment will not be recognized until an agreement has been made with the representatives of the concerned employees specifying the reasons for the termination and the number of discharged employees, or when the employees have been notified of the specific terms. Provisions are not recognized for costs related to the continuing operations of the Group.

Provisions are recognized for loss-making agreements when the obligatory expenditure required to meet obligations exceeds the benefits yielded by the agreement.

EUR 1,000	2019	2018
Other non-current liabilities		
Other non-current non-interest-bearing liabilities	125	376
Current		
Trade payables	6,310	4,927
Income tax liability	1,163	680
Accrued liabilities		
Personnel-related liabilities	10,484	9,513
Other accrued liabilities	9,365	3,872
Total accrued liabilities	19,849	13,385
Other liabilities	5,602	7,138
Total current non-interest-bearing liabilities	**32,924**	**26,130**
Total trade payables and other non-interest-bearing debt	**33,049**	**26,506**

The carrying amount of trade payables and other payables corresponds to their fair value.

25. Related-party information

Group structure

The Group's parent company and subsidiary relationships on December 31, 2019 were as follows:

Company name	Domicile	Group ownership of share capital, %	Group ownership of voting power, %
Parent company: Enfo Oyj	Kuopio	100%	100%
Enfo Oyj's subsidiaries:			
Enfo Holdings AB	Stockholm	100%	100%
Enfo Sweden AB	Gothenburg	100%	100%
Enfo Pointer AB	Stockholm	100%	100%
Enfo EnjoyIT Integration AB	Gothenburg	100%	100%
Enfo Denmark ApS	Brøndby	100%	100%
Zuite Business Consulting AB	Gothenburg	30%	30%
Enfo Norway Holding AS	Oslo	100%	100%

Control over Zuite Business Consulting AB is determined on the basis of shareholder agreements. The non-controlling interests (70%) are presented on a separate row in the consolidated statement of income and the Group's equity.

The parent company has a branch in the United Kingdom.

Other related parties of the Group

Other related parties of the Group comprise Enfo Oyj's parent company Osuuskunta KPY, affiliates, and Group management, including the Group's Board of Directors, CEO, and Management Team, as well as their spouses and relatives living in the same household.

Information about the parent company's CEO and Board of Directors is presented in note 5 to the parent company's financial statements.

Other transactions with related parties and outstanding balances

EUR 1,000	2019	2018
Sales of goods and services		
Parent company and affiliates	869	1,074
Purchases of goods and services		
Parent company and affiliates	268	67
Trade receivables and other receivables		
Parent company and affiliates	142	219
Trade payables and other payables		
Parent company and affiliates	5	0
Sales of goods and services		
Associated companies	0	1,224
Purchases of goods and services		
Associated companies	0	1,290
Trade receivables and other receivables		
Associated companies	0	67

The Group had a lease agreement with Osuuskunta KPY for device space located on a property known as Kiinteistö Oy Siilinjärven Lentokapteeni until December 31, 2019. The group has valid lease agreements with Novapolis, a KPY Group company, for office premises on Viestikatu and Microkatu in Kuopio.

26. Commitments and contingencies

The Group has the following off-balance sheet liabilities:

EUR 1,000	2019	2018
Leasing liabilities		
Payable during the current financial year	58	1,832
Payable later	0	1,821
Total	**58**	**3,653**
Other lease liabilities	2,780	5,834
Other contingent liabilities	0	157
Bank guarantees	97	305
Total	2,877	6,295
Total	**2,934**	**9,948**
Expiry of rental and leasing liabilities		
Other lease agreements – total amount of minimum rents	2,837	9,487
Within 1 year	904	4,845
Within more than 1 year and less than 5 years	1,933	4,642
In more than 5 years	0	0
Total	**2,837**	**9,487**

The agreements do not include any significant sublease relationships or contingent leases.

Other lease liabilities include short-term lease liabilities of less than 12 months, as well as agreements to which Enfo is committed but whose lease periods have not yet begun.

Financial leasing debts and liabilities

Enfo adopted the IFRS 16 standard on January 1, 2019 and no longer reports financial leasing liabilities according to IAS 17. Enfo presents leasing liabilities in accordance with IFRS 16. See note 22 for more information about leasing liabilities on December 31, 2019.

EUR 1,000	2019	2018
Within 1 year	0	1,949
Within 1-5 years	0	1,247
Total	**0**	**3,196**
Future finance expenses	0	56
Present value of financial leasing liabilities	**0**	**3,140**

The present value of financial leasing liabilities matures as follows:

EUR 1,000	2019	2018
Within 1 year	0	1,902
Within 1-5 years	0	1,238
Total	**0**	**3,140**

27. Events following the financial year

On December 30, 2019 the Board of Directors resolved on a rights issue of approximately EUR 4.2 million with pre-emptive subscription rights for the company's current shareholders, as authorized by the Annual General Meeting of March 27, 2019. The full number of shares was subscribed in January 2020, and the 82,233 new subscribed shares were entered in the Trade Register in February 2020. The proceeds from the rights issue will be used to finance the acquisition of the SAP ERP business of Solteq Oyj, done in December 2019.

Enfo and TIBCO Software Inc, a global leader in enterprise data, announced a strategic partnership in January 2020, making Enfo an exclusive reseller of TIBCO solutions in the Nordic and Baltic Countries.

Financial statements of the parent company Dec 31, 2019 (FAS)

Parent company's income statement (FAS)

EUR 1,000	Note	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Net sales	2	**53,463**	**51,326**
Other operating income	3	4,816	4,479
Materials and services	4	-20,199	-21,410
Personnel expenses	5	-25,461	-22,188
Depreciation, amortization, and impairment	6	-1,409	-1,815
Other operating expenses	7	-9,265	-10,143
Operating profit		**1,945**	**249**
Financial income and expenses	8	400	-42
Profit/loss before appropriations and taxes		**2,344**	**208**
Appropriations			
Change in depreciation difference		-3	-38
Income taxes	9	-668	-184
Profit/loss for the financial year		**1,673**	**-15**

Parent company's balance sheet (FAS)

Assets, EUR 1,000	Note	Dec 31, 2019	Dec 31, 2018
Non-current assets			
Intangible assets	10	14,338	8,396
Tangible assets	11	908	144
Investments			
Holdings in Group companies	12	18,021	18,021
Other shares and holdings	12	33	33
Total non-current assets		**33,301**	**26,595**
Current assets			
Non-current receivables	13	38,704	39,301
Current receivables	14	45,266	40,568
Financial securities	15	2	2
Cash in hand and at bank	16	977	148
Total current assets		**84,949**	**80,019**
TOTAL ASSETS		**118,250**	**106,613**

Liabilities and shareholders' equity, EUR 1,000	Note	Dec 31, 2019	Dec 31, 2018
Equity			
Share capital	17	265	265
Other reserves			
Reserve for invested non-restricted equity	17	26,682	26,682
Retained earnings		34,059	34,074
Profit/loss for the financial year		1,673	-15
Total equity		**62,679**	**61,006**
Accumulated appropriations			
Depreciation difference		122	118
Mandatory provisions		**117**	**117**
Liabilities			
Non-current	18	20,117	0
Current	19	35,215	45,372
Total liabilities		**55,332**	**45,372**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**118,250**	**106,613**

Parent company's cash flow statement (FAS)

EUR 1,000	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Cash flow from operating activities		
Profit for the financial year	1,673	-15
Adjustments to operating profit		
Depreciation and amortization	1,409	1,815
Financial items	-400	42
Taxes	668	192
Other adjustments	3	31
Change in working capital		
Change in non-interest-bearing current receivables, increase (-), decrease (+)	-2,436	-883
Change in non-interest-bearing current liabilities, increase (+), decrease (-)	1,722	3,010
Interest paid and other financial costs	-988	-845
Dividends received	8	7
Interest received and other financial costs	0	1
Taxes paid	-151	-123
Change in Group receivables/liabilities	-625	-5,162
Total cash flow from operating activities	**883**	**-1,930**

EUR 1,000	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Cash flow from investment activities		
Investment in intangible assets	-1,169	-747
Total cash flow from investment activities	**-1,169**	**-747**
Cash flow from financing		
Payment of dividends	0	0
Purchase/sale of treasury shares	0	-728
Share issue	0	678
Current loans taken out	474	4,946
Repayment of current loans	-19,434	-3,947
Non-current loans taken out	20,074	0
Increase in loan receivables	0	0
Group contribution	0	-330
Total cash flow from financing activities	**1,114**	**619**
Change in cash and cash equivalents	**828**	**-2,058**
Cash and cash equivalents Jan 1	148	955
Impact of exchange rate changes	2	2
Cash and cash equivalents transferred in the merger	0	1,248
Cash and cash equivalents Dec 31	**977**	**148**

Notes to the financial statements

Enfo Oyj is part of Osuuskunta KPY Group, the parent company of which is Osuuskunta KPY, domiciled in Kuopio. Osuuskunta KPY's financial statements are available at the address Kauppakatu 18, 70100 Kuopio, Finland.

Notes to the income statement

1. Statement of accounting principles

The parent company's financial statements have been prepared in accordance with the Finnish Accounting Standards (FAS).
The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the accounting principles are described in note 2 to the consolidated financial statements.

Measurement principles

Measurement of non-current assets
Tangible and intangible assets are recognized on the balance sheet at their direct acquisition cost less planned depreciation. Planned depreciation has been calculated using the straight-line method on the basis of the useful life of property, plan, or equipment.

The depreciation periods are:

Intangible assets	3-5 years
Other machinery and equipment	3-5 years
Other tangible assets	10 years

Research and development costs
As a rule, research and development costs are recognized as annual expenses in the year in which they were incurred.

Measurement of liquid assets
Securities are valued at the lower of acquisition cost or market price.

Recognition of income
Revenue from services is recognized as income in the financial period over which the service is performed. When services are performed over a specific period of time, revenue is recognized for the period using the straight-line method, unless a different method provides a better indication of the degree of completion.

Pensions
The company's pensions are handled by external pension insurance companies. Pension costs are recorded as expenses in the year in which they are incurred.

Deferred tax assets
Deferred tax assets caused by allocation differences are included on the balance sheet. The deferred tax assets are included on the balance sheet based on the management's estimate of business development and the resulting plan for the utilization of deferred tax assets.

2. Geographical distribution of net sales

EUR 1,000	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Geographically		
Finland	51,494	49,939
EU countries	1,785	1,266
Other countries	183	121
Total	**53,463**	**51,326**

3. Other operating income

EUR 1,000	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Others	4,816	4,479
Total	**4,816**	**4,479**

Other operating income includes invoicing of intra-group services, marketing commissions, refunds received from suppliers, and any capital gains on fixed assets.

4. Materials and services

EUR 1,000	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Purchases during the financial year	4,207	5,204
External services	15,991	16,205
Total	**20,199**	**21,410**

5. Personnel expenses

EUR 1,000	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Salaries and fees	21,150	18,102
Indirect personnel costs		
Pension costs	3,719	3,410
Other indirect employee costs	592	676
Total	**25,461**	**22,188**
Number of employees		
Average	360*	324*
Management salaries and fees		
CEO and members of the Board of Directors	515	662

*Number of employees is actual number, not in EUR 1,000

6. Depreciation, amortization, and impairment

EUR 1,000	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Planned depreciation		
Intangible assets	348	265
Goodwill	1,046	872
Other machinery and equipment	14	15
Impairment		
Impairment of non-current assets	0	664
Total	**1,409**	**1,815**

7.1. Other operating expenses

EUR 1,000	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Other personnel expenses	895	1,020
Travel expenses	488	583
Office expenses	1,962	2,063
Vehicle expenses	560	639
Hardware and software expenses	2,011	1,426
Other administrative expenses	2,452	2,934
Telephone and data expenses	208	516
Marketing, sales, and representation expenses	411	658
Other operating expenses	279	305
Total	**9,265**	**10,143**

7.2. Auditor’s fees

EUR 1,000	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Auditing	107	75
Tax advice	5	12
Other services	140	50
Total	**252**	**138**

8. Financial income and expenses

EUR 1,000	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Dividend income		
From others	8	7
Total	**8**	**7**
Interest income		
From group companies	2,027	1,948
From others	0	1
Total	**2,027**	**1,949**
Other financial income		
Exchange rate gains	1,777	2,116
Other financial income	0	172
Total	**1,777**	**2,288**
Total financial income	**3,812**	**4,244**
Interest expenses		
To Group companies	59	64
To others	858	474
Total	**917**	**537**
Other financial expenses		
Exchange rate losses	2,286	3,561
Other financial expenses	210	188
Capital losses on investments in fixed assets	0	0
Total	**2,496**	**3,748**
Total financial expenses	**3,413**	**4,286**
Financial income and expenses include		
Exchange rate losses/gains (net)	-508	-1,445
Total financial income and expenses	**400**	**-42**

9. Income taxes

EUR 1,000	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Income taxes on ordinary operations	681	186
Taxes in previous financial years	-13	-2
Total	**668**	**184**

Notes to the balance sheet

10. Intangible assets

Intangible rights, EUR 1,000	Dec 31, 2019	Dec 31, 2018
Acquisition cost Jan 1	0	0
Increases	2,670	0
Acquisition cost Dec 31	2,670	0
Accumulated depreciation, amortization, and impairment Jan 1	0	0
Depreciation during the financial year	-74	0
Accumulated depreciation, amortization, and impairment Dec 31	-74	0
Carrying amount Jan 1	0	0
Carrying amount Dec 31	2,596	0

Goodwill, EUR 1,000	Dec 31, 2019	Dec 31, 2018
Acquisition cost Jan 1	8,551	0
Increases	1,306	6,435
Balances transferred in the merger	0	2,115
Acquisition cost Dec 31	9,857	8,551
Accumulated depreciation, amortization, and impairment Jan 1	-912	0
Depreciation for the financial year	-1,046	-912
Accumulated depreciation, amortization, and impairment Dec 31	-1,958	-912
Carrying amount Jan 1	7,639	0
Carrying amount Dec 31	7,898	7,639
Merger loss from carrying amount Dec 31	6,592	7,639

Other long-term expenses, EUR 1,000	Dec 31, 2019	Dec 31, 2018
Acquisition cost Jan 1	3,506	2,717
Increases	3,332	871
Transfers between items	28	581
Impairments	0	-664
Acquisition cost Dec 31	6,866	3,506
Accumulated depreciation, amortization, and impairment Jan 1	-2,749	-2,485
Depreciation during the financial year	-274	-265
Accumulated depreciation, amortization, and impairment Dec 31	-3,023	-2,749
Carrying amount Jan 1	757	233
Carrying amount Dec 31	3,843	757
Total intangible assets	**14,338**	**8,396**

11. Tangible assets

Machinery and equipment, EUR 1,000	Dec 31, 2019	Dec 31, 2018
Acquisition cost Jan 1	292	292
Acquisition cost Dec 31	292	292
Accumulated depreciation, amortization, and impairment Jan 1	-266	-251
Depreciation during the financial year	-14	-15
Accumulated depreciation, amortization, and impairment Dec 31	-280	-266
Carrying amount Jan 1	26	41
Carrying amount Dec 31	12	26

Advance payments and purchases in progress, EUR 1,000	Dec 31, 2019	Dec 31, 2018
Acquisition cost Jan 1	118	581
Increase	806	118
Decrease/transfer	-28	-581
Carrying amount Dec 31	896	118
Total tangible assets	**908**	**144**

12. Investments

Holdings in Group companies, EUR 1,000	Dec 31, 2019	Dec 31, 2018
Carrying amount Jan 1	18,021	28,064
Decrease	0	-10,043
Carrying amount Dec 31	18,021	18,021

Group companies are presented in the notes to the IFRS financial statements.

Other shares and holdings, EUR 1,000	Dec 31, 2019	Dec 31, 2018
Carrying amount Jan 1	33	33
Carrying amount Dec 31	33	33
Total investments	**18,055**	**18,055**

13. Non-current receivables

EUR 1,000	Dec 31, 2019	Dec 31, 2018
Loan receivables from Group companies	38,032	38,744
Receivables from associated companies	0	500
Subordinated loan receivable	500	0
Deferred tax asset	23	23
Other non-current receivables	149	34
Total other receivables	**173**	**57**
Total non-current receivables	**38,704**	**39,301**

14. Current receivables

EUR 1,000	Dec 31, 2019	Dec 31, 2018
Receivables from Group companies		
Trade receivables	3,875	385
Loan receivables	3,324	3,386
Group receivables	18,712	18,077
Other accrued income	11,478	10,537
Total	**37,388**	**32,385**
Trade receivables	6,002	6,570
Accrued income		
Income tax receivables	0	71
Purchase invoice accruals	1,503	1,015
Other accrued income	361	392
Total	**1,864**	**1,478**
Other receivables	10	135
Total current receivables	**45,266**	**40,568**

15. Financial securities

EUR 1,000	Dec 31, 2019	Dec 31, 2018
Other shares and holdings		
Carrying amount Jan 1	2	2
Change		
Financial securities (carrying amount) Dec 31	**2**	**2**

16. Cash in hand and at bank

EUR 1,000	Dec 31, 2019	Dec 31, 2018
Cash in bank accounts	977	148
Total	**977**	**148**

17. Equity

EUR 1,000	Dec 31, 2019	Dec 31, 2018
Share capital Jan 1	265	265
Share capital Dec 31	**265**	**265**
Reserve for invested non-restricted equity Jan 1	26,682	26,004
Share issue	0	678
Reserve for invested non-restricted equity Dec 31	**26,682**	**26,682**
Retained earnings Jan 1	34,059	34,801
Purchase of treasury shares	0	-728
Other adjustments	0	0
Retained earnings Dec 31	**34,059**	**34,074**
Profit/loss for the financial year	1,673	-15
Total equity Dec 31	**62,679**	**61,006**

Calculation of distributable equity Dec 31

Retained earnings	34,059	34,074
Reserve for invested non-restricted equity	26,682	26,682
Profit for the financial year	1,673	-15
Total	**62,414**	**60,741**

Treasury shares and major shareholders are presented in note 21 to the consolidated financial statements.

18. Non-current liabilities

Liabilities maturing in less than 3 years

EUR 1,000	Dec 31, 2019	Dec 31, 2018
Loans from financial institutions	20,117	0
Total non-current liabilities	**20,117**	**0**

19. Current liabilities

EUR 1,000	Dec 31, 2019	Dec 31, 2018
Loans from financial institutions	9,807	19,070
Bond loan 2014/2019 1.85%	0	10,000
Total loans	**9,807**	**29,070**
Liabilities to Group companies		
Trade payables	126	545
Other liabilities	6,605	5,210
Total	**6,731**	**5,756**
Trade payables	5,815	3,129
Accrued expenses and deferred income		
Personnel-related liabilities	4,981	4,041
Expense provisions	5,441	1,417
Income taxes	464	0
Total	**10,886**	**5,458**
Other liabilities	1,977	1,960
Total	**1,977**	**1,960**
Total current liabilities	**35,215**	**45,372**

20. Commitments, contingent liabilities, and other liabilities

Contingent liabilities and other liabilities, EUR 1,000	Dec 31, 2019	Dec 31, 2018
Leasing liabilities		
Amounts paid for lease agreements		
Payable during the current financial year	3,416	3,462
Payable later	3,576	2,578
Total	**6,992**	**6,041**
Other contingent liabilities		
Deposits as rental security on the balance sheet	149	34
Other contractual obligations	558	157
Bank guarantees	97	305
Lease liabilities	4,488	2,022
Share redemption commitments	8	259

Signatures to the financial statements and Board of Directors’ report

Espoo, February 27, 2020

Anssi Lehikoinen	Lauri Kerman
Mikko Laine	Kaisa Olkkonen
Susanna Rahkamo	Claes Wallnér

Seppo Kuula
CEO

Auditor’s note

We have issued an audit report today based on the audit we have performed.

Espoo, March 3, 2020

PricewaterhouseCoopers Oy
Audit firm

Pekka Loikkanen
Authorized Public Accountant

Key figures

IFRS

Key figures from the income statement	2019	2018	2017
Net sales (EUR million)	121.5	125.6	131.7
Change in net sales (%)	-3.3	-4.6	4.9
Operating profit (EUR million)	1.4	-2.5	-5.1
% of net sales	1.1	-2.0	-3.9
Profit before taxes (EUR million)	-0.1	-3.6	-6.1
% of net sales	-0.1	-2.9	-4.6
Profit for the financial year (EUR million)	-1.4	-4.5	-7.2
% of net sales	-1.1	-3.6	-5.4
Financing expenses, net (EUR million)	-1.5	-1.2	-0.9
% of net sales	-1.2	-0.9	-0.7
Return on investment (%)	3.4	-0.5	-4.2
ROE (%)	-3.0	-5.6	-9.2

Key figures from the balance sheet			
Equity ratio (%)	36.4	43.8	46.6
Net gearing (%)	96.0	69.5	57.4
Interest-bearing net debt (EUR million)	41.6	32.0	30.1
Balance sheet total (EUR million)	119.6	105.5	112.9

Key figures per share	2019	2018	2017
Diluted and undiluted earnings per share from continuing operations for company shareholders (EUR)	-4.59	-9.17	-13.46
Diluted and undiluted earnings per share for company shareholders (EUR)	-4.59	-9.17	9.91
Equity per share (EUR)	62.56	66.8	76.2
Dividend per share (EUR)	0.00	0.00	0.00
Dividend payout ratio (%)	n/a	n/a	n/a
Number of shares on December 31	679,251	679,251	670,349
– excluding treasury shares	665,863	665,865	665,859
Average diluted number of shares	665,863	664,003	665,264

Other key figures			
Investments (net) (EUR million)	15.4	1.7	1.8
% of net sales	12.7	1.3	1.4
Average personnel, continuing operations	903	884	911
Average personnel, discontinued operations	0	0	45

Key figures

The key figures were calculated using the following formulas:

EBITDA	=	Operating profit + depreciation + amortization
Return on investment (%)	=	$\dfrac{\text{Profit before taxes + finance expenses}}{\text{Equity + interest-bearing financial liabilities (start and end of year average)}}$
Return on equity (%)	=	$\dfrac{\text{Profit for the financial year}}{\text{Equity (start and end of year average)}}$
Equity ratio (%)	=	$\dfrac{\text{Equity}}{\text{Balance sheet total – advance payments received}}$
Net gearing (%)	=	$\dfrac{\text{Interest-bearing net financial liabilities}}{\text{Equity}}$
Interest-bearing net financial liabilities	=	Interest-bearing financial liabilities – cash and cash equivalents and other liquid financial assets
Earnings per share (EPS)	=	$\dfrac{\text{Profit/loss belonging to the holders of the parent company's ordinary shares}}{\text{Weighed average number of outstanding ordinary shares}}$
Equity per share	=	$\dfrac{\text{Equity attributable to the parent company's shareholders}}{\text{Undiluted number of shares on December 31}}$
Dividend per share	=	$\dfrac{\text{Distributed dividends of the financial year}}{\text{Undiluted number of shares on December 31}}$
Dividend payout ratio (%)	=	$\dfrac{\text{Dividend per share}}{\text{Earnings per share}}$

Auditor’s Report (Translation of the Finnish Original)

To the Annual General Meeting of Enfo Oyj

Report on the Audit of the Financial Statements

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group’s financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company’s financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

What we have audited

We have audited the financial statements of Enfo Oyj (business identity code 2081212-9) for the year ended 31 December, 2019. The financial statements comprise:

- the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and consolidated notes, including a summary of significant accounting policies
- the parent company’s balance sheet, parent company’s income statement, parent company’s statement of cash flows and notes.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company’s and the group’s ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Reporting Requirements

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We obtained the report of the Board of Directors prior to the date of this auditor's report and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Espoo, March 3, 2020

PricewaterhouseCoopers Oy
Authorised Public Accountants

Pekka Loikkanen
Authorised Public Accountant (KHT)

Enfo Oyj

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