SIMPLER, SMOOTHER, SMARTER BUSINESS IN THE DIGITAL DIMENSION enfo ANNUAL REPORT 2016

Enfo

Enfo is a Nordic IT service company offering business solutions, financial processes and managed IT services. Our passion is helping customers in the digital dimension by creating innovative digital solutions that develop, innovate and improve our customers' business. In 2016 Enfo's turnover was EUR 128 million. Enfo employs approximately 1000 niched experts.

Enfo 2016

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FINANCIAL STATEMENTS





ENFO'S HISTORY IN THE DIGITAL DIMENSION OF THE 21ST CENTURY

Enfo's history dates back to 1964 when the company was founded in Finland. Since then Enfo has grown into a Nordic group that offers business solutions, employs 1000 people and had a turnover of EUR 128 million in 2016. Digital solutions lie at the core of Enfo's competencies.



Tietosavo was renamed Enfo and became a subsidiary of Kuopion Puhelin Oyj. Enfo divested its software development operations and began to focus on the outsourcing business.

2011

Enfo acquired the Swedish companies Enjoy IT Integration AB and Pointer Sweden AB to further strengthen its position in the systems integration business and in business intelligence.

2007

Kuopion Puhelin Oyj was renamed Enfo Oyj and divided into telecommunications and IT operations. In its current form, Enfo Oyj continues the IT operations that began in 1964.

2014

Enfo acquired Framsteg AB, a company specializing in business analytics. This acquisition further strengthened Enfo's consultancy competencies.

2008

Enfo extended its operations to Sweden by acquiring the IT service company Semcon Innova tion AB.

2015-2016

Enfo strengthened its position and competencies in BI and analytics by acquiring a holding in Rongo Oy, a company specializing in these areas. At the end of 2016, Rongo became exclusively owned by Enfo.

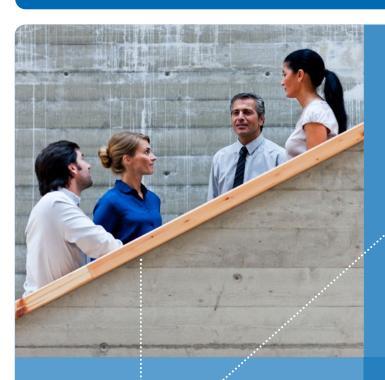
Enfo updated its Group strategy. Enfo's revised objective was to focus on well-planned and customeroriented expansion, with a particular emphasis on launching the IT outsourcing business in Sweden.

2016

Enfo's new strategy underpins all operations throughout the company. Through acquisitions and other strategic measures, Enfo has transformed from an IT company into a digital solutions provider. Following the acquisition of e-man AB, Enfo became one of the largest Nordic providers of integration services.



ENFO'S HIGHLIGHTS IN 2016





THE DIGITAL DIMENSION

AUGUST

Enfo launched thedigitaldimension.com website. The purpose of this site is to make the Digital Dimension intelligible to everyone affected one way or another by digitalization.



NOVEMBER

Enfo acquired e-man AB, a Swedish company specializing in IT integration. As a result, e-man's over 130 employees and turnover which exceeds EUR 10 million, will become part of Enfo.

JANUARY

Enfo revised its business structure by dividing it into three business areas: Business Solutions, which produces consulting services; IT Transformation, which offers IT outsourcing services; and Financial Process Services, which provides outsourcing services for financial administration.

NOVEMBER

Enfo's managed IT services business area merged with IT consulting unit Enfo Zipper and was renamed IT Transformation. The new name describes the operations and customer value of the business area.

DECEMBER

Enfo recorded an all-time high turnover in continuous operations.



TURNOVER

127.6

EUR million ↑ (110.8)

ORGANIC GROWTH OF TURNOVER (continuing operations)

6.6%

TURNOVER BY COUNTRY



45% Finlar

55% Swede

EBITDA

5.8 EUR million ↓ (9.5)

OPERATING PROFIT

O,1 EUR million ↓ (4,8)

EBITDA MARGIN

4.6%

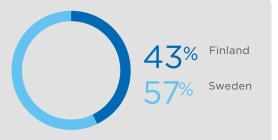
PROFIT FOR THE PERIOD

EUR million ↓ (5,4)

PERSONNEL

978at the year end \uparrow (842)

PERSONNEL by country



PERSONNEL

by gender



73% M

3″

7% Women

KEY FIGURES*

	IFRS 2016	IFRS 2015
Turnover (MEUR)	127.6	110.8
Operating profit (MEUR)	0.1	4.8
Profit for the period (MEUR)	1.2	5.4
Financial expenses, net, (MEUR)	-0.9	0.8
Return on investment %	0.6	8.8*
Return on equity %, (ROE)	-2.9	10.1*
Equity ratio, %	41.5	44.4*
Net gearing, %	68.1	50.7*
Interest-bearing net liabilities	38.9	27.8*
Balance sheet total (MEUR)	133.6	124.1*

^{*} continuing operations, the information logistics services that were sold in February 2017 are reported as discontinued operations in the financial statements.

ENFO HAS INVESTED IN GROWTH,

which materializes as a turnover growth of 6,6 per cent. Investments in digitalization have nonetheless strained the 2016 results in the short term, but the profitability is forecast to grow as of 2017.



GROWTH THROUGH STRATEGY

In 2016, Enfo continued to grow in its core areas and the operational models guided by the new strategy were successfully implemented. The ever accelerating changes in markets mean that Enfo is even more determined to create services enabled by digitalization and in fostering customers' high confidence.

nfo Group's continuing operations' turnover grew in 2016 by about 15 percent, to nearly EUR 128 million. The growth in turnover was especially driven by the demand for services related to digitalization and the acquisition of data- and analytics solutions provider Rongo, in November 2015. The organic growth of the continued operations was nearly seven percent in 2016.

The price competition in traditional IT-services, investments in new operations and one-off costs due to efficiency enhancing measures, nonetheless weakened the operating profit significantly compared to 2015.

The Finnish economy showed signs of recovery in 2016. We are finally beginning to see the light at the end of the tunnel after many weak years. The Swedish economy has been developing quite well for a long time.

A permanent change in the market was reflected in Enfo's operations in 2016. The demand for services related to digitalization continued to increase. Meanwhile, the demand for traditional IT services decreased and price competition was tough among the various players in this sector. A good example of a traditional IT offering are the capacity services provided by IT companies from their own data centers. These services are being replaced with global cloud services that are gaining ground at a rapid pace. Enfo responded to this change by implementing a Cloud First principle, which means that we always offer a cloud-based solution to our customers first, if available.

We continue to keep pace with change and spearhead innovation. Our goal is to offer increasingly versatile services and expertise, so that our customers receive support that is as comprehensive as possible for their business needs. Enfo's competencies are attracting interest from both present and prospective customers.

Strategy proceeds as planned

The main theme of 2016 was the implementation of the new strategy across Enfo, and throughout the year our strategy efforts gained ground. We carried out two major acquisitions in Sweden: In January, we purchased Next Improvement, which provides turnkey solutions, and in November, we acquired e-man, which offers integration services. As a result of these transactions, we extended our competencies specifically in the fields with growing customer demand.

Enfo's new strategy and operating model will be seen by our customers as a seamless fusion of our business areas and units. We have received very positive feedback on our operating model from our customers and personnel. We see this as a strong signal that we are taking the right steps and developing our business in the right direction. We will continue to follow our strategy and communicate our progress to customers and personnel on a regular basis.

The implemention of the strategy will continue in to 2017 and the sale of Enfo's communication business area to billing and payment control firm Ropo Capital from Kuopio, Finland, can be considered our first measure of the year.

"We have received very positive feedback on our operating model from our customers and personnel. We see this as a strong signal that we are taking the right steps and developing our business in the right direction."



The sale was realized on February 1st 2017, but the transaction has been accounted for in the 2016 financial statements as a discontinued operation. The production operations of information logistics services' and the transfer of their corresponding customer accounts', supports Enfo's strategic guidelines for concentrating on IT- and financial process services supporting digitalization, in which Enfo has a strong position, as well as growth potential in the Nordic markets.

Accelerating our growth in 2017

In 2017, we will focus on strong growth in areas with great growth potential. Meanwhile, we will face profitability challenges in our traditional services. We will have to implement savings measures in order to achieve cost benefits. We will also take maximum advantage of automation in operations where it is possible to do so. This means that we will simultaneously hit the gas pedal in some business areas, and the brake pedal in others.

Our Business Solutions area plays a key role in ensuring our growth and profitability in 2017.

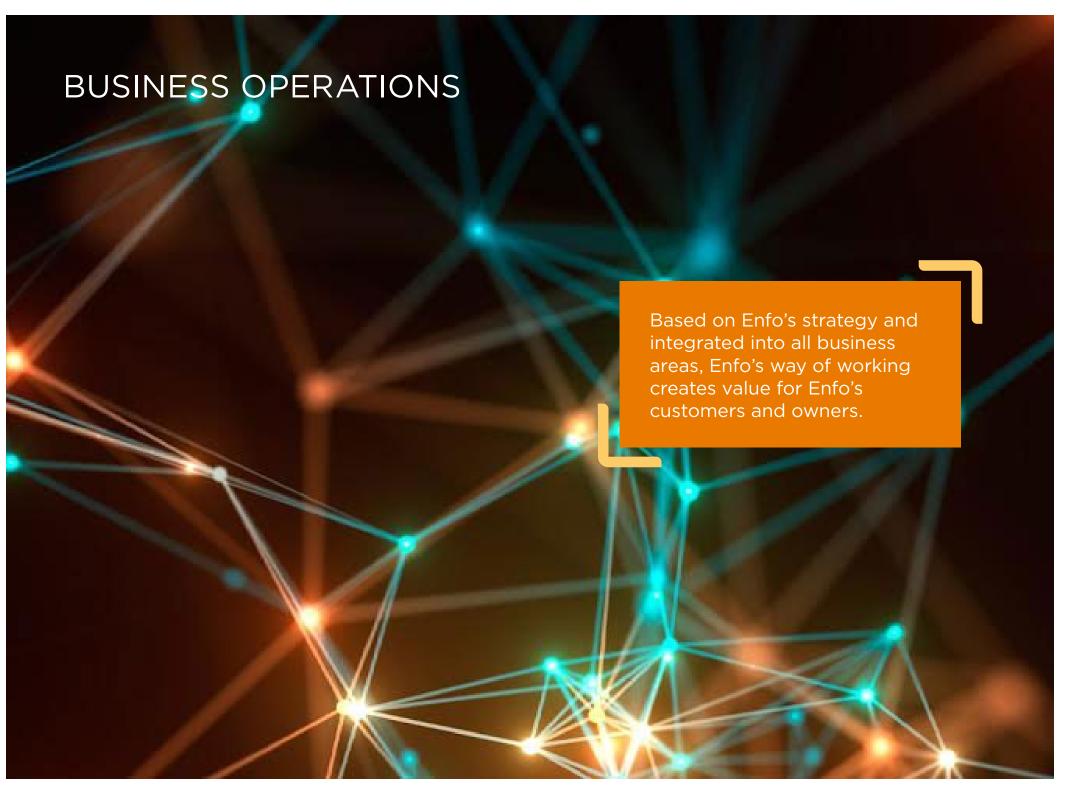
This business area already holds a strong position in Sweden, and we want to gain an equally strong position in Finland.

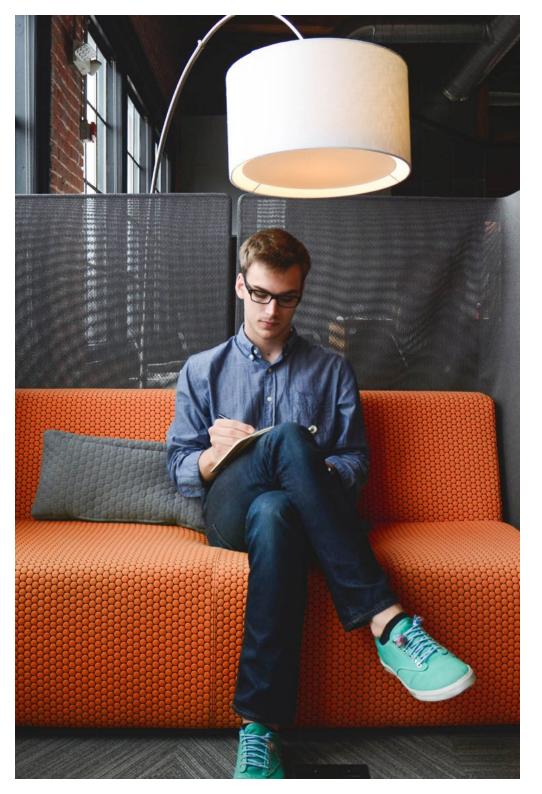
According to our customer satisfaction survey, Enfo's indisputable strengths have remained unchanged. In the eyes of our customers, Enfo is a reliable partner. Our employees are genuinely customer-oriented, and we aim to cooperate with our customers so that both parties can achieve their goals. Our strengths include new solutions and ideas for our customers while maintaining the basic services that keep the wheels turning on a daily basis.

I wish to extend my thanks to all Enfo employees for their contributions over the past year. I also wish to thank our customers, shareholders and partners for their support. We are in an excellent position to proceed together in the years to come.

Arto Herranen







ENFO'S STRATEGY

ENFO'S STRATEGY – CONTROLLED CHANGE

t the beginning of 2016, Enfo presented its revised strategy based on three pillars. This was necessary given our aim of operating across various competence areas as an increasingly united Enfo, so that our customers benefit from our competencies and services as extensively as possible.

Enfo's strategy consists of three pillars:

- Creating integrated value
- New business solutions
- The Digital Dimension

Creating integrated value: All Enfo's business areas work seamlessly together, creating more added value for customers than the various business areas would if operating independently. Customers will benefit not only from our project-type efforts, but also from the fact that Enfo can help its customers at all life-cycle stages of digital services: innovation, in the creation of something new and in the maintenance of digital services.

New business solutions: Enfo will create new business solutions through acquisitions and organic investments. As a result of digitalization, the rate of change has increased in the application layer. This means that customer organizations increasingly want to buy application expertise from

external suppliers. Furthermore, customers more often want to buy infrastructure services and application expertise from the same player. This makes increasing application capabilities particularly important to Enfo. The three acquisitions that Enfo finalized in 2016 strengthened its team of application experts by over 200 people.

The Digital Dimension: Enfo is a dependable partner for its customers' entire organizations. Both Enfo and its customers operate in a digitalized world, and in this operating environment, IT plays an increasingly important role in business operations as well as in innovations. This has also changed customers' purchasing behaviour in terms of IT services. Purchasing decisions are increasingly made by chief marketing officers or chief financial officers, rather than chief information officers. In order for Enfo to be a credible operator in the digitalized operating environment, it must be able to provide solutions that the entire customer organization can understand.

The entire organization was familiarised with the new strategy

In 2016, the main focus of Enfo's strategy efforts was on creating an operating model based on its revised strategy, as well as familiarizing our employees and customers with the strategy.

Enfo measures the realization of its strategy on a monthly basis by applying indicators specifically developed for this purpose, through regular personnel surveys and by collecting customer feedback.

The results of these indicate that Enfo has been moving in the right direction throughout 2016.

From strategy to action

Enfo has revised its organizational structure according to plan. Examples of this include a

VISION

By 2024 80% of Nordic organizations consider Enfo as credible business innovation partner.

MISSION

We passionately help our customers to transform their business in the digital dimension.

3 STRATEGIC PILLARS

INTEGRATED VALUE CREATION

Business value through focused competence centers

Bundling business solutions with managed services

NEW BUSINESS SOLUTIONS

New business solutions with proven business value

Strengthening of the existing strengths

DIGITAL DIMENSION

New digital business models to our customers

Engine for organic growth

2016

- Launched new operative model to support new strategy
- New account management structure to improve cross-Enfo coordination
- Acquisition of e-man and Next Improvement, finalization of Rongo acquisition
- Launched first iteration of vertical concepts to Manufac turing and Utility industries
- Marketing communications and online activities that support the new strategy
- Launching of the Enfo Business Innovation Framework

2017

- Merging of all IT platform businesses to create Business Area IT Transformation
- Focus on leveraging new operative model to streamline cost base
- Full company integration of e-man AB and Rongo Oy to Enfo group
- Developing vertical concept further and extending go-to market activity
- Ramping up digital competences to utilize Enfo Business Innovatio Framework

new sales process and the establishment of Enfo Strategic Accounts, a business area focusing on the management of Enfo's key customers.

Staff surveys indicate that employees' awareness of the new strategy and its effects on their own work has increased, in line with set targets. Enfo is confident that it will be able to implement the new strategy throughout the organization, enabling the company to create increased value for its customers.

Based on feedback from customers – particularly those that buy large volumes of various services – the quality of Enfo's service packages has improved. Furthermore, customers' attitudes towards Enfo's new capabilities and corporate acquisitions is highly positive.

Mission and vision

Enfo's mission is to help customers transform their businesses in the Digital Dimension.

The company's goal is that 80 per cent of Nordic organizations consider Enfo a credible partner in business innovation by 2024. This vision guides operations on a daily basis.

Digitalization has shaped the attitudes and expectations that both businesses and private individuals have towards IT services. Furthermore, IT plays an important role in increasing revenue and creating new business opportunites for organizations in today's world. Merely increasing the efficiency of business operations by means of digitalization is no longer enough. Remaining credible on the markets is imperative. Success requires the capability to provide customers with new IT solutions that enable them to introduce new practices.

In Enfo's experience, many companies view traditional business and digital business as two separate entities. However, this is not true. Digitalization is omnipresent in today's world.

User experience for instance plays a major role in all services. However, creating a positive user experience requires advanced management of information flows, in which information is transferred rapidly, reliably and automatically between systems and even organizations. An even greater challenge lies in how to convert data from these information flows into useful and meaningful information, on the basis of which it is possible to make sensible and informed decisions. Many organizations have access to Big Data, but do not know how to take advantage of it.

Enfo specializes in creating and maintaining solutions for the management of information flows, as well as in building analytics solutions, enabling customers to turn data into useful, high-quality information. In these two areas of expertise alone, Enfo has more than 400 specialists in the Nordic countries.

These areas of specialization, combined with Enfo's extensive capabilities acquired over decades in managing the customer's entire basic IT, make Enfo a player that is genuinely able to help customers to digitalize their businesses.

Strategic targets for 2017

For Enfo, 2017 will be a year during which the two-speed world created by digitalization will become a reality, requiring the company to hit the gas and brake pedals at the same time.

Furthermore, Enfo is seeking growth by launching new, interesting service concepts around digital services and by recruiting more application experts. The company is also seeking to improve profit-generating ability, by streamlining operations and increasing focus on matters that our customers view as adding value.

Ultimately, the core of Enfo's operations – in line with our three-pillar strategy – is to make our customers' business thrive in the Digital Dimension.



E-MAN

ENFO STRENGTHENS ITS POSITION IN THE IT INTEGRATION MARKET

nfo completed its second acquisition of 2016 in November by acquiring e-man, a Swedish company which specializes in systems integration solutions.

E-man have clients in all the Nordic countries and offices all over Sweden, as well as in India and the Philippines.

The development of digital services requires an increased emphasis on preparedness for integration. Through the acquisition of e-man, Enfo now has even more competencies and ready-made solutions for systems integrations, ensuring the seamless provision of services for our customers. According to Enfo's calculations, integration operations will generate EUR 25 million in turnover in 2017. As a result of the acquisition, e-man's more than 130 employees and turnover of over EUR 10 million will become part of Enfo.

"Together we will grow much faster than we would as separate entities. This purchase is the right thing for the both of us, on many levels. Our integration offering will become very extensive and we believe Enfo will be an extremely competitive service provider for the biggest Nordic companies", says Hans Sollerman, CEO of e-man.

Enfo is now a serious player in the Nordic IT markets, and aims to become the leading provider of systems integrations. A strong market position and the courage to do things in a new and agile way are essential for Enfo's business operations.

OPERATING ENVIRONMENT CHARACTERIZED BY DIGITALIZATION AND FRAGMENTATION

ey megatrends fuelling the change in our operating environment include:

- Technological convergence The technologies of the digital era are continuously converging with each other. For example, the combined effect of mobile technology, artificial intelligence and sensor technology is greater than the sum of individual innovations.
- New business models Technological convergence creates new business models that are accelerating digitalization.
- Innovation Innovation operations are emphasized and design culture has become a key factor from the perspective of the enduser.
- Artificial intelligence Although artificial intelligence technology is still developing, it is generating lively discussions about the opportunities it presents and its role in future business models.

Two distinct features comprise the conditions of today's operating environment. On one hand, new digital innovations requiring agile development activities, and on the other, existing IT platforms need to be maintained. The past year has been characterized by a boom in digital innovation. Even the more traditional compa-

nies focused their resources on digital innovation, which was reflected in their demand for IT service providers. In 2016, businesses and other organizations began shifting their focus from purely business-driven innovation to strengthening the role of IT management in digital innovation projects. This is a positive development since it will improve the integration of digital innovations into the daily operations of organizations.

The markets Enfo operates in, in Finland and Sweden, are highly fragmented. In 2016, the total value of these markets was approximately EUR 9 billion. Enfo's share of the total IT services market was 1.5 per cent, but in fields such as information flow management or analytics services, Enfo's market share was considerably larger. Enfo expects market development to continue in the same direction. Consolidation of traditional IT service providers will continue, and new players offering agile service development will keep entering the market.

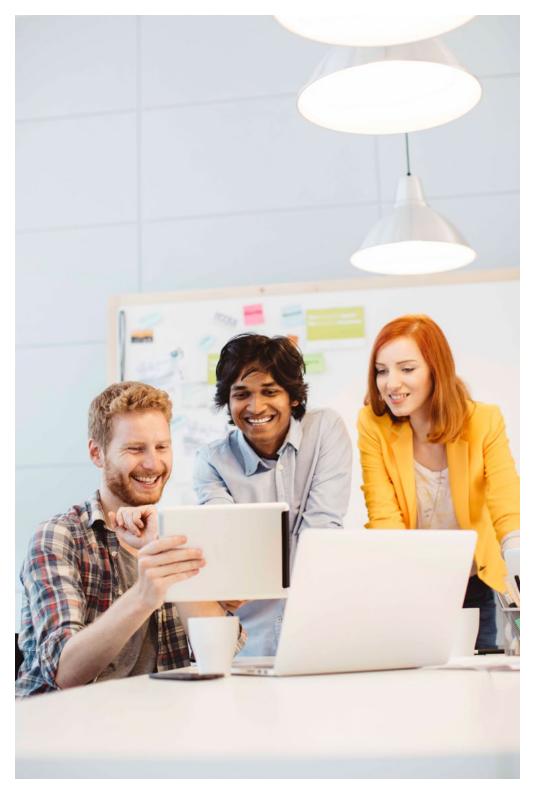
Enfo responds to changes

Enfo has responded to megatrends and changes in its operating environment by revising its organizational structure, acquiring new competencies and building up its service offering. In line with the new strategy, Enfo operates as an increasingly integrated organization, able to provide customers with broad service packages based on the company's extensive offering. Furthermore, Enfo



has actively acquired new expertise through corporate acquisitions. At the end of 2016, Enfo finalized the acquisition of Rongo as announced in 2015. Enfo's latest acquisitions in Sweden include Next Improvement, which provides turnkey solutions, and e-man, which offers integration services. Enfo has also responded to the dual development of the market by investing in the development of vertical services, providing customers operating in a specific sector with a comprehensive IT service package, including everything from data centers to agile innovation solutions.

Enfo will continue to restructure, acquire new expertise and develop its service offering in 2017. The aim is to ensure that Enfo's service model, and the organizational structure supporting it, work smoothly and in a way, that seamlessly integrates the acquired businesses into expanding operations. Therefore, Enfo can continue to strengthen its digital capabilities and industry expertise in sectors such as energy and manufacturing.



IT TRANSFORMATION

IT TRANSFORMATION SUPPORTS A CHANGE IN CUSTOMERS' BUSINESS OPERATIONS

he fundamental task of Enfo's IT Transformation business area is to enable our customers' digital development and new business models by using IT tools. This is a task undertaken by Enfo's new service areas launched in 2016: Digital Ecosystem Management (DEM) and Worklife. Their efforts will be complemented by the Service Center, which focuses on the customer interface, and the Intelligent Platform, Enfo's modern digital service platform.

In line with Enfo's new strategy, IT Transformation will shift from the traditional technological focus to creating value on a wider front for IT management, business operations and end users.

IT Transformation was born from the merger of Enfo's managed IT services business area and IT consultancy unit Enfo Zipper. The new business area name was taken into use on 1 November 2016. The name reflects the demand Enfo's customers have to keep up with the rapidly accelerating pace of change in their business operations, while simultaneously ensuring that their IT solutions fully support their operations. Furthermore, the name reflects the transformation of traditional IT services – Enfo must adjust its offering in order to remain competitive and attractive to customers in the future. By combining process competen-

IT Transformation will shift from a traditional technological focus to creating value on a wider front for IT, business and end users.

cies and consultancy competencies into a single business area, Enfo can expand its offering and achieve a competitive advantage. IT Transformation comprises 450 experts in Finland and Sweden.

New strategy improves Enfo's competitiveness

The IT sector has been characterized by intense price competition for many years. Enfo must actively participate in this competition and redefine the value that it offers for customers. One of Enfo's goals for 2016 was to develop a new, competitive and customer-oriented strategy, and offering, for IT Transformation.

Through its agility, customer-oriented approach and easy implementation of services, IT Transformation stands out as compared to the corresponding IT services offered by its competitors. Furthermore, the combined competencies of all Enfo business areas is a strength in the IT markets.

Enfo created the strategy for its new business area in the first half of 2016. In the second half of the year, Enfo focused on the implementation of the new strategy and business model. In the autumn, the most significant investments were

made in the development of DEM and Worklife. The development of the overall strategy will continue in 2017.

Applications and the new requirements of working life are at the core of Enfo's operations

Applications are at the core of customers' businesses and development. The importance of applications management has increased considerably and will be even more important in the future. At the moment, IT departments spend significant time and effort on maintenance and on tackling a variety of unexpected problems, instead of on forming a genuine partnership with business operations. The DEM offering provided by IT Transformation is designed to solve this problem by ensuring that the application environment operates smoothly and is developed to meet the needs of the business. This also frees IT resources to support business development and, for example, to create new digital business opportunities.

IT Transformation business area is closely involved in the revolution of working life and ways of working. Modern business operations and the needs that arise from new ways of working are reflected in Worklife's service offering. IT Transformation helps its customers prepare for the fact that, by the year 2025, more than 75 per cent of all employees will have been born in, or after, 1985.

The best companies will attract the best talent, and keep hold of that talent for long time by engaging and motivating employees in the right way. Enfo aims, for its part, to help companies in being as attractive employers as possible for diginatives.



y name is Ola Loryd and I began my journey at Enfo in March of 2016 in Stockholm. I'm part of the Sales unit within IT Transformation.

What motivates me is engaging with customers and discussing how Enfo can help them in today's digital markets. I'm a social chameleon who adapts to the situation and changing customer needs. I get inspired by speaking in front of a crowd and being a brand ambassador for Enfo.

Being a sales person means I'm involved with everything we offer at Enfo. I have a variety of tasks and responsibilities, and my days can consist of strategizing with customers as well as in-house budgeting.

Over the 15 years that I have been in the industry, I have learned that being a good listener is just as important as being a good speaker. I always go the extra mile for our customers and make sure to deliver the perceived value of our services with a smile on my face.

OLA LORYD

Senior Sales Executive

ENFO 2016

ADDED BUSINESS VALUE THROUGH PARTNERSHIP

n 2016, the main focus of the 400 experts working in Enfo's Business Solutions was to ensure, that customers are able to take advantage of the opportunities provided by digitalization in their business operations as extensively as possible.

The business area's mission is to be the best partner on the market and to help its customers implement their business strategies by using innovative digital solutions. Based on the principle of comprehensive value creation, Business Solutions' customer teams consist of Enfo employees who represent various fields of specialization and enable customers to benefit from their extensive expertise.

Business Solutions' operations are guided by its dedication to spearhead a constantly changing field. The business area made substantial investments in ensuring agility, with the customers' needs at the heart of everything. Business Solutions offers tailored services, either as individual solutions or as packaged services.



2016 saw the operations of Business Solutions characterized by the changes in the market, by the developments in the business area's offering, as well as by Enfo's new operating model. This will remain a key feature also in the future: it is essential to keep pace with market changes that affect various sectors and identify them ahead of competitors.

The turnover of Business Solutions saw an organic growth of approximately 10 per cent in 2016. In the autumn of 2016, the business area further increased its integration expertise by acquiring e-man, which provides integration services. In the acquisition, e-man's 130 employees became part of Enfo.

Close cooperation across areas of expertise

Business Solutions develops digital solutions that require solid expertise in areas such as integration, BI and analytics. Both Enfo's customers, and their customers, gain immediate business benefits from Enfo's services.

Business Solutions serves organizations in all fields, but the business area has special expertise in the manufacturing and service sectors. The "Digital Manufacturing by Enfo" concept brings transparency to industrial customers' production processes and helps them improve their cost-efficiency.

Already today, customers expect Enfo to offer innovative approaches, generate added value for their businesses and advise the direction they should develop their operations in the Digital Dimension. Other typical customer

In 2017, Business Solutions expects continued growth in these markets, both in Finland and in Sweden.

needs - both today and in the future - include new business models and the increasing responsibility of service providers.

The value of the Nordic integration market amounts to EUR 2,5 billion. However, this constitutes only a part of Business Solutions' total target markets, which are showing strong growth.

In 2017, Business Solutions expects continued growth in these markets, both in Finland and in Sweden. In addition, market potential in Norway is being investigated.



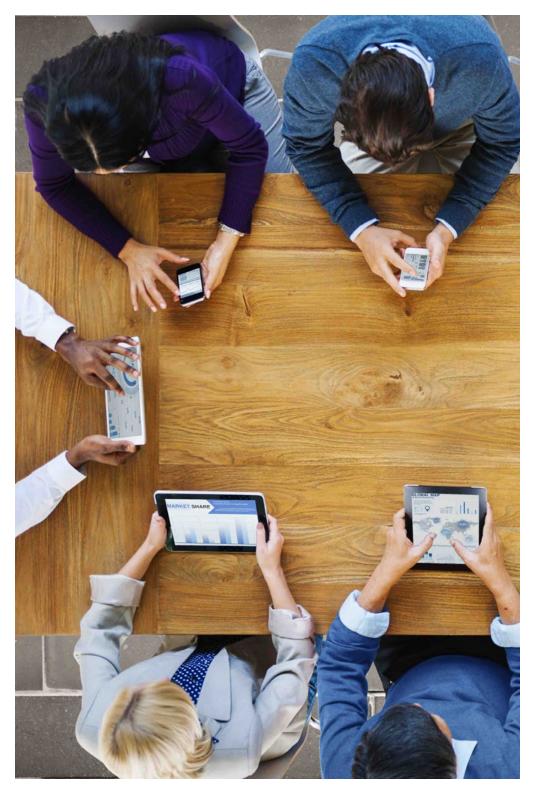
y name is Malin Westerberg and I've been working as a consultant at Enfo for 2.5 years. I work in the Data & Analytics business area at our new Stockholm office. My job entails helping customers with fact-based decision-making, in order for them to achieve their business objectives. For the past two years, I've been working with a leading Nordic provider of facility management services and assisting them in visualizing the value they add to their customers.

At Enfo I seek to engage and inspire people to do their best. Being genuine and humble are the first steps in solving any difficulties you may face along the way.

Through my experiences in space physics research as well as in the tourism industry, I have met and worked together with people from various cultures, backgrounds and fields. These experiences taught me the importance of open communication in creating a sense of common purpose.

MALIN WESTERBERG

Business Intelligence Consultant



FINANCIAL PROCESS SERVICES

On 1 February, 2017, Enfo sold its Information Logistics Services, a subsidiary of Financial Process Services, to the Finnish company Ropo Capital.

REVITALIZING FINANCIAL PROCESS SERVICES

ompanies operating in the Digital Dimension need increasingly advanced automation, digitalization and outsourcing of their financial processes. At Enfo, the planning and development of these services is the responsibility of the Financial Process Services business area. It consists of some 60 financial specialists in Finland.

In 2016, Financial Process Services focused on two operational fields: the outsourcing of financial administration service centers and the development of digital invoicing service channels. With respect to financial administration outsourcing services, the key priorities in 2016 included increasing sales and changing the operational model in keeping with the process organization model. With respect to Information Logistics, the business area focused on creating a new production platform, as well as on the service design of a customer experience concept for energy companies.

Enfo's changing role

2016 was characterised by medium-sized companies outsourcing their financial administration and large companies developing their information logistics. Despite a 6 per cent growth in the sales of Financial Process Services, its profitability decreased.

One of the main reasons for this was the declining price development and the loss of a significant customer in Information Logistics. Furthermore, increasing postal fees hampered profitability. Meanwhile, Financial Process Financial Process Services is expanding its operations to better meet the needs of customers to increase the efficiency of their background processes.

Services laid foundations for future growth by making extensive investments in the development of its processes and a new production platform. The aim is to increase the vitality and sustainability of processes based on the new platform. In the financial administration outsourcing business, sales increased but the development of conceptualised solutions continued to impede profitability.

Financial Process Services stands out from its competitors that provide comparable services through its comprehensive offering, which covers the whole outsourcing process from people and processes, to applications and infrastructure. In the field of Information Logistics, Enfo focuses on fully digital services, without forgetting industry verticals.

Keeping outsourcing and customer experience at the forefront

2016 was a year of numerous achievements for Enfo. In financial administration, outsourcing became the most important subarea and sales grew considerably. Another focus area was modernization projects, where Enfo successfully transferred customers' old systems to new platforms.

In Information Logistics, Enfo focused on innovation as well as on developing the services of

a key customer segment, the energy sector. The aim of these development efforts was to provide a better customer experience for the end users of energy companies' products and services. In 2016, Enfo launched pilot projects with two energy companies. The purpose of these projects is to improve customer data management, to better identify customer requests and to provide new, customer-oriented services.

Focus on digitalization and new services

The operations of various sectors are increasingly defined by digitalization. Enfo Financial Process Services is a key player in this development. In 2017, Financial Process Services will continue to focus on the digitalization of financial administration, as well as on the digital development of consumer payment transactions. Enfo's ZmartFinance and ZmartEnergy services enable the digitalization of customer processes and a business-driven analysis of their financial administration components.

Financial Process Services is expanding its operations to better meet the needs of customers to increase the efficiency of their background processes. In practice, this means expanding operations from traditional financial processes to processes involving customer and product data management.

The further digitalization progresses develop, the more pivotal the role of Financial Process Services becomes in improving the quality of customers' data and creating new and more versatile value from external data.



work in Enfo's Financial Process Service business area in Kuopio. I joined Enfo in 2014 to work as a Project Manager, but have since transferred to Solution Design.

In 2016, I spent most of my time working on the Enfo New Energy Customer Experience (ENECE) project, in which we focus on developing the end-customer experience of energy companies. In addition to my work, I have studied service design, which has been particularly useful in developing the ENECE project. Energy companies are one of our most important customer segments and thus, Enfo naturally supports them in serving their customers even better.

One of the cornerstones of my work is keeping my word both to our customers and internally, in a way in which the end result meets their requirements and expectations in the best possible way. In my world, there are no problems, only challenges to which we have not yet found the right solution.

OLLI-PEKKA INGET

Senior Specialist, Solution Design

MARTELA

CLOUD SERVICES SUPPORTING BUSINESS

artela Group is gradually reforming its entire IT infrastructure as part of its new strategy. The goal is to enable flexible work independent of time and place, and to improve the quality of customer interaction. Adopting cloud services is an important part of the overall change.

"Our transition to the world of cloud services under Enfo's guidance will help us achieve our business targets. Through cloud services, we can create a more uniform and international Martela," says Jari Hammar, IT Manager at Martela.

Office 365's strength as a cloud service platform lies in its scalability according to the needs of business operations.

"One of our reasons for selecting Enfo as partner was its willingness to understand our business operations. We value Enfo's forward-looking attitude", says Hammar.

As well as developing cloud services, Enfo will monitor the functioning of Martela's IT operating environment.

"For us, the greatest value lies in increasing the reliability of our business applications and much faster reaction to technical disruptions, since our environment is being monitored around the clock by Enfo," states Hammar.

BUSINESS SOLUTIONS



COST SAVINGS THROUGH DIGITALIZATION

nfo Business Solutions combines industry expertise with digitalization. Outokumpu has applied Enfo's expertise in analytics, maintenance and systems in order to upgrade its collaboration with the concentration plant Avesta Jernverk. This has significantly decreased production costs.

Today, work at the plant is more systematic as processes and responsibilities have become more clear-cut. There are fewer disruptions in production, and operational efficiency has improved thanks to planning and preparation processes. Machines are used at full capacity at lower costs.

"Enfo has unique expertise. It is a partner that has mastered both processes and maintenance systems. This enables streamlined management of matters instead of involving multiple partners in various subareas. Thanks to the data we receive, we can analyze production signals and anticipate malfunctions before they actually occur. We will continue to cooperate with Enfo also in the operations of areas that we intend to improve", said Mikael Larsson, Depot Manager at Outokumpu.

FINANCIAL PROCESS SERVICES



LOISTE

loiste.fi

ENFO AS AN ALL AROUND SERVICE PROVIDER

nergy company Loiste outsourced its finance and invoicing functions to Enfo in the fall of 2015, resulting in ten of Loiste's financial administration employees transferring to Enfo. After the transaction, the companies launched a project to implement finance and invoicing processes and systems provided by Enfo, while running down Loiste's old systems. The completion of the demanding project further supported Loiste's image of Enfo as a highly skilled and responsible partner, capable of handling extensive processes and systems.

After wrapping-up the finance and invoicing project, Loiste began to prepare for the next step of the partnership strategy, the transfer of the management of its background processes to its partners.

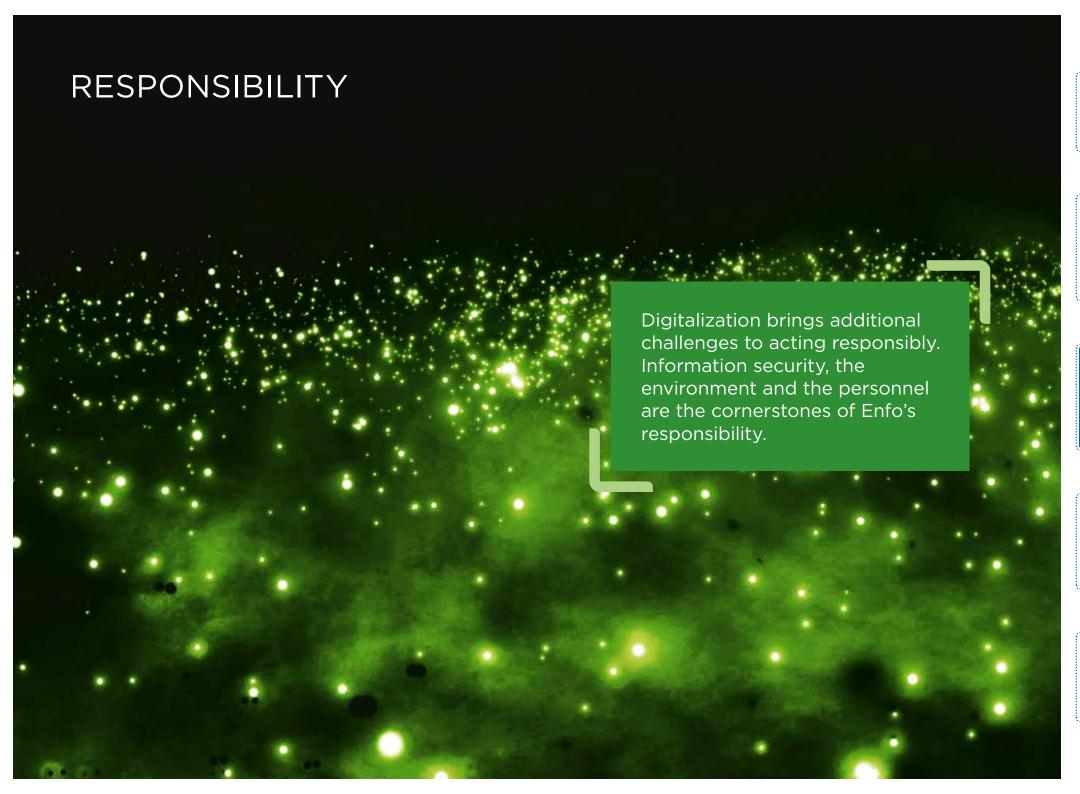
"It was only natural for us to extend our cooperation with Enfo in the field of contract management, since the related processes are closely linked to the finance and invoicing processes previously transferred to Enfo," said Markku Ryymin, CEO of Loiste Group.

The agreement covered the outsourcing of contract and product data management services to Enfo. Simultaneously, six of Loiste's employees from contract management transferred to Enfo.

"This agreement marks a new level in our partnership strategy. It will take us to a new level of strategic partnership with Enfo. The scale of this transaction, including the previous agreement on financial administration services, is unmatched in the Finnish energy sector," Ryymin said.

martela.com outokumpu.com





ENFO SUSTAINABILITY HIGHLIGHTS 2016

A new environment policy was created based on the ISO 14001 certificate and a environmental system was built around the Company's operations

ISO 9001 QUALITY SYSTEM

was renewed and expanded to a Nordic-level

88%

According to the Net
Promoter Score (NPS)
-survey, 88 per cent of Enfo's
customers say that they could
choose Enfo as a partner in
the future.



2016

4. best workplace in Finland,,9. best workplace in Sweden in the

large organizations class

100%

OF DATA CENTERS USE GREEN ELECTRICITY

Data center's Power Usage Effectiveness (PUE)-value:

1,30 (1,29

The ideal value of energy effectiveness: 1.05

ENFO INVESTED IN TRAINING

1,007

EUR per employee

SECURELY INTO THE FUTURE

he ongoing third industrial revolution increases the importance of information technology in all sectors. In Enfo's business environment, digitalization involves an increasing transfer from value chains to value networks, and from individual responsible players to responsible complexes.

Security management and information security form the basis of all operations. Enfo provides tried and tested data security processes and solutions that ensure business continuity – both for Enfo and its customers. Through these security solutions, Enfo can ensure privacy protection, manage internet risks and prevent internet crime.

Enfo's certifications

ISO/IEC 27011:2013 (Information security)

ISO 9001 (Quality system)

ISO 14001:2015 (Environment)

WWF Green Office

Helsinki Region Transport, 'Employer that makes you move'

Four LEED and BREEAM certified offices



Holistic development

Enfo's key operational principle is continuous development, which builds on four cornerstones: customer environment development, service strategy development, process development and expertise. Customer focus means understanding the customer's business as well as customer orientation and the identification of the customer's genuine needs. In service strategy development. Enfo grasps the opportunities of the future and develops services in collaboration with the customer. Expertise involves human resources development with the aim of being an employer of choice and attracting the best talents. Process development focuses on selecting the best practices and continuously improving the level of maturity in processes.

As part of its continuous improvement, Enfo creates a common way of working and furt-

her defines it by implementing sector-specific frameworks, such as standards and best practices. Furthermore, Enfo takes into account the varied needs of its stakeholders as a starting point for sustainable improvement.

Constantly keeping our finger on the pulse

One of the ways in which Enfo further develops responsible operations throughout its organization are integrated management systems (IMS). These enable anticipative and efficient development of operations, learning from mistakes and proactive operations.

Enfo's integrated management systems include an information security system and a service management system as well as an ISO 9001 quality management system, which was renewed in 2016 and simultaneously expanded to the Nordic level.

Expertise involves human resources development with the aim of being an employer of choice and attracting the best talents.

ENFO 2016

TALENTS DETERMINE COMPETITIVENESS

ompetition for the best employees is tough in the IT industry. Recruiting the right people and securing their commitment to Enfo are decisive factors for maintaining competitiveness. In 2016, Enfo made considerable investments in recruitment and personnel development.

Enfo employs more than 1,000 people in Finland and Sweden, and the company is continuously seeking versatile talents who possess both traditional and innovative IT skills. Enfo made exactly these kinds of recruitments in 2016 and will continue to do so in the years to come. The demand for talented IT and business professionals is likely to increase as digitalization expands and becomes more commonplace.

Employee information

Investments in	1,007 €/
employee training	person
Days of absence	6
Employee turnover	13.8%
Percentage of female employees	
(IT industry average: 20%)	27%

Personnel sets the direction

Based on Enfo's internal surveys, employees value the freedom of their work, the opportunity to develop their skills and try out different roles within the company. During the past years Enfo has invested significantly in developing leadership skills in collaboration with Krauthammer, a leading Swiss consultancy firm. The skills and knowledge we have built within Enfo are in a key position when developing our business and moving forward.

Enfo is experiencing strong growth through acquisitions, which creates certain challenges in terms of human resources. The Company want to make sure that the integration of employees transferring to Enfo is as smooth and supportive as possible. Enfo's HR functions will continue to focus on this also in 2017, to ensure that new talents will thrive at the company, as well as be able to implement the skills and ideas they bring.

Great Place to Work

Once again, Enfo ranked extremely well in the Great Place to Work survey, both in Finland and Sweden. Enfo ranked as the fourth best workplace in the Large Companies category in Finland in 2016. The company is the best among Finnish IT companies in this category. In Finland this was the best result so far in the survey. In Sweden, Enfo was ninth in the same category.



In both countries, Great Place to Work is one of the best-known independent workplace surveys.

IN 2016 ENFO DEVISED STATUTORY EMPLOYEE, TRAINING, EQUALITY AND PARTIALITY PLANS.

RESPONSIBLE BUSINESS PARTNER

n 2016. Enfo created a new environmental policy and built an environmental system that covers all of its operations. Enfo takes environmental matters into account on a broad scale in its business operations, which reflects its revised responsible operations. The most important stakeholders, such as customers, personnel, partners and owners, assume that Enfo acts responsibly, protects the environment in its operations and chooses ecological options whenever available.

In order to ensure its profitable and sustainable growth. Enfo partners with its customers in an environmentally responsible way. Most of Enfo's customers take the environment into consideration in various ways. By acting as their environmentally responsible partner, Enfo sup-

> **ENVIRONMENTAL CERTIFICATION STEERS OUR ENVIRONMENTAL POLICY**

THE ISO 14001:2015 environmental certification commits the entire Enfo organization to environmentally friendly operations. The certification forms the basis for Enfo's environmental policy finalised in 2016 and requires the company to promote the standard's future implementation.

ports them in reaching their environmental goals. Through WWF Finland's Green Office system. Enfo keeps its personnel up to date about how the company and its staff can have a direct impact on nature and protect its diversity. Enfo has increased the number of secure printing devices and encourages virtual meetings in daily operations. Furthermore, Enfo urges staff to commute on public transport; in 2016, Enfo received the "Employer that makes you move" certificate granted by Helsinki Region Transport (HSL).

Enfo and society

As a responsible corporate citizen, Enfo wants to take into account an increasing number of stakeholder and social groups. Since networks and cooperation relationships will be increasingly extensive and intertwined in the future. Enfo focuses on exercising a close and responsible influence in collaboration with all social groups. Enfo's partner network consists of a broad range of service providers and other interest groups. In order to promote their prosperity. Enfo must be a reliable and responsible business partner.

As a company fulfilling its social responsibility, Enfo makes charitable donations on an annual basis. In 2016, Enfo concentrated its donations to children's cancer foundations by contributing a total of EUR 4.000 to the Aamu Pediatric Cancer Foundation, based in Finland, and to the Swedish Childhood Cancer Foundation.



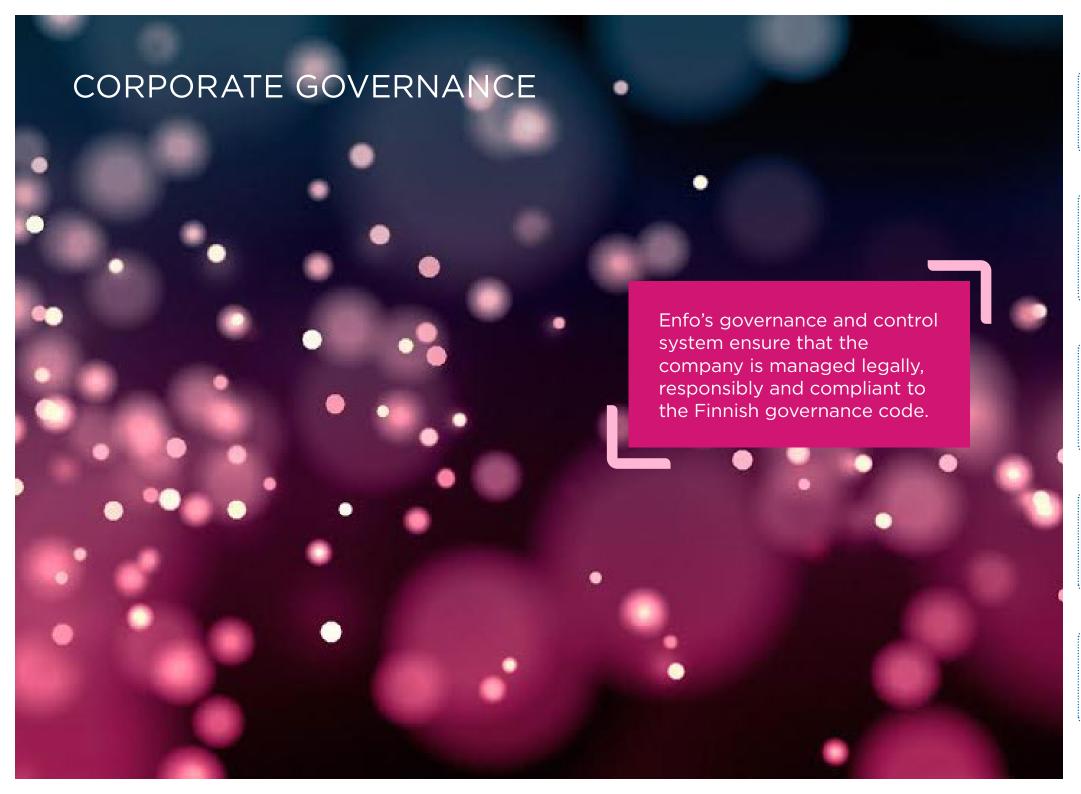
Enfo's impact on society

Salaries to employees 58.4 EUR million Materials and services 33.3 EUR million Pension insurance premiums and 8.7 FUR million pensions 0.3 EUR million Corporate taxes Interest payments 0.5 FUR million

Dividends 3.6 EUR million to shareholders

on loans





CORPORATE GOVERNANCE REPORT

INTRODUCTION

Enfo Oyj's administration and management complies with the company's Articles of Association, the Finnish Companies Act, and the 2010 Corporate Governance code of Finnish listed companies issued by the Securities Market Association on 1 October 2010, apart from Recommendations 9 (Insider administration) and 18 (Establishing a committee). The code is available on the Securities Market Association's website at: http://www.cgfinland.fi.

Deviating from corporate governance and taking the scope of operations into account, the company has no committees other than the Nomination Committee of the shareholders (recommendation 14–18) pertaining to recommendation 18b.

The application guidelines for good corporate governance were revised and approved by the Board of Directors of Enfo Oyj on 27 January 2017. Yearly report on the Corporate Governace is part of the Annual Report. Up-to-date information on Corporate Governance and Articles of Association can be found on Investors Relations page at http://www.enfogroup.com/Investor-relations

ANNUAL GENERAL MEETING

The Annual General Meeting constitutes Enfo Oyj's highest decisionmaking body where shareholders participate in the management and supervision of the company. The company must hold one Annual General Meeting during a single financial period. An Extraordinary General Meeting will be held if required. Shareholders exercise their speaking and voting rights in the Annual General Meeting.

The Annual General Meeting is attended by the Managing Director, the Chairman of the Board of Directors, and a sufficient number of members of the Board. The auditor also attends the Annual General Meeting.

Those who are nominated as members of the Board for the first time must attend the Annual General Meeting where the election is decided on, unless there is a good reason for being absent.

The shareholders have the right to place a matter belonging to the shareholders' 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 Annual General Meeting, the shareholders must report their intention to the company's Board of Directors by the last day of January.

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

Enfo Oyj's Annual General Meeting was held on 30 March, 2016.

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 steers and supervises the company's executive management, decides on appointing or dismissing the managing director, reviewing and approving the company's strategic goals and risk management principles as well as ensuring the functioning of the integrated management system. Good corporate governance also means the Board of Directors ensures the company agrees on the values that will be followed in its operations.

The task of the Board of Directors is to promote the benefits of the company and all of its shareholders. The members of the Board do not represent the parties who put them forward for appointment.

The shareholders appoint the members of the Board of Directors at the Annual General Meeting. Board of Directors consists of at least five members and seven members at the most. The Board of Directors selects the Chairman of the Board among its members.

When planning the composition of the Board of Directors, the Nomination Committee of the shareholders 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 other members, and

their varied experience in different business fields and managerial positions, as well as the personal properties of each member. The objective is that both genders are represented by at least two members.

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

In 2016, the Board of Directors convened 14 times, and the overall attendance rate of the Board members was 100%.

THE BOARD OF DIRECTORS' AGENDA

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

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

In addition to the issues listed in the agenda, the Board of Directors of Enfo Oyj 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 of Enfo Oyj evaluates its own performance once a year.

COMMITTEES

Taking into account the extent of business operations, it has not been deemed necessary to

establish committees other than the Nomination Committee.

At Enfo Oyj's Annual General Meeting on 30 March 2016, Tapio Hakakari, Pekka Kantanen, Lauri Kerman (secretary) and Tarja Tikkanen (Chairman) were elected to the Nomination Committee.

In 2016, the Nomination Committee convened once, and the overall attendance rate was 100%.

MANAGING DIRECTOR AND OTHER MANAGEMENT

As per the Finnish Companies Act, the Managing Director is responsible for the day-to-day running of the company in compliance with the principles and guidelines devised 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 authorisation of the Board of Directors. The CEO is responsible for the lawfulness of the company's accounting and the reliable organisation of asset management. The Group's Executive Management Team assists the CEO.

The Managing Director of Enfo Oyj is not, and cannot be appointed as, a member or the chairman of the Board of Directors.

M.Sc. (Technology) Arto Herranen has acted as the CEO of Enfo Oyj since the 1 July 2007.

INCENTIVES SCHEME

Functional and competitive rewarding is a significant tool in order to recruit capable managerial employees to 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 a correct proportion considering the company's development and long-term value formation. As rewards are tied to performance and profit criteria and their fulfilment is being monitored, there is 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 2,000 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 travel expenses of Board members are compensated for in accordance with the company's travel policy.

The total rewards paid to the company's CEO and members of the Executive Management Team consist 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 Executive Management Team.

The company uses an annual bonus scheme directed at the Group management and key persons. The bonus is either personal or group-specific, and accounts for, at most, 10–60% of a person's annual salary.

The company's Board of Directors prepares decisions on the annual bonus scheme. In 2016, the annual bonus scheme involves approximately 50 persons. The central determining criteria for the bonus scheme include the operating profit of the Group and each segment, customer satisfaction and certain other personal objectives.

In addition to the annual bonus scheme, the Group uses a long-term incentive scheme dire-

cted at the management and key personnel. The share-based incentive scheme contains three one-year earning periods, i.e. calendar years 2014, 2015 and 2016. The company's Board of Directors decides on the earning criteria for the earning period and their objectives upon the approval of the budget. Any bonus over the 2016 earning period is based on Enfo Group's operating profit. Currently, the scheme's target group consists of 44 key persons.

In 2016, the company paid a total of EUR 263.032 in salaries and fees to CEO Arto Herranen, of which the result-based bonuses originating from the 2015 financial period accounted for EUR 0. The period of notice in the executive agreement of Arto Herranen, valid until further notice, is three 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 12 months.

In 2016, EUR 1,548,632 were paid in salaries and fees to all members of the Executive Management Team.

The Group's personnel in Finland, apart from the top management, are members of the personnel fund established in 2006, and its personnel in Sweden are members of a community (vinstandelstiftelse) established in 2014 and corresponding to the Finnish personnel fund.

The incentive bonus scheme for the entire personnel consists of profit-sharing items and result-based bonuses paid to the personnel fund. The company's Board of Directors decides upon the criteria for determining the profit-sharing items and result-based bonuses annually upon the approval of the budget.

The personnel fund invests 50-75% of the paid profit-sharing bonus items in Enfo Oyj's shares. The personnel fund is one of Enfo Oyj's largest shareholders

OTHER GOVERNANCE

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

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 extensive survey 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 survey 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 Board of Directors assesses any known risks and uncertainties, and issues reports on them regularly in interim reports, the financial statements bulletin and annual report published by the company.

The Group's financing decisions are performed 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 check different Group units by walking around. The service is a bought from an external provider. Internal auditors report directly to the Board of Directors.

The company reports information about 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 Nomination Committee of the shareholders presents a proposal of the auditor to the Annual General Meeting.

The company's auditor is accounting firm PricewaterhouseCoopers Oy, with Authorised Public Accountant Pekka Loikkanen as the main auditor. In the period of 1 January – 31 December 2016, the Group paid the auditor a total of EUR 173.062,67 in auditing fees and EUR 251.054,55 in fees not related to auditing.

ENFO GROUP'S BOARD OF DIRECTORS



TAPIO HAKAKARI

Chairman of the Board Master of Law

Managing Director of Webstor Oy. He is also the Deputy Chairman of the Board of Directors of Cargotec Oyj, Chairman of the Board of Directors of Consti yhtiöt Oyj and Opteam Oy, as well as a Member of the Board of Directors of Handelsbanken AB Suomi.

Main work experience: Managing Director of Cargotec Oyj in 10/2012-2/2013, Director at KONE Oyj, Secretary of the Board of Directors 1998-2006, Administrative Director at KCI Konecranes Oyj 1994-1998, and in other positions at KONE Oyj 1983-1994.

Member of Enfo Oyj's Board of Directors since June 26, 2007 and holds 2,658 shares in Enfo Oyj. Independent of the company and significant shareholders.



ANSSI LEHIKOINEN

Member of the Board M.Sc (Technology), PhD (b. 19XX)

Chairman of the Board at Rocsole Oy and a Professor of Economics (part-time) at the University of Eastern Finland.

Main work experience: CEO of Numcore Oy 2007-2012 and CEO of Rocsole Oy 2012-2014.

Member of Enfo Oyj's Board of Directors since March 30, 2016. Holds no shares in Enfo Oyj. Independent of the company, dependent on a significant shareholder.



TIMO KÄRKKÄINEN

Member of the Board M.Sc. (Economics)

Senior Portfolio Manager at Ilmarinen Mutual Pension Insurance Company. Member of the Board of Directors of Tieyhtiö Valtatie 7 Oy.

Main work experience: Pension Fund agent, Group Treasurer and Head of Treasury Operations at Neste Oil Oyj 2005–2010, Fortum Oyj Treasury Manager, Head of Treasury Operations 2000–2005. Finance, electricity pricing and forwarding duties at Imatran Voima Oy 1987–2000.

Member of Enfo Oyj's Board of Directors since March 24, 2011. Holds no shares in Enfo Oyj. Independent of the company and significant shareholders.

ENFO GROUP'S BOARD OF DIRECTORS



LAURI KERMAN

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

Managing Director at Osuuskunta KPY.

Member of the Board of Directors of Enfo Plc, Voimatel Oy, Vetrea Terveys Oy and Kiinteistö Oy Lentokapteeni.

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.



SOILI MÄKINEN

Member of the Board M.Sc. (Economics)

CIO at Cargotec Oyj.

Main work experience: CIO at MacGREGOR Oy (2004-2006). Since 1993 held a number of positions in system and project management at MacGREGOR Oy's IT management.

Member of Enfo Oyj's Board of Directors since March 21, 2013. Holds no shares in Enfo Oyj. Independent of the company and significant shareholders.



KAISA OLKKONEN

Member of the Board Master of Law

CEO, SSH Communications Security Oy, Member of the Board and of the Audit Committee at Cargotec.

Advisor at Morelex Oy, 3D Bear Oy and Familings Oy.

Member of Enfo Oyj's Board of Directors since March 30, 2016. Holds no shares in Enfo Oyj. Independent of the company and significant shareholders.

ENFO GROUP'S EXECUTIVE TEAM 1.1.2017



ARTO HERRANEN

Chairman of the Executive Management Team, CEO

Arto Herranen holds a M.Sc. (Technology) and has previously served as the Managing Director of Kupion Puhelin Oyj and Savon Voima Oyj, a Head of Department at Kuopion Puhelin Oyj, an Account Manager at Oracle Finland Oy, and a Production Director at P.T.A. Group Oy.

Chairman of the Executive Management Team of Enfo Oyj since 2007. Holds 2,983 shares in Enfo Oyj.



CHRISTIAN HOMÉN

CFO

Christian Homén has a master's degree in economics and has previously worked as Director of Finance and Control at Microsoft Corporation. He has also held several financial director positions at Nokia Oyj in such areas as business planning, reporting, controlling and finance.

Member of Enfo's management team since February 1, 2015. Holds 888 shares in Enfo Oyj.



TERO KOSUNEN

EVP, Financial Process Services

Tero Kosunen holds a M.Sc. (Technology) and has previously worked at Oy Danfoss Ab as CFO, Business Development Director and Local Manager. In addition, Kosunen has worked as an IT consultant at Tieto Corporation.

Member of the Executive Management Team of Enfo Oyj since October 1, 2011. Holds 1,091 shares in Enfo Oyj.

ENFO GROUP'S EXECUTIVE TEAM 1.1.2017



LARS AABOL EVP Strategic Account

Lars Aabol has previously served as the Managing Director of Hogia Infra AB and as a Sales Manager for Framfab. Member of the Executive Management Team of Enfo Oyj since July 1, 2012. Holds 1,050 shares in Enfo Oyj.



MATS ELIASSON EVP. Business Solutions

Mats Eliasson has previously acted as SVP, Service and Asset Management of Enfo Sweden, CEO of Framsteg AB, Managing Director of MRO Software AB and as CEO of EBM Business Development AB. Member of the Executive Management Team of Enfo Oyj since 1st January 2016. Holds 1,273 shares in Enfo Oyj.



TERO SAKSMAN *EVP. IT Transformation*

Tero Saksman holds a BBA and has previously served as a controller at Kuopion Puhelin Oyj and Enfo Oyj. In Enfo Oyj's Information Logistics Services, he has served as a Sales Director, Sales Manager and Service Manager. Member of the Board at Kasve Oy.

Member of the Executive Management Team of Enfo Oyj since January 1, 2011. Holds 1,316 shares in Enfo Oyj.

ENFO GROUP'S EXECUTIVE TEAM 1.1.2017



SAMULI SAVO

EVP, Emerging Businesses and Transformation Office

Samuli Savo holds a M.Sc. (Engineering) and has previously worked at Gartner as a Digital Lead EMEA High-Tech and Telecoms, as well as a Consulting Director. Savo has also worked in several managerial positions at Fujitsu, including Head of Offerings, Head of SAP Practice and Director of Services.

Member of the Executive Management Team of Enfo Oyj since August 1, 2015. Holds 1,091 shares in Enfo Oyj.



MALIN UNG

Senior Vice President, HR

Malin Ung has previously acted as the HR Manager of Enfo Sweden, HR Manager at Framsteg AB, Senior HR Consultant at HR Skills Stockholm AB and as a HR Manager at Wise Group.

Member of the Executive Management Team of Enfo Oyj since 1st January 2016. Holds 202 shares in Enfo Oyj.

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REVIEW BY THE ENFO OYJ BOARD OF DIRECTORS

Financial year January 1 - December 31, 2016

Enfo Oyj (Business ID: 2081212-9) is the parent company of the Enfo subgroup whose parent company is Osuuskunta KPY.

Operations

Enfo is a Nordic IT service company offering business solutions, financial processes and IT services. We help our customers to operate in the Digital Dimension by creating innovative digital solutions to develop, renew and improve their business operations. The group currently employs 1,000 experts in Finland and Sweden.

Market development

The expectations for financial growth in Finland were confirmed in the latter half of the previous year. The difference compered to Sweden, however, is clear, as the Swedish economy continues its strong growth. However, the uncertainty related to global politics that started during autumn 2016 may undermine the favorable outlook for the economy.

A permanent change has taken place on the IT market, which has a clear impact on the operations of Enfo. The demand for services related to digitalization continues to increase. Meanwhile, the demand for traditional IT services decreases, and price competition is tough among the various players in this sector. A good example of a traditional IT offering is the capacity services provided by IT companies from their own data centers. These services are being replaced with global cloud services that are gaining ground at a rapid pace. Enfo responded to this change by implementing a Cloud First principle, which means that we always offer a cloud-based solution to our customers first, if available.

Enfo aims to enable digitilization for our customers through comprehensive business solutions and continued IT services. We are true specialists of all of our areas of competence and work with the best partners in order to provide business-oriented solutions for our customers.

Turnover and result

On February 1, 2017, Enfo Oyj sold the entire share capital of its information logistics services Enfo Zender Oy to Ropo Capital. In accordance with IFRS rules,

a business area that has been abandoned or will be abandoned according to a coordinated plan should be reported as a discontinued operation. The requirements above have been met, so the sold information logistics services operations shall be reported as a discontinued operation for the whole of 2016.

The consolidated turnover of the Enfo Group from continued operations increased by 15.1% to EUR 127.6 (110.8) million. The turnover was affected by continuous demand for services linked to digitalization. The turnover in Finland was also boosted by the acquisition of Rongo Oy in November 2015, which specializes in data and analytics solutions. The organic growth of continued operations in 2016 was 6.6%. The operating profit of continued operations was EUR 0.1 million, showing a drop of 97.8%. The operating profit relative to the turnover was 0.1%. The price competition of traditional IT services, investments to new business operations, and non-recurring expenditure resulting from efficiency measures worsened the operating profit of 2016.

The profit or loss of discontinued operations in 2016 was EUR 1.8 million. Enfo Oyj's subsidiary Enfo Sweden AB bought Next Improvement Ab, a company specializing in Service & Asset Management consulting, in January 2016. The effect of the acquisition on the turnover was still minor (less than 1%). As a result of the acquisition, 11 new professionals of the field joined the ranks of Enfo.

In November 2016, Enfo Sweden AB purchased e-man Ab, a company specializing in integration solutions. The effect of the acquisition on the turnover was still minor (less than 1%), but the acquisition strengthened Enfo's position as a consultation service provider on the IT integration market and Enfo became one of the leading Nordic suppliers of integration services. As a result of the acquisition. 130 new professionals of the field joined the ranks of Enfo.

Customer agreements were signed, for instance, with Oriola, Okmetic, Nordic Choice Hotels, Loiste and Lassila & Tikanoja.

The profit or loss for the financial year of the Group's continued operations was EUR -0.7 (EUR 3.2) million. The net financial expenses of the Group were EUR 0.9 (0.8) million. The profit or loss for the financial year including discontinued operations was EUR 1.2 (5.4) million. The earnings per share of the continued operations were EUR -4.64 (3.72). The earnings per share including discontinued operations were EUR -1.6 (7.39).

Investments and financing

Enfo's net investments during the financial year were EUR 10.4 (14.3) million. The investments primarily focused on the acquisition of Next Improvement and e-man, as well as the purchase of data center equipment using finance leases. Further investments were made in financial process outsourcing services.

The company's equity ratio at the end of the financial year was 41.5% (44.4). Interest-bearing net liabilities at the end of December amounted to EUR 38.9 (27.8) million and net gearing was 68.1% (50.7).

Personnel

The continued services of Enfo employed an average of 876 employees (780) during the year and a total of 978 employees (842) at the end of the year. Management staff amounted to approximately 5% of the whole Enfo personnel. On average, 374 (319) member of the personnel were in Finland, and 502 (461) in Sweden.

The Group's personnel expenses of the continued operations in 2016 were a total of EUR 70.7 (61.6) million. Personnel expenses made up 45% of all expenses (52%) in the income statement. During the financial year, Enfo paid its continued operations' personnel a total of EUR 58.4 (51.2) million in wages and fees.

In 2016, the continued operations of the Enfo Group recruited 144 permanent employees (115). 124 (87) permanent employment relationships were terminated. At the end of 2016, the average duration of a permanent employment relationship at the Group was 7.1 (7.6) years. Out of the Group's personnel, the proportion of employees serving for more than 20 years was 4% (6%), 04 years 46% (43%) and 5-10 years 29% (32%). A clear majority of 73% (74%) of the Group's personnel are men. The average age of the personnel was 42 years (42).

Apart from top management and the Enfo Rongo Oy employees, the Enfo Group personnel in Finland are members of the personnel fund, which was founded in 2006. The incentive payments for the whole personnel are based on the profit and performance bonuses paid to the personnel fund. The Board of Directors of Enfo Oyj shall decide on an annual basis the grounds on which profit and performance bonuses are set in connection with budget approval. The personnel fund aims to invest 50-75% of the profit bonuses paid to it in Enfo Oyj shares. The personnel fund is the third largest shareholder of Enfo Oyj.

In Sweden, there is a foundation ("vinstandelstiftelse") similar to the Finnish personnel fund, which was founded in 2014. Its key rules and profit bonus basis are the same as in Finland.

The bonus system of the Enfo Group is being remodelled. The STI Bridge system will be deployed in the first half of 2017 and the final remodelled STI and LTI systems in H2/2017.

In addition to the annual bonus system, the Group has a long-term incentive system in place for the management and key employees. The share-based incentive system had three one-year earning periods, which were the calendar years 2014, 2015 and 2016. In 2016, the target group of the system had 39 key employees.

Research and development

There were no R&D projects of note during the financial year.

Environmental matters

During 2016, Enfo took important strides to make its operations more environmentally friendly and continued the sound practices of previous years with regard to green data centers and offices.

In 2016, Enfo implemented a new environmental policy and built an environmental system based on ISO 14001:2015 that covers the company's operations in their entirety. Thanks to the new environmental system, Enfo has identified the environmental impact of its operations and services, and committed to the prevention of environmental damage and the continuous improvement of its level of environmental protection. Enfo has set environmental goals for its operations, including ecological purchases, CO2-free energy use, green offices, reducing paper use, effective waste recycling and reducing travel emissions.

Enfo takes environmental matters into account on a broad scale in its business operations, which reflects its revised responsible operations. Key stakeholders, such as customers, the personnel, partners, owners and the management expect Enfo to act responsibly, protect the environment in its operations and choose environmentally friendly options whenever possible. In order to ensure its profitable and sustainable growth, Enfo partners with its customers in an environmentally responsible way. Most of Enfo's custo-

mers take the environment into consideration in various ways. By acting as their environmentally responsible partner, Enfo supports them in reaching their environmental goals.

In 2016, Enfo increased the number of green, i.e., CO2-free, energy agreements for its premises. Early in the summer of 2016, Enfo began using green electricity in all of its data centers. The energy-efficiency of Enfo data centers also reached a new high as Enfo was granted a PUE (Power usage effectiveness) rating of 1.18 in 2016 (the PUE ratings for all data centres in 2016 were between 1.18 and 1.35).

Approximately half of Enfo personnel work in offices that have been granted a LEED (Leadership in Energy and Environmental Design) and BREEAM (Building Research Establishment Environmental Assessment Method) environmental certificate. Enfo offices have favoured green options in, for instance, energy agreements and furniture and office equipment purchases. Enfo has the best virtual conference and remote working tools at its disposal, which reduces the need for travel and thereby helps to save the environment.

Enfo has educated its personnel in environmental matters through related information and events. During 2016, the Enfo staff have had the opportunity to try an electric car, take part in a cycling competition and enjoy organic breakfast. Enfo is engaged in WWF (World Wildlife Fund) Finland's Green Office system, which enables the company to keep its personnel up to date about ways in which Enfo and its employees can have a direct impact on nature, protect its diversity and reduce the company's environmental footprint.

Enfo has also highlighted the benefits of green transport during 2016. New company cars have an integrated CO2 emission limit. Employees are also encouraged to get to work using public transport, cycling or walking. Enfo has looked into its employees' ways of moving and emissions, which resulted in Enfo receiving HRT's (Helsinki Regional Transport) "Employer that makes you move" certificate in the summer of 2016.

Board of Directors, management and auditor

Enfo Oyj's Chairman of the Board of Directors is Tapio Hakakari, Managing Director of Webstor Oy. The other members of the Board of Directors are Lauri Kerman, Managing Director of Osuuskunta KPY, Timo Kärkkäinen, Seni-

or Portfolio Manager of Ilmarinen Mutual Pension Insurance Company, Anssi Lehikoinen, Chairman of the Board of Directors of Rocsole Oy, Soili Mäkinen, CIO of Cargotec Oyj and Kaisa Olkkonen, Managing Director of SSH Communications Security.

The Group management team comprises: Arto Herranen (CEO), Lars Aabol (EVP, Strategic Accounts and Country Manager of Sweden), Mats Eliasson (EVP, Business Solutions), Christian Homén (CFO), Tero Kosunen (EVP, Financial Process Services), Tero Saksman (EVP, IT Transformation), Samuli Savo (EVP, Emerging Businesses and Transformation Office) and Malin Ung (deputised by Henrik Norell) (SVP, HR).

In addition to the above, the extended management team includes John Torgersson (Business Solutions), Sami Kähkönen (Business Solutions), Eric Brügge (IT Transformation) and Adam Ritzén (Marketing).

During the financial year, the auditor of the company were the Authorized Public Accountants Pricewaterhousecoopers Oy, with CA Pekka Loikkanen, Authorized Public Accountant, as the chief auditor.

Shares, owners and share capital changes

On December 31, 2016, Enfo Oyj had a total of 660,761 shares. At the end of the financial year, Enfo had 118 shareholders in total. The company has one series of shares. At the end of December 2016, Enfo owned 1,670 treasury shares.

At the end of 2016, the company's ten largest shareholders were: Osuus-kunta KPY, Ilmarinen Mutual Pension Insurance Company, Enfo Oyj's Personnel Fund HR, Rongo Cap Oy, Keskisuomalainen Oyj, Einari Vidgrén Oy, Pohjois-Savon Osuuspankki, Hannu Isotalo Oy, Kallax Oy and Arto Herranen. Osuuskunta KPY holds 85.79% of Enfo's shares.

Based on the authorization granted to the Board of Directors by the General Meeting, a subscription right issue was implemented in November, offering a maximum of 59,928 new shares. A total of 57,501 new shares were subscribed in the primary subscription. A total of 2,427 shares that were not subscribed in the primary subscription were subscribed by Osuuskunta KPY on November 22, 2016, based on the secondary subscription right. On November 22, 2016, the Board of Directors approved the subscriptions made in both the primary and the secondary subscription.

Decisions of the annual general meeting

The annual general meeting held on March 30, 2016 decided that, in accordance with the Board of Directors' proposal, a dividend of EUR 5.90 per each share issued be paid on the basis of the confirmed balance sheet for the financial year ending on December 31, 2015, for a total of EUR 3,538,949.80. The dividend payment date was May 27, 2016.

In accordance with the proposal of the Nomination Committee, Tapio Hakakari, Lauri Kerman, Timo Kärkkäinen and Soili Mäkinen were re-elected as full members of the Board of Directors. In accordance with a further proposal by the Nomination Committee, Anssi Lehikoinen and Kaisa Olkkonen were elected as new members of the Board of Directors. At the organization meeting held after the annual general meeting, the Board of Directors elected Tapio Hakakari as the Chairman.

The annual general meeting also decided on authorisations with the following primary terms and conditions:

- The issue of a maximum of 175,000 new shares through a rights issue as one or several items. The authorisation is valid until the next annual general meeting.
- The issue or sale of a maximum of 10,000 new or company-owned own shares through a directed rights issue. The authorisation is valid until the next annual general meeting.
- The purchase of a maximum of 10,000 own shares using the company's shareholders' surplus. The authorisation is valid until the next annual general meeting.

Events following the financial year

In February 2017, Enfo sold the entire share capital of its subsidiary, Enfo Zender, an information logistics services provider, to Ropo Capital, a company specializing in invoicing and payment control services, based in Kuopio, Finland. In accordance with its strategy, Enfo Oyj will focus even more than before on IT and Financial Process Services that support digitalization. As a result of the change, Financial Process Services will focus on financial administration outsourcing services.

Forecast for likely future development

The turnover of the continuing operations of the Group is estimated to grow in 2017. The operating margin of the continuing operations of the Group excluding non-recurring items is also estimated to grow in 2017.

Risks and uncertainties

Short-term risks and uncertainties are associated with maintaining competitive prices in all of the Group's business areas. Furthermore, the turnover and profitability of new business operations may show weaker development than planned. Recruitment problems, particularly in the Stockholm area, may weaken the otherwise good growth prospects of the Business Solutions business area.

The largest long-term uncertainties are associated with a decrease in demand for traditional IT services and the schedule for implementing changes as part of Enfo's revised strategy. Non-recurring expenses pertaining to the strategy change will impair short-term profitability.

The proposal of the Board of Directors to the Annual General Meeting to return equity from the reserve for invested non-restricted equity

The Board of Directors proposes to the Annual General Meeting that the company shall return equity to the shareholders EUR 7.8 million (11.91 per share) from the reserve for invested non-restricted equity.

The proposal of the Board of Directors on the distribution of profit

The parent company's distributable earnings on 31 December, 2016 were a total of EUR 37,673,838.72. The company's Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0,7 million (0,99 per share) will be distributed to the shareholders after the Annual General Meeting. The Board of Directors also proposes that the Annual General Meeting authorize the Board to decide on the payment of a maximum of EUR 3 million (4.55 per share) in additional dividends no later than in December 2017. The dividends will be paid to shareholders who have been registered in the company's shareholder register, maintained by Euroclear Finland Ltd, by the dividend payment date.

KEY FIGURES

IFRS

Key figures in income statement	2016	2015	2014
Turnover (EUR million)	127.6	110.8	145.3
Change in turnover, %	15.1	-3.2	-3.7
Operating profit (EUR million)	0.1	4.8	9.7
% of turnover	0.1	4.4	6.7
Profit before taxes (EUR million)	-0.8	6.8	8.1
% of turnover	-0.6	4.8	5.5
Profit for the financial year (EUR million)	-0.7	5.4	6.4
% of turnover	-0.5	3.8	4.4
Financing expenses, net (EUR million)	-0.9	0.8	1.6
% of turnover	-0.7	0.5	1.1
Return on investment %	0.6	8.8	11.3
Return on equity (ROE) %	-2.9	10.1	12.4
Key figures in Balance sheet			
Equity ratio %	41.5	44.4	42.9
Net leveraging %	68.1	50.7	55.1
Interest-bearing net debt (EUR million)	38.9	27.8	28.7
Balance sheet total (EUR million)	133.6	124.1	121.9

Share-specific key figures	2016	2015	2014
Diluted and undiluted earnings per share of continuing operations for company			
shareholders EUR	-4.64	3.72	8.5
Diluted and undiluted earnings per share			
for company shareholders EUR	-1.60	7.39	8.5
Equity per share	87.6	89.0	85.8
Dividend per share *	5.54	5.9	5.9
Dividend payout ratio %	n/a	79.9	69.8
Number of shares Dec 31	660,761	600,833	590,833
- without own shares	659,091	599,822	589,822
Average diluted number of shares	605,423	592,096	589,839
Other key figures			
Investments (net) (EUR million)	10.4	14.6	8.9
% of turnover	8.2	10.4	6.1
Average personnel, continued operations	876	842	775
Average personnel, discontinued operations	39	37	

^{*} Calculated in accordance with the Board of Directors' dividend distribution proposal, including the proposed additional dividend.

Key figures for 2014 as reported earlier, key figures for in income statement for 2015 are adjusted to cover only continued operations.

CALCULATION OF THE KEYFIGURES

The key figures have been calculated using the following formulas:

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

CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

CONSOLIDATED INCOME STATEMENT

	Note	Jan 1-Dec 31, 2016	Jan 1-Dec 31, 2015
Turnover	4	127,556	110,790
Other operating income	5	115	709
Materials and services	6	-33,333	-25,996
Salaries and other employment benefits	7	-70,730	-61,611
Depreciation, amortisation and impairment	8	-5,705	-4,695
Other operating expenses	9	-17,798	-14,352
Operating profit		105	4,845
Financial income	10	146	511
Financial expenses	10	-1,080	-1,268
Financial expenses (net)	10	-934	-757
Profit before taxes		-829	4,088
Income tax	11	162	-864
income tax	- 11	102	-004
Net profit from continuing operations		-667	3,223
Discontinued operations			
Net profit from discontinued operations	·	1,841	2,170

		Jan 1-Dec 31,	Jan 1-Dec 31,
	Note	2016	2015
Profit for the financial year		1,174	5,393
Attributable to			
- equity-holders of the parent company		-967	4,375
- non-controlling interests		2,141	1,018
Undiluted and diluted earnings per share calculated on the basis of the profit			
attributable to the equity-holders of the parent company:			
The operating profit of continuing operations attributable to the company's			
shareholders (EUR)		-4.64	3.72
Profit for discontinued operations (EUR)		3.04	3.66
Total earnings per share attributable to the			
company's shareholders (EUR)	13	-1.60	7.39

CONSOLIDATED COMPREHENSIVE PROFIT & LOSS STATEMENT

	Jan 1-Dec 31, 2016	Jan 1-Dec 31, 2015
Profit for the financial year	1,174	5,393
·	·	•
Items that may be transferred to be recognized through profit or loss in the future		
Change in the fair value of sellable financial assets	-11	5
Exchange rate differences caused by net investments in foreign subsidiaries	-677	387
Net investment hedging	-79	115
Other currency translation differences	-413	213
Cash flow hedging	116	127
Taxes on other comprehensive income items	-21	-26
Other comprehensive income items for the financial year after taxes	-1,085	821
Total comprehensive income for the financial year	89	6,214
Attributable to		
- equity-holders of the parent company	-2,002	5,170
- non-controlling interests	2,091	1,043

CONSOLIDATED BALANCE SHEET

	Note	Dec 31, 2016	Dec 31, 2015
ASSETS			
Non-current assets			
Property, plant and equipment	14	4,369	4,360
Goodwill	15	77,803	71,499
Other intangible assets	15	6,331	9,203
Sellable investments	16	130	142
Receivables	17	338	92
Deferred tax assets	18	1,474	1,361
Non-current assets, total		90,446	86,656
			_
Current assets			
Inventories	19	95	177
Sales receivables	20	26,461	26,365
Other receivables	20	3,262	3,242
Tax assets based on the financial year's			_
taxable income	20	2,942	1,971
Sellable investments	16	2	2
Cash and cash equivalents	21	5,018	5,662
Total current assets		37,780	37,419
Accept of discountinged amounting		E 401	
Assets of discontinued operations		5,421	
Total assets		133,646	124,075

	Note	Dec 31, 2016	Dec 31, 2015
EQUITY AND LIABILITIES			
Equity			
Parent company shareholders' equity			
Share capital	22	265	265
Share premium account	22	13,316	13,316
Own shares	22	-149	-87
Currency translation differences	22	671	2,052
Fair value reserve and other reserves	22	7,980	2,875
Retained earnings		30,941	35,064
Equity attributable to equity-holders of			
the parent company, total		53,025	53,486
Non-controlling interests		1,853	1,370
Total equity		54,877	54,856
Non-current liabilities			
Deferred tax liabilities	18	799	1,094
Financial liabilities	24	21,463	23,232
Other liabilities	25	1,079	5,005
Non-current liabilities, total		23,342	29,331
Current liabilities			
Trade payables	25	7,076	9,691
Other liabilities	25	22,247	19,297
Tax liabilities based on the financial year's			
taxable income	25	797	676
Financial liabilities	24	22,418	10,224
Current liabilities, total		52,539	39,888
Total liabilities		75,880	69,219
Liabilities of discontinued operations		2,889	
Total equity and liabilities		133,646	124,075

CONSOLIDATED CASH FLOW STATEMENT

	Jan 1 - Dec	Jan 1 - Dec
	31, 2016	31, 2015
Cash flow from operations (including discontinued operations)		
Profit for the financial year	1,174	5,393
Adjustments:		
Depreciation and amortization	5,978	5,020
Financial items	931	761
Sales profit/loss of fixed assets	44	-37
Taxes	304	1,384
Non-cash items	359	-567
Change in working capital:		
Change in sales receivables and other receivables	-542	2,798
Change in current assets	79	80
Change in accounts payable and other payables	166	-367
Interest paid	-827	-1,101
Interest and dividends received	74	26
Taxes paid	-2,290	-1,317
Net cash flow from operations	5,450	12,072
Cash flow from investments (including discontinued operations)		
Acquisition of subsidiaries less financial assets on the acquisition date	-11,827	-3,751
Acquisitions of tangible current assets	-47	-51
Acquisitions of intangible current assets	-437	-1,515
Sales of tangible current assets	47	80
Capital gains from business transactions	0	797
Net cash flow from investing activities	-12,264	-4,440

	Jan 1 - Dec 31, 2016	Jan 1 - Dec 31, 2015			
Cash flow from financing activities (including discontinued operations)					
Rights issue	5,000	0			
Dividends paid	-4,584	-4,857			
Transactions pertaining to own shares	-82	-1			
Current loans taken	14,870	11,501			
Repayment of current loans	-4,411	-18,531			
Repayment of financial leasing liabilities	-3,269	-3,330			
Net cash flow from financing activities	7,524	-15,217			
Change in cash and cash equivalents	710	-7,585			
Effect of exchange rate changes on cash and cash equivalents	138	-95			
Cash and cash equivalents at beginning of the financial year	5,662	13,343			
Cash and cash equivalents from discontinued operations	-1,492	0			
Cash and cash equivalents at end of the financial year	5,018	5,662			

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

						Fair value				
				_	Transla-	reserve and			Non-con-	
	Note	Share capital	Share premi- um account	Own shares	tion dif- ferences	other re-	Retained earnings	Total	trolling interest	Total equity
Faulturan Ian 1 2015	Note	265	13,316	-82	1,192	serves 1,787		50,630		Total equity 52,005
Equity on Jan 1, 2015		205	13,316	-82	1,192	1,787	34,152		1,375	
Profit/loss for the financial year							4,375	4,375	1,018	5,393
Comprehensive income										
Other comprehensive income items										
Sellable investments						5		5		5
Exchange rate differences caused by net investments in foreign subsidiaries					387			387		387
Net investment hedging					115			115		115
Other currency translation differences					357		-170	187	26	213
Cash flow hedging						127		127		127
Taxes on other comprehensive income items						-26		-26		-26
Other comprehensive income items for the financial year after taxes					860	106	-170	796	26	821
Comprehensive income for the financial year					860	106	4,205	5,170	1,044	6,214
									·	·
Transactions with owners	21									
Distributed dividends							-3,478	-3,478	-1,379	-4,857
Share issue						978		978		978
Purchase of own shares				-71				-71		-71
Sale of own shares				66		3		69		69
Non-controlling interest on the acquisition of a subsidiary								0	331	331
Management incentive system							167	167	551	167
Redemption obligation							19	19		19
Transactions with owners total				-5		982			-1,048	
ITALISACTIONS WITH OWNERS TOTAL				-5		962	-3,292	-2,315	-1,048	-3,363
Shareholders' equity Dec 31, 2015		265	13,316	-86	2,052	2,874	35,065	53,486	1,371	54,856

					Transla-	Fair value reserve and			Non-con-	
		Share	Share premi-	Own	tion dif-	other re-	Retained		trolling	
	Note	capital	um account	shares	ferences	serves	earnings	Total	interest	Total equity
Equity on Jan 1, 2016		265	13,316	-86	2,052	2,874	35,065	53,486	1,371	54,856
Profit/loss for the financial year							-967	-967	2,141	1,174
Comprehensive income										
Other comprehensive income items										
Sellable investments						-11		-11		-11
Exchange rate differences caused by net investments in foreign subsidiaries					-677			-677		-677
Net investment hedging					-79			-79		-79
Other currency translation differences					-625		262	-362	-50	-413
Cash flow hedging						116		116		116
Taxes on other comprehensive income items						-21		-21		-21
Other comprehensive income items for the financial year after taxes					-1,381	84	262	-1,035	-50	-1,085
Comprehensive income for the financial year					-1,381	84	-705	-2,002	2,091	89
					,			,	,	
Transactions with owners										
Distributed dividends							-3,539	-3,539	-1,046	-4,585
Share issue						5,000		5,000		5,000
Purchase of own shares				-82				-82		-82
Sale of own shares								0		0
Non-controlling interest on the acquisition of a subsidiary							232	232	-563	-331
Management incentive system				20		22	-20	22		22
Redemption obligation							-93	-93		-93
Transactions with owners total				-62		5,022	-3,419	1,541	-1,609	-68
Shareholders' equity Dec 31, 2016		265	13,316	-148	671	7,980	30,941	53,025	1,853	54,877

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1. General

Enfo is a Nordic IT company that provides innovative digital solutions for the development, innovation and improvement of business operations.

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

The Board of Directors of Enfo Oyj approved these financial statements for publication at its meeting that took place on March 1, 2017. According to the Finnish Limited Liability Companies Act, shareholders have the opportunity to approve or reject the financial statements at the General Meeting following their issuance. The General Meeting may also decide on amendments to the financial statements.

2. Accounting principles for the consolidated financial statements

BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards, IFRS. The IAS and IFRS Standards and SIC and IFRIC Interpretations in effect on December 31, 2016, have been applied.

The consolidated financial statements have been prepared on the basis of the original acquisition costs (assumed acquisition cost), excluding the items valued at fair value pursuant to the standards, such as sellable financial assets.

Preparation of the financial statements in accordance with the IFRS standards requires that the management of the Group use estimated calculations and assumptions that have an effect on the quantity of assets and liabilities at the time the financial statements are prepared; on the reporting of conditional assets and liabilities; and on the amount of returns and expenses during the reporting period. The basis of preparation requiring management

consideration and the uncertainties connected to estimates are discussed in a separate chapter.

The financial statements are presented in EUR thousands. For the presentation, individual figures and total sums have been rounded to full thousands, which results in rounding differences in additions.

Enfo Oyj has applied the changes to standards and interpretations affecting Enfo Oyj that came into effect during the financial year. The changes had no significant impact on the Group's result for the financial year, its financial status or the way the financial statements are presented.

In previous years, the company has voluntarily presented the segment data in accordance with IFRS8 in its financial statements. Due to the discontinued operations, the company no longer monitors its operations according to the previous segment reporting. The segment data are therefore no longer presented in the financial statements.

Changes coming into effect next year

The IFRS standards coming into effect in 2017 are not expected to have a significant impact on the Group's result for the financial year, its financial status or the way the financial statements are presented.

Changes coming into effect later

The Group shall implement the standards and standard changes published by IASB during a financial year starting later than January 1, 2017, assuming that they are approved by the EU.

IFRS 15 Revenue from Contracts with Customers (estimated entry into force on January 1, 2018). This standard contains a 5-step template for entering revenue from contracts with customers. The fundamental principle of the new standard is that revenue should be entered once the control over goods or services has been transferred to the customer – ergo, control is under review instead of the previously used risks and benefits. IFRS 15 also includes comprehensive requirements regarding notes.

A new 5-step process must be applied to the entry of revenue:

- identify customer contracts
- identify separate performance obligations
- specify the transaction price in accordance with the contract
- register the transaction price for separate performance obligations and
- enter the revenue once each performance obligation has been fulfilled.

The Group will analyze the effects of the new standard on the Group's financial statements using the 5-step process above during the financial year 2017.

Based on the current preliminary analysis, the standard will have an effect on at least the way financial statements are presented through the effects on notes brought about by the standard. The standard will be non-retroactively adopted by the Group by providing additional information.

IFRS 9 Financial Instruments (estimated entry into force on January 1, 2018) will replace the IAS 39 standard and result in changes to the grading and valuation of financial assets, the specification of their impairment as well as the principles of hedge accounting.

The promissory note investments used as financial assets will be valued at amortized cost but only when the objective of the business model is to keep these investments and collect all cash flows based on the contract, and when the cash flows based on the instrument contract comprise the payment of the capital and interest exclusively.

All other promissory note investments and equity investments used as financial assets as well as structured investment products will be entered in the fair value. All changes in the fair value of financial assets are entered in the financial statements. An exception to this are fair value changes of equity investments, which are not kept for business purposes: they can be entered either in the profit and loss account or in shareholders' equity reserves (so that they are not recognized through profit or loss afterwards). Depending on the company's business model, some promissory note investments included in financial assets may also be valued at fair value through other comprehensive income items.

The Group is currently assessing the effects of adopting the standard. Based on a preliminary estimate, the adoption of the standard is not expected to have a significant impact on the result or balance sheet of the Group.

IFRS 16 (estimated entry into force on January 1, 2019) will primarily affect the accounts of lessees. As a result of this, all other lease agreements, except low-value or short-term agreements, are entered in the balance sheet. From lessees' point of view, the current division into operative lease agreements and financing lease agreements has been abandoned in the standard. Accordingly, on practical terms, the asset (the right to use the leased asset) and financial liability pertaining to the lease obligation are entered for all lease agreements.

The standard does impact the profit and loss account because the total expenses are typically greater early on during the validity of the lease agreement and less toward the end thereof. Furthermore, the lease expenses currently included in business expenditure will be replaced by interest and depreciation, which will affect key statistics, such as EBITDA.

At the moment, the balance sheet of the Group already includes a significant amount of lease agreements processed as financial leases. The amend-

ment will primarily affect the Group's income statement and balance sheet through business premise lease agreements and other minor entities, such as equipment rental. The Group is currently evaluating the impact in euros in more detail.

CONSOLIDATION PRINCIPLES

Subsidiaries

The consolidated financial statements include Enfo Oyj and its subsidiaries. Subsidiaries are companies controlled by the Group. The Group has the control when it holds more than 50% of the voting rights or it otherwise has the power to govern the financial and operating policies of company. The existence of potential voting rights is considered when assessing the conditions under which control arises if the instruments conferring potential voting rights are exercisable at the time of review.

Mutual shareholding has been eliminated using the acquisition cost method. Any conditional additional purchase price 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. All intra-group transactions, receivables, liabilities, unrealized profits and internal distribution of profit are eliminated in the consolidated financial statements. Unrealized losses are not eliminated if the loss is a result of impairment.

The distribution of profit or loss between owners of the parent company and non-controlling interests is presented in a separate income statement. The distribution of comprehensive profit between owners of the parent company and non-controlling interests is presented in the statement of comprehensive income.

Subsidiaries have the same financial period as the parent company and comply with the consolidated accounting principles described here.

FOREIGN CURRENCY ITEMS

Figures related to the result and financial position of Group units are measured in the currency of the primary operational environment in which the unit operates (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 recognized in euros and at the rate valid on the transaction date. 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.

Income statements for foreign Group companies have been translated into the parent company's currency at the average exchange rate for the period and balance sheets at the period-end exchange rates. Any exchange rate differences arising from the translation, as well as those arising from the translation of equities 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. Translation differences arising from a monetary item that forms part of the entity's net investment in a foreign unit are recognized in the consolidated financial statements in equity and will be recognized in profit or loss on disposal of the investment.

PROPERTY, PLANT AND EQUIPMENT

Property, plant, and equipment are recognized at the 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

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.

INTANGIBLE ASSETS

Goodwill

The goodwill generated from combined business operations is recognized at the amount at which the consideration transferred, the amount of non-cont-

rolling interests in the acquiree, and the previously acquired share in total exceed the fair value of the acquired net assets.

Goodwill is not amortized but tested annually or, if necessary, more frequently for any impairment. For this purpose, goodwill has been allocated to cash-generating units that correspond to the management's method of monitoring the business and the related goodwill. Goodwill is measured at the original acquisition cost less impairment.

Intangible assets arising from combined business operations

The identifiable intangible assets acquired through combining business operations are recognized separate 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. Fair value has been defined on the basis of assessed discounted cash flows.

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 periods.

Amortization is recognized for a good from the moment it is ready for use. A good not yet ready for use is annually tested for impairment. After initial recognition, capitalized development costs are recognized at acquisition cost less accrued depreciation and impairment. The useful life of capitalized development costs is 3–5 years, during which period the capitalized costs are recognized as expenses through straight-line depreciation.

Other intangible assets

Purchased patents, trademarks, licences and other intangible assets with a limited useful life are recognized on the balance sheet and expensed in the income statement on a straight-line basis over their useful lives. The Group estimates that the useful life for software and other intangible assets is 3–5 years. Intangible assets with an unlimited useful life are not amortized but tested annually and, if required, more frequently for any impairment. Currently, the Group does not have any intangible assets with an unlimited useful life.

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.

LEASES

The Group as lessee

Leases for tangible goods in which the Group carries a significant portion of the risks and rewards of ownership are classified as finance lease agreements. They are recognized on the balance sheet at the lower of the fair value of the leased asset at the start of the lease period or the current value of minimum rents. Assets acquired through finance leases are depreciated over the useful life of the asset or over the lease period, if shorter. Lease liabilities are included in financial liabilities. Each lease payment is allocated between liability and finance costs over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Lease agreements where the lessor retains the risks and rewards of ownership are classified as operating lease agreements. Rents paid under operating lease agreements are expensed in the income statement on a straight-line basis over the lease period. Any incentives received are deducted from the paid rents based on the distribution of benefits over the lease period.

The Group as lessor

Assets leased out by the Group, where a significant part of the risks and rewards of ownership are transferred to the lessee, are classified as finance lease agreements and recognized on the balance sheet as receivables at the current value. Financial income from finance lease agreements is recognized over the lease period so as to produce a constant rate of return over the lease period on the remaining net investment for each period. Currently, the Group does not have any significant finance lease agreements as a lessor.

Assets leased out under agreements other than finance lease agreements are included in property, plant and equipment on the balance sheet and are depreciated over their useful lives. Rental income is recognized in the income statement on a straight-line basis over the lease period.

Arrangements that include a lease agreement

The Group analyzes agreements signed with customers and suppliers according to the IFRIC 4 interpretation on the basis of the factual content of

the arrangement. If an arrangement includes a lease agreement, the requirements of the IAS 17 Leases standard are applied to the lease agreement component. The relevant IFRS standards are applied to other arrangements or arrangement components.

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.

Goodwill, intangible assets with an unlimited useful life and incomplete intangible assets are assessed for impairment annually, regardless of whether there is any indication of impairment. Impairment of goodwill is reviewed at the level of cash-generating units.

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 recorded. However, the impairment loss is not reversed by more than what the carrying amount of the asset would be without the recognition of the impairment loss. An impairment loss recognized in goodwill will never be reversed.

BORROWING COSTS

Other borrowing costs are recognized as expenses in the period in which they were incurred. Borrowing costs arising from the acquisition or manufacturing of a qualifying asset are capitalized as part of the acquisition cost of the asset.

GOVERNMENT GRANTS

Government grants for covering the acquisition of property, plant and equipment items are deducted from the carrying amounts of these assets when there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. The grants are recognized as income through smaller depreciation items over the asset's operating life. Other government grants are recognized as other operating income.

INVENTORIES

Inventories are recognized at the lower of acquisition cost or net realizable value. The acquisition cost is determined using the weighted average price

method. The net realizable value is the estimated selling price in the normal course of business less the estimated costs to complete the product and selling costs.

EMPLOYEE BENEFITS

Pension liabilities

Pension arrangements are classified as defined-benefit plans or defined contribution plans. In defined-contribution plans, the Group pays fixed contributions into a separate entity. In this case, the Group has no legal or factual obligation to pay further contributions if the entity does not hold sufficient assets to pay the pension benefits. Other arrangements that do not meet the above conditions are defined-benefit plans.

The Group's pensions are handled by external pension insurance companies. The pension liabilities are classified as defined-contribution plans, which means that the payments made into pension plans are recognized in the income statement in the period in question.

Share-based payments

Currently, the Group has an incentive scheme following the IFRS 2 Share-based Payments standard, providing key persons with the opportunity to receive the company's shares as result-based bonuses based on the achievement of objectives. The conditions and fulfilment of the incentive scheme are determined on the basis of the financial objectives set for the Group. Costs arising from the incentive scheme are determined through the maximum bonus and estimated realization of objectives, and they are presented as employee benefit expenses in the income statement. Bonuses are accrued over the earning period.

More information on the company's share-based schemes can be found in Note 23. Share-based incentives.

Provisions and contingencies

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 current value of the expenses required to settle the obligation.

A restructuring provision is recognized over the period in which the Group becomes legally or factually liable to pay. Compensation for the 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.

A contingent liability is a conditional obligation arising from past events whose existence is confirmed when the uncertain event that is beyond the Group's control is realized. In addition, an existing obligation which probably does not require the fulfilment of the payment obligation or whose amount cannot be reliably estimated is considered a contingent liability. Contingent liabilities are presented in the Notes.

A contingent asset arises when it is possible, but not completely certain, that the company will gain an economic benefit. Contingent assets are presented in the Notes.

TAXES BASED ON THE PERIOD'S TAXABLE INCOME AND DEFERRED TAXES

Tax expenses in the income statement comprises the 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 comprehensive income items. In this case, the tax is recognized in the item in question. The taxes based on the taxable income for the period are calculated according to the tax rates valid in each country.

Deferred taxes are calculated on all temporary differences between the carrying amount and tax value. Temporary differences arise from the fair value measurement of financial assets, differences between tax and accounting depreciation on fixed assets, the capitalization of research and development costs, finance lease recognitions, and the capitalization of intangible rights recognized in connection with business combinations, for example. 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 to the extent that it is likely that future taxable income will be generated against which the temporary difference can be utilized. The amount of deferred tax assets and the probability of utilization are assessed 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.

Value Added Tax and similar indirect taxes are deducted from sales revenue. Any other taxes are included in other operating expenses. The Value Added Tax and corresponding indirect taxes paid to the tax authorities are presented as current liabilities under the balance sheet item *Other liabilities*, and the amount received from the tax authorities is presented as current receivables under the balance sheet item *Other receivables*.

RECOGNITION PRINCIPLES

Services produced and goods sold

Revenue from services is recognized as income in the financial period over which the service is performed. Revenue from services is recognized according to the degree of completion when the business outcome can be assessed reliably. The degree of completion is determined by calculating the proportion of the costs for each task completed by the review date in respect of the estimated total costs of the project. For short-term services, revenue is recognized when the service has been performed and it is likely that financial benefit can be gained from the service. When services are performed over a specific period of time, revenue is recognized for the period using the straight-line method, unless some other method is a better indicator of the degree of completion.

Revenue from the sale of goods is recognized when the material risks, rewards, and ownership of the goods have been transferred to the buyer, the revenue and costs associated with the transaction can be reliably determined, and it is likely that the financial benefit associated with the transaction will accrue to the company.

Revenue is measured on the basis of the fair value of the consideration received or receivable. The amount of revenue to be recognized does not include any amounts collected on behalf of external parties, such as Value Added Tax.

Interest, royalties, and dividends

Interest, royalty and dividend income is recognized when it is likely that the financial benefit associated with the business activity will accrue to the entity and the income can be reliably determined. Interest income is recognized using the effective interest method. Royalty income is recognized on an ac-

crual basis in accordance with the substance of the relevant agreement, and dividends are recognized when the shareholders' rights to receive payment have been established.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets, or a disposal group, and assets related to discontinued operations are classified as held for sale if their carrying amount will be recovered principally through the sale of the asset. In such a case, the asset is available for immediate sale in its present condition according to customary terms, management is committed to a plan to sell, active sales efforts have been started and completion of the sales transaction is expected within one year.

Assets held for sale and assets associated with a discontinued operations that have been classified as held for sale are recognized at the lower of their carrying amounts or their fair value less the costs of selling. Depreciation on these assets is ceased on the classification date.

Assets held for sale, disposal groups, assets associated with held-for-sale assets and recognized directly in equity, and liabilities included in the disposal groups are presented separately from other asset items on the balance sheet.

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale and which represents a major business segment or geographical operating area, is part of a single coordinated plan to dispose of a significant segment or geographical operating area, or is a subsidiary acquired exclusively with a view to resale. The result of the discontinued operations after taxes is presented as a separate item in the consolidated statement of comprehensive income.

FINANCIAL ASSETS AND LIABILITIES

The Group's financial assets are categorized under loans and other receivables, financial assets measured at fair value through profit or loss, held-to-maturity investments, and available-for-sale financial assets. Financial assets are classified according to their purpose when acquired and at the time of acquisition. The Group's current financial assets are classified as loans and other receivables, or available-for-sale financial assets.

Purchases and sales of financial assets are recognized on the trade 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.

Loans and other receivables

Loans and other receivables include the Group's sales and other receivables,

and they are measured at amortized acquisition costs using the effective interest method. Current sales receivables are recognized at the original invoiced amount less uncertain receivables. Non-current receivables are recognized by discounting estimated future payments to the present. 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.

Available-for-sale financial assets

The Group's other financial assets are classified as available-for-sale financial assets. They consist of shares and interest-bearing investments and are recognized at fair value. Changes in the fair value of available-for-sale financial assets 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.

Available-for-sale financial assets 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.

Establishment of fair value

The fair value of financial assets is primarily established by using market values. If they are not available, fair value is established using the market values for corresponding instruments, or by discounting cash flows.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank deposits withdrawable on demand, and other highly liquid short-term investments. Items classified as cash and cash equivalents have maturities of three months or less from acquisition. Any credit limits used are included in current interest-bearing liabilities.

A financial asset is only removed from the balance sheet when the contractual right to the cash flow from an item included in financial assets expires, or the Group transfers an item included in financial assets to another party so that the risks and rewards of ownership or control are transferred to the other party.

Impairment

On each closing date, the Group assesses whether there is any objective indication of impairment in a financial asset item. If such indication exists, the

amount of loss is determined according to the difference between the asset item's carrying amount and its fair value or the current value of expected future cash flows discounted using the original effective interest rate. The impairment is recognized in financial items through profit or loss.

The Group recognizes an impairment loss on sales receivables when there is objective evidence (such as unsuccessful debt collection measures) that the receivable cannot be recovered in full.

The amount of impairment loss recognized in the income statement is determined as the difference between the receivable's carrying amount and the current value of the estimated future cash flows discounted with the effective interest rate. If the amount of the impairment loss decreases during a future financial period and the decrease can be objectively considered to relate to a transaction taking place after the impairment entry, the recognized loss will be reversed through profit or loss.

Financial liabilities

Financial liabilities are initially recognized at fair value on the basis of the consideration received. Transaction costs are included in the original carrying amount of financial liabilities.

After the original measurement, all financial liabilities, apart from derivative liabilities, are valued at amortized acquisition cost using the effective interest method. The difference between the acquisition cost and the balance sheet value produced by the effective interest method is recognized through profit or loss over the liability's maturity.

Financial liabilities are presented as non-current and current liabilities based on their realization period. Financial liabilities are removed from the balance sheet once the liability has ceased to exist.

Derivative instruments and hedging

Derivatives are initially recognized at fair value at the date of entering the derivative contract and they are subsequently measured at fair value. The method of recognizing the resulting gains or losses depends on the intended use of the derivatives. Changes in the fair value of derivative instruments are recognized in financial items in the income statement. The Group has interest-rate derivatives in force.

Net investment hedging

Gains or losses from hedges of net investments in a foreign operation is recognized in other comprehensive income. The gains or losses accumulated in equity are recognized in the income statement when the foreign operation is partially disposed of or sold.

SHARE CAPITAL AND TREASURY SHARES

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.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UN-CERTAINTY

The preparation of the financial statements requires the use of estimates and assumptions about the future. The actual results may differ from these estimates and assumptions. In addition, judgment needs to be exercised in the application of accounting principles.

Judgement related to the selection and application of accounting principles

Group management exercises judgement when making decisions on the selection and application of accounting principles. This applies particularly to cases where the valid IFRS standards include alternative recognition, measurement or presentation methods. Management has exercised judgement, for instance, in the classification of lease agreements and financial assets and in the presentation of the financial statements.

Uncertainty factors related to estimates

The estimates made when preparing the financial statements are based on management's best knowledge on the closing date. The estimates are based on previous experience and assumptions concerning the future deemed most likely on the closing date, related to factors such as the expected development in the Group's financial operating environment with regard to sales and cost levels. The Group regularly monitors the realization of the estimates and assumptions and changes in their background factors together with its business units, using a number of internal and external data sources. Any changes in the estimates and assumptions are entered in accounting in the period during which the estimates and assumptions are adjusted, as well as in all subsequent periods.

Accounting estimates and management judgement have been applied, for example, in determining the realizability of certain asset items, the useful life of tangible and intangible assets, deferred tax receivables (Note 18), the allocation of the acquisition cost related to business combinations and the price of share buyback obligations, and to the performance of impairment testing where the recoverable amounts of cash-generating units have been

determined using calculations based on the value in use (Note 15). The estimates are based on management's current best knowledge, but the actual results may differ from the estimates used in the financial statements.

3. FINANCIAL RISK MANAGEMENT

The Group is subject to financial risks in its normal business operations. The management of financing and financial risks within the Group is centralized in the parent company according to the financial policy approved by the Group's Board of Directors. Financial risk management aims to minimize the unfavorable impact of financial risks on the Group's result, equity, and liquidity. Derivative instruments are used to hedge against risks.

MARKET RISKS

Currency risk

The Group operates internationally and is consequently exposed to transaction risks resulting from different foreign exchange positions and risks that arise when investments in different currencies are translated into the parent company's operating currency.

The greatest currency risks for the Group are caused by fluctuations in the exchange rate of the Swedish krona. The currency risk is mainly caused by Enfo having a subsidiary in Sweden. The currency risk is alleviated by the fact that transactions in Sweden occur mainly in the national currency so that the translation changes in profit and costs are offset against each other. Because of the operating model, exchange rate differences with an impact on cash flow are only realized to a minor extent and the hedging decisions on these items are made case by case.

Changes in exchange rates cause some fluctuation in the Group's equity with respect to subsidiary investments and intra-group financing transactions. In addition, currency risk in equity arises through earnings and the period's result. At the end of 2016, the currency translation position in equity stood at approximately EUR 6.6 (9.0) million. The position includes a net investment in subsidiaries outside the euro area. The position is mainly the result of SEK-denominated investments. The position includes minor investments denominated in DKK or NOK. Furthermore, the Group has an internal loan of SEK 273 million (approx. EUR 29 million) as a net investment in foreign operations.

The translation position has been hedged through loans denominated in SEK.

The Group's foreign-currency assets and liabilities, translated into euros at the closing day rate, are as follows:

EUR 1,000	2016	2015
Non-current assets	60,367	53,189
Non-current liabilities	42,122	36,103
Current assets	31,466	27,494
Current liabilities	43,064	35,724

The Group has external loans denominated in both EUR and SEK, which are consequently partially exposed to changes in exchange rates.

In addition, the parent company has a small number of purchase agreements denominated in USD, GBP and SEK. Due to the nature of the business, the lead time is short and, as a result, the currency risk remains low.

The Group's realized exchange rate losses amounted to EUR -187,000 in 2016 (EUR -235,000 in 2015).

Sensitivity analysis for exchange rate changes

Change rate = average volatility over the previous 12 months

EUR 1,000	2016	2015
Change rate	5.53	6.93
Impact		
On profit after taxes	+29 / -69	+35 / -31
On equity	+509 / -242	+655/-600

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.

On December 31, 2016, the Group's interest-bearing liabilities stood at EUR 43,881,000 (EUR 33,456,000 in 2015). On the balance sheet date, the Group's interest-bearing net liabilities amounted to EUR 38,863,000 (EUR 27,794,000 on December 31, 2015.)

On 31 December 2016, the Group's loan portfolio consisted of loans of SEK 136.1 million (EUR 14.2 million) from financial institutions, a loan of EUR 15 million from a financial institution, and a bond loan of EUR 9.9 million. Of the agreed loans, EUR 20 million will fall due for payment in 2017. A total of EUR 9.2 million will fall due for payment in 2018–2021. The loans from financial institutions are variable-rate loans, while the bond loan has a fixed interest rate.

The Group's other interest-bearing liabilities of EUR 4,644,000 consist of the payment obligations of finance lease agreements. The finance lease agreements are mainly based on fixed instalments, and changes in interest rates do not have a direct impact on the amount of the finance lease payment.

For primary loan financing, the Group analyzes the impact of any interest changes on the result. The Group's total interest rate in 2016 was 1.7% (2.6% in 2015). A 10% increase in the interest rate would have reduced the Group's result and, hence, its equity by EUR 69,000.

Market risks associated with investments

According to the Group's investment policy, the Group only invests in low-risk market deposits, banks' certificates of deposit and money market funds, which maintains a low level of risks associated with investments. Due to its investment policy, the Group is not exposed to price risks caused by fluctuations in the market prices for quoted shares.

Liquidity

The Group strives to regularly monitor the amount of financing required for business operations in order to ensure that the Group has sufficient liquid assets to fund its operations and repaying maturing loans. 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.

According to the terms of its major loan agreements, the Group must meet the following financial covenants:

- Net gearing less than 100%
- Interest-bearing net liabilities/operating margin less than 3

The Group has exceeded the latter covenant during and at end of the financial year. However, this has been approved by the Group's financiers, and, therefore, this has not had an impact on the Group's financial position or the financing terms.

The Group invests money in low-risk and high-liquidity instruments. On December 31, 2016, the Group's cash and cash equivalents totalled EUR 5,018,000 (EUR 5,662,000 on December 31, 2015), and its liquid financial investments totalled EUR 2,000 (EUR 2,000 in 2015). The Group's liquidity is good on the balance sheet date.

Maturity information on financial liabilities is presented in Note 24.

The Group's trade payables of EUR 7,076,000 and other current non-interest-bearing liabilities of EUR 23,044,000 will fall due for payment during 2017.

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 standing. Customers' credit ratings are inspected regularly. The Group does not have any significant concentrations of credit risks from receivables, as the Group has a customer base distributed across various sectors. The amount of credit losses recognized during 2016 amounted to EUR 200 (EUR 1,000 in 2015). The Group's maximum credit risk corresponds to the carrying amount of financial assets at the end of the period.

Age distribution of sales receivables on December 31

	26,504	100.00%	26,365	100.00%
91 days	192	0.70%	129	0.50%
61-90 days	99	0.40%	110	0.40%
31-60 days	408	1.50%	243	0.90%
15-30 days	340	1.30%	173	0.70%
1-14 days	2,303	8.70%	2,259	8.60%
Not fallen due	23,162	87.40%	23,451	88.90%
EUR 1,000	2016		2015	

Capital management

The Group's capital management activities seek to optimize capital structure and thereby support business activities by ensuring normal operating conditions, while also increasing shareholder value and aiming for the best possible profit. An optimal capital structure also ensures lower capital costs.

Capital structure can be influenced through dividend distribution and by planning the financing of investments. The Group continuously monitors its capital structure through gearing. Net gearing and the indicators of the development of interest-bearing net liabilities are presented in the key figures table.

4. Turnover

The Group's turnover is distributed as follows:

	Jan 1-Dec 31,	Jan 1-Dec 31,
EUR 1,000	2016	2015
Income		
Service sales	106,326	100,160
Hardware and software sales	21,229	10,629
Turnover for continuing services, total	127,556	110,790

Information about geographical areas

Geographically, the Group operates mainly in Finland and Sweden.

	Jan 1-Dec 31,	Jan 1-Dec 31,
Revenues (external)	2016	2015
Finland	57,127	43,283
Other countries	70,429	67,507
Total consolidated income	127,556	110,790

5. Other operating income

	Jan 1-Dec 31,	Jan 1-Dec 31,
EUR 1,000	2016	2015
Sales profits from property, plant, equipment	-7	118
Others	122	591
Total	115	709

6. Materials and services

EUR 1,000	Jan 1-Dec 31, 2016	Jan 1-Dec 31, 2015
Purchases during the period	10,427	7,147
Change in inventory	70	17
External services	22,836	18,832
Total	33,333	25,996

7. Salaries and other employment benefits

EUR 1,000	Jan 1-Dec 31, 2016	Jan 1-Dec 31, 2015
Salaries and fees	58,401	51,166
Pension insurance premiums and pensions		
defined-contribution plans	8 ,715	7,474
Other indirect employee costs	3,614	2,971
Total	70,730	61,611

Information on management's employment benefits is presented in Note 26 Related-party information.

Note 23 provides details on the Group's share-based incentives.

Average number of Group personnel during the period

	Jan 1-Dec 31,	Jan 1-Dec 31,
	2016	2015
Finland	374	319
Sweden	502	461
Total	876	780
Number of personnel at the end of the period	978	842

8. Depreciation, amortization, and impairment

EUR 1,000	Jan 1-Dec 31, 2016	Jan 1-Dec 31, 2015
Depreciation and amortization by asset category		
Intangible assets	3,234	2,486
Property, plant, and equipment	2,471	2,429
Depreciation total	5,705	4,915
Decrease of Group reserve	0	-219
Depreciation, amortization and impairment, total	5,705	4,696

9. Other operating expenses

	Jan 1-Dec 31,	Jan 1-Dec 31,
EUR 1,000	2016	2015
Voluntary personnel expenses	2,919	2,570
Travel expenses	2,640	2,012
Office space expenses	4,564	3,641
Vehicle expenses	1,789	1,593
Hardware and software expenses	2,383	2,083
Other administrative expenses	4,336	2,573
Telephone and data expenses	781	698
Marketing, sales, and entertainment expenses	1,329	1,584
Other operating expenses	748	1,086
Other operating expenses, discontinued opera-		
tions	-3,693	-3,488
Total	17,798	14 352

The Group did not have any significant research and development expenses. Other operating expenses include rental expenses of EUR 6,952,000 (EUR 5,574,000 in 2015).

Auditor's fees

	Jan 1-Dec 31,	Jan 1-Dec 31,
EUR 1,000	2016	2015
Auditing	173	207
Tax guidance	26	18
Other services	13	84
Total	212	309

10. Financial income and expenses

EUR 1,000	Jan 1-Dec 31, 2016	Jan 1-Dec 31, 2015
Dividend income	8	10
Interest income	10	-41
Exchange rate gains	129	542
Total financial income	146	511
Interest expenses	517	835
Exchange rate losses	384	229
Other financial expenses	180	204
Total financial expenses	1,080	1,268

11. Income tax

EUR 1,000	Jan 1-Dec 31, 2016	Jan 1-Dec 31, 2015
Tax based on the financial year's taxable income	2010	2013
Taxes on the profit for the financial year	966	1,719
Adjustments for previous periods	-179	-5
Taxes based on the financial year's taxable income, total	787	1,714
Deferred taxes		
Increase in deferred tax assets	-207	-122
Decrease in deferred tax liabilities	-275	-209
Deferred tax benefit, total	-482	-331
Income tax expenses	304	1,384
Distribution of income taxes:		
Profit for continuing operations	-162	864
Profit for discontinued operation	466	520
	304	1,384

Comparison of taxes based on the current tax base of 20.0% (20.0% in Finland in 2015) and taxes presented in the income statement:

	Jan 1-Dec 31, 2016	Jan 1-Dec 31, 2015
Profit for continuing operations before taxes	-829	4,088
Profit for discontinued operations before taxes	2,307	2,689
	1,478	6,777
Taxes based on the current tax rate in Finland	296	1,355
Different tax rates of foreign subsidiaries	11	36
Expenses non-deductible in taxation	123	64
Non-taxable income	-5	-29
Non-recognized deferred tax assets	-313	
Impact of appropriations	13	-47
Taxes for previous periods	179	5
Taxes for discontinued operations	-466	-520
Taxes in the income statement	-162	864

The weighted average of the applied tax rates was 20.4% in 2016.

Tax expenses (-)/income on other comprehensive income items:

	2016		
		Tax expenses (-)/	
EUR 1,000	Before taxes	income	After taxes
Available-for-sale invest-			
ments	-11	2	-9
Exchange rate differences caused by net investments in			
foreign subsidiaries	-846	169	-677
Net investment hedging	-242	48	-193
Other currency translation			
differences	-413	0	-413
Cash flow hedging	116	-23	93
Adjustments from previous			
periods recognized in equity	114	0	114
Other comprehensive income			
items	-1,281	197	-1,085

2016

2015

Tax expenses (-)/

EUR 1,000	Before taxes	income	After taxes
Available-for-sale invest- ments	5	-1	4
Exchange rate differences caused by net investments in			
foreign subsidiaries	484	-97	387
Net investment hedging	144	-29	115
Other currency translation			
differences	213	0	213
Cash flow hedging	127	-25	101
Adjustments from previous periods recognized in equity			0
Other comprehensive income			
items	973	-152	821

12. Discontinued operations

In accordance with its strategy, Enfo Oyj will in future focus more strongly on IT and Financial Process Services that support digitalization. In keeping with this decision, Enfo sold the entire share capital of its subsidiary, Enfo Zender, to Ropo Capital, a company specializing in invoicing and payment control services, based in Kuopio, Finland. Following this transaction, the production-related activities and customers of Enfo's information logistics services business transferred to Ropo Capital. The transaction was finalized at the beginning of February 2017. Before this transaction, Enfo transferred all other operations of the Financial Process and Information Logistics Services to its new subsidiary Enfo Partner Oy.

The Information Logistics Services business was classified as a discontinued operation on the balance sheet date.

Operating profit, discontinued operations		
EUR 1,000	2016	2015
Turnover	30,219	29 857
Expenses	-27,912	-27,412
Profit before taxes	2,307	2,445
Taxes	-466	-520
Result after taxes	1,841	1,926
Cash flow from discontinued operations		
Cash flow from operations	4,313	
Cash flow from investment activities	-114	
Cash flow from financing activities	-1,000	
Cash flow, total	3,199	
Carrying amounts of funds and liabilities		
Property, plant and equipment	33	
Intangible fixed assets	241	
Non-current receivables	22	
Current receivables	5,125	
Total assets	5,421	
Total assets	5,421	
Non-current liabilities	-138	
Current liabilities	3,027	
Total liabilities	2,889	

13. 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.

	Jan 1-Dec 31,	Jan 1-Dec 31,
EUR 1,000	2016	2015
Equity attributable to the parent company's shareholders:		
For continuing operations	-2,808	2,205
For discontinued operations	1,841	2,170
Equity attributable to the parent company's shareholders, total	-967	4,375
Weighed average number of shares	605	592
	2016	2015
Diluted/undiluted earnings per share	EUR	EUR
The operating profit of continuing operations attributable to the company's shareholders	-4.64	3.72
Profit for discontinued operations	3.04	3.66
Total earnings per share attributable to the company's shareholders	-1.60	7.39

14. Tangible assets

Machinery and equipment, EUR 1,000	2016	2015
Acquisition cost Jan 1	15,938	18,936
Increases	47	72
Increases from business combinations	58	321
Decreases	-149	-3,374
Transfers between items	0	-45
Exchange rate differences	-50	28
Acquisition cost Dec 31	15,844	15,938
Accumulated depreciation Jan 1	15,141	18,213
Increases from business combinations	0	0
Accumulated depreciation on decreases	-63	-3,365
Depreciation during the year	261	274
Exchange rate differences	-35	19
Accumulated depreciation Dec 31	15,303	15,141
Assets classified as available for sale	-33	
Carrying amount Dec 31	507	797
Other tangible assets, EUR 1,000	2016	2015
Acquisition cost Jan 1	671	1,036
Increases	433	1,515
Decreases	-82	-442
Transfer between items	-643	-1,464
Exchange rate difference	4	27
Acquisition cost Dec 31	383	671
Accumulated depreciation Jan 1	344	555
Depreciation during the year	48	142
Increases from business combinations	0	0
Accumulated depreciation on decreases and transfers	-76	-362
Exchange rate differences	-14	9
Accumulated depreciation Dec 31	302	344
Carrying amount Dec 31	81	325

Finance leases, EUR 1,000	2016	2015
Acquisition cost Jan 1	8,714	8,542
Increases	2,738	1,404
Decreases	-1,746	-1,232
Acquisition cost Dec 31	9,706	8,714
Accumulated depreciation Jan 1	5,477	4,586
Transfers between items		
Accumulated depreciation on decreases	-1,747	-1,159
Depreciation for the period	2,194	2,050
Accumulated depreciation Dec 31	5,924	5,477
Carrying amount Jan 1	3,238	3,956
Carrying amount Dec 31	3,782	3,238
Tangible assets total	4,369	4,360

15. Intangible assets

The Group's intangible assets consist mainly of goodwill and acquired software. The Group does not have a significant amount of internally manufactured products. The Group has no intangible assets with an unlimited useful life.

Goodwill, EUR 1,000	2016	2015
Acquisition cost Jan 1	71,499	62,265
Increases	10,114	8,159
Increases from business combinations		
Decreases	-1,829	
Exchange rate difference	-1,981	1,075
Carrying amount Dec 31	77,803	71,499

Other intangible assets, EUR 1,000	2016	2015
Customer relationships and trademarks (business combinations)		
Acquisition cost Jan 1	14,827	11,683
Increases	0	2,855
Exchange rate difference	-493	289
Acquisition cost Dec 31	14,334	14,827
Accumulated depreciation Jan 1	9,911	8,925
Depreciation and amortization	1,400	748
Exchange rate difference	-415	238
Accumulated depreciation Dec 31	10,896	9,911
Carrying amount Dec 31	3,438	4,917
Other intangible assets, EUR 1,000*	2016	2015
Acquisition cost Jan 1	12,149	10,627
Increases	8	150
Increases through corporate acquisitions	18	1
Decreases		-87
Transfers between items	643	1,464
Exchange rate differences	-3	-7
Acquisition cost Dec 31	12,815	12,149
Accumulated depreciation Jan 1	9,443	8,718
Accumulate depreciation on corporate acquisitions	0	0
Accumulated depreciation on decreases	0	-18
Depreciation and amortization	1,027	750
Exchange rate differences	0	-7
Accumulated depreciation Dec 31	10,470	9,443
Assets classified as available for sale	-241	
Carrying amount Dec 31	2,104	2,706

* Other intangible assets mainly include licences and software	e.
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Intangible financial leasing assets, EUR 1,000	2016	2015
Acquisition cost Jan 1	3,682	3,879
Increases	255	420
Decreases	-986	-616
Acquisition cost Dec 31	2,951	3,682
Accumulated depreciation Jan 1	2,101	1,491
Transfers between items		
Accumulated depreciation on decreases	-986	-616
Depreciation for the period	1,048	1,228
Accumulated depreciation Dec 31	2,163	2,101
Carrying amount Jan 1	1,581	2,388
Carrying amount Dec 31	788	1,581
Other intangible assets total	6,331	9,203
Intangible assets total	84,133	80,702

Goodwill testing

Goodwill has been allocated to cash-generating units for impairment testing. The units correspond to management's method of monitoring the business and the related goodwill. The recoverable amount has been defined on the basis of calculations of value in use. The calculations are based on forecasts approved by management and covering a three-year period. Estimated cash flows are discounted to the present.

	Discount rate		Allo	cated goodwill
	2016	2015	2016	2015
IT Services	7.27%	7.20%	77,803	71,499
Total			77,803	71,499

Cash flows after the forecast period are estimated using a growth expectation of 2%. The growth expectation used does not exceed the average longterm growth in the industry.

A goodwill of EUR 8.7 million was measured for combining e-man AB's business operations. Goodwill was not tested in 2016, as the acquisition took place in November 2016. There were no indications of impairment by the closing of accounts.

The calculations are affected by the following assumptions made:

Estimated turnover: 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 previous experience of business developments, the current market share as well as previous market share development, and external appraisals of the outlook for the industry.

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

Discount rate: The rate used in the calculations was defined according to the weighted average cost of capital (WACC). The rate represents the total cost of equity and liabilities, taking into account the specific risks related to asset items. The discount rate was determined before taxes.

Based on the impairment tests performed, the company has no need to record any impairment losses, The recoverable amount determined in impairment testing clearly exceeds the carrying amount of the units tested and therefore, in managements' opinion, any conceivable change in the key assumptions applied in the calculations would not result in impairment.

16. Available-for-sale investments

Non-current, EUR 1,000	2016	2015
1.1.	142	136
Changes in fair value	-11	5
Impairment		
Dec 31	131	142

Current	2016	2015
1.1.	2	2
Dec 31	2	2

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

17. Non-current receivables

EUR 1,000	2016	2015
Security deposits	338	92
Total	338	92

18. Deferred tax assets and liabilities

Changes in deferred taxes during 2015:

		Recognized in	Recognized	Recognized in		
		the income state-	in	comprehensive	Exchange rate	
Deferred tax assets, EUR 1,000	Dec 31, 2014	ment	equity	income items	difference	Dec 31, 2015
Tangible and intangible assets: different depreciation period in taxation, activated financial leasing assets	147	-49				98
Provisions	22	20				42
Employee benefits	128	21			3	152
Hedge accounting	49		-25			23
Confirmed losses	894	130			22	1,046
Total	1,239	122	-25	0	25	1,361
Deferred tax liabilities:						
Different depreciation period in taxation for tangible assets	94		-47		0	48
Measurement of financial assets at fair value	17		1			18
Intangible assets recognized in connection with business acquisitions	607	571	-162	-	11	1,028
Total	719	571	-208	0	12	1,094

Changes in deferred taxes during 2016:

		Recognized in	Recognized	Recognized in	Freshau ara wata	
Deferred tax assets, EUR 1,000	Dec 31, 2015	the income state- ment	in equity	comprehensive income items	Exchange rate difference	Dec 31, 2016
Tangible and intangible assets: different depreciation period in taxation,			· ·			<u> </u>
activated financial leasing assets	98	-38				60
Provisions	42	63				104
Employee benefits	152	-95			-5	52
Hedge accounting	23		-23			0
Confirmed losses	1,046	278			-43	1,281
Total	1,361	207	-23		-48	1,497
Deferred tax liabilities:						
Different depreciation period in taxation for tangible assets	48	13			0	60
Measurement of financial assets at fair value	18		-2			16
Intangible assets recognized in connection with business acquisitions	1,028	-288			-17	723
Total	1,094	571	-208		12	799

Discontinued operations accounted for EUR 22,000 of the deferred tax assets.

The Group has EUR 1.9 million of unused confirmed losses with no expiry date restrictions. No deferred tax assets have been recorded on the losses, as the ability to utilize the losses is uncertain on the closing date.

Of the deferred tax assets, EUR 872,000 (EUR 426,000 in 2015) is expected to materialize in the next 12 months.

Of the deferred tax liabilities, approximately EUR 255,000 (EUR 291,000 in 2015) is expected to materialize in the next 12 months.

19. Inventories

EUR 1,000	2016	2015
Materials and supplies	95	177
Total	95	177

20. Sales receivables and other receivables

EUR 1,000	2016	2015
Sales receivables	26,461	26,365
Income tax receivables	2,942	1,971
Other accrued income	3,219	3,150
Other receivables	43	92
Sales receivables and other receivables total	32,665	31,578

The fair values of sales and other receivables correspond to their carrying amount.

21. Cash and cash equivalents

Cash in hand and at bank Total	5,018 5.018	5,662 5,662
EUR 1,000	2016	2015

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.

22. Equity

Share capital

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

Issued shares	Treasury shares	Outstanding shares
590,833	1,011	589,822
	808	
10,000		
	-808	
600,833	1,011	599,822
Issued shares	Treasury shares	Outstanding shares
600,833	1,011	599,822
	902	
59,928		
	-243	
660,761	1,670	659,091
	shares 590,833 10,000 600,833 Issued shares 600,833	shares shares 590,833 1,011 808 10,000 -808 600,833 1,011 Issued shares Treasury shares 600,833 1,011 902 59,928 -243

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

Treasury shares

Treasury shares are presented as deductions in equity. In 2016, Enfo Oyj purchased 902 treasury shares and sold 243 treasury shares. On the balance sheet date, the company held 1,670 treasury shares. The treasury shares held by the company comprise 0.3% of all shares and voting rights.

Description of equity reserves:

Share premium account

The consolidated balance sheet presents restricted equity in a share premium account which is not included in the registered share capital.

Currency translation differences

The Group's equity includes translation differences arising from the translation of equities in foreign subsidiaries and loan receivables corresponding to internal net investments into the rate at the closing 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

January 1, 2015	1,787
Change in the fair value of available-for-sale investments	5
Deferred tax	-1
Share issue, invested non-restricted equity	978
Sale of treasury shares, invested non-restricted equity	3
Hedging instrument reserve	127
Deferred tax	-25
December 31, 2015	2,875

EUR 1,000

January 1, 2016	2,875
Change in the fair value of available-for-sale investments	-11
Deferred tax	2
Share issue, invested non-restricted equity	5,000
Sale of treasury shares, invested non-restricted equity	22
Hedging instrument reserve	116
Deferred tax	-23
Dec 31, 2016	7,981

Major shareholders December 31, 2016

Total	660,761
Others	43,219
Arto Herranen	2,983
Kallax Oy	3,132
Hannu Isotalo Oy	3,276
Pohjois-Savon Osuuspankki	3,283
Einari Vidgrén Oy	4,768
Keskisuomalainen Oyj	4,966
Rongo Cap Oy	6,494
Enfo Oyj's Personnel Fund HR	9,470
Ilmarinen Mutual Pension Insurance Company	12,322
Osuuskunta KPY	566,848
Osuuskunta KRV	56

Dividends

shares

A dividend of EUR 5.9 per share was paid for 2015, totalling EUR 3,539,000. The company's Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0,7 million (0,99 per share) will be distributed to the shareholders after the Annual General Meeting. The Board of Directors also proposes that the Annual General Meeting authorise the Board to decide on the payment of a maximum of EUR 3 million (4.55 per share) in additional dividends no later than in December 2017. The dividends will be paid to shareholders who have been registered in the company's shareholder register, maintained by Euroclear Finland Ltd. by the dividend payment date.

23. Share-based incentives

Terms of the performance-based bonus scheme:

The performance-based bonus scheme is a long-term incentive scheme for the Group's key personnel. Each year before the beginning of a new financial period, the Board of Directors decides upon the target group employees and their objectives, and sets the objective criteria. The objectives of the incentive scheme and their fulfilment are determined on the basis of the financial results of the Group and its business units as well as other indicators (including customer satisfaction). The maximum bonus to be paid is specified in cash. The annual bonus based on the scheme is paid after the end of the financial period by the end of April in shares and/or cash. The number of any shares to be transferred is determined on the basis of the equity per share used as the share price. However, the Board of Directors may decide to pay bonuses fully in cash.

At the end of the 2013 financial period, the Group adopted an incentive scheme for key persons, using an accounting practice that conforms to the IFRS 2 standard. The target group of the incentive scheme consists of key personnel determined by the Board of Directors. Participation in the incentive scheme requires that the key employee is in a permanent employment relationship with the company at the start of the earning period and that the employee holds the company's shares at the time of bonus payment as decided by the Board. The company's Board of Directors decides on the earning criteria for the period and the relevant objectives in connection with the approval of the budget. The share-based incentive scheme contains three one-year earning periods, which are the calendar years 2014, 2015 and 2016. A maximum of 27,870 shares can be distributed in bonuses under the scheme. The bonus for the earning period of 2015 was based on the turnover

and profitability targets set for Enfo Group and its units. A part of the targets were met, and 243 shares were given under the scheme in 2016.

The liability associated with the redemption obligation associated with key personnel incentive schemes that expired in 2014 and earlier is presented under other non-interest-bearing non-current liabilities

A total of EUR 21,627 (EUR 167,482 in 2015) of share-based payments were recorded as expenses in the period. Of the portion paid out in cash under the scheme, EUR 0 (EUR 121,876 in 2015) was recorded as a liability.

24. Financial liabilities

	2016	2016	2015	2015
	Carrying		Carrying	
Non-current, EUR 1,000	amount	Fair value	amount	Fair value
Loans from financial	0.050	0.770	11 101	11.077
institutions	9,250	8,772	11,121	11,037
Bonds	9,946	9,373	9,924	9,373
Finance lease liabilities	2,267	2,267	2,186	2,185
Total	21,463	20,412	23,231	22,625
Current, EUR 1,000				
Loans from financial				
institutions	20,000	19,927	7,356	6,961
Finance lease liabilities	2,377	2,377	2,729	2,729
Derivative liabilities	41	41	139	139
Total	22,418	22,345	10,224	9,829

The Group's financial liabilities as of 31 December 2016 consist of loans from financial institutions, a bond loan, and a finance lease liability. The fair value of long-term loans has been calculated by discounting future cash flows to the present using the interest rate that would be available to the Group for similar loans on the closing date.

Finance lease agreements are generally made for 36-48 months with fixed instalments denominated in euros over the agreement period.

Maturing periods of finance lease liabilities

Gross amount of finance lease liabilities - minimum rents by expiry:

EUR 1,000	2016	2015
Within 1 year	2,446	2,813
Within 1-5 years	2,307	2,246
In more than 5 years	2	37
Total	4,756	5,095
Future finance expenses	112	181
Current value of finance lease liabilities	4,644	4,914

The current value of finance lease liabilities expires as follows:

EUR 1,000	2016	2015
Within 1 year	2,377	2,729
Within 1-5 years	2,265	2,151
In more than 5 years	2	34
Total	4,644	4,914

The Group's other interest-bearing liabilities will expire as follows:

Bank loans, EUR 1,000	2016	2015
1-6 months	20,000	6,889
6-12 months	0	466
1-5 years	9,250	11,121
Total	29,250	18,477

Bonds, EUR 1,000	2016	2015
1-6 months		
6-12 months		
1-3 years	9,946	9,924
Total	9,946	9,924
Derivative liabilities, EUR 1,000	2016	2015
1-6 months	41	
6-12 months		
1-5 years		139
Total	41	139

Weighted averages of effective interest rates for interest-bearing liabilities on 31 December:

EUR 1,000	2016	2015
Bank loans	1.0	2.6
Bonds	3.2	3.2
Finance lease liabilities	3.4	3.5

25. Trade payables and other payables

Other non-current liabilities, EUR 1,000	2016	2015
Other non-current non-interest-bearing liabilities	1,079	5,005
Current		
Trade payables	7,076	9,691
Income tax liability	797	676
Advances received	335	510
Accrued expenses and deferred income		
Personnel-related liabilities	11,357	10,289
Other accrued expenses and deferred income	1,245	1,437
Accrued expenses and deferred income, total	12,602	11,726
Other liabilities	9,310	7,061
Current non-interest-bearing liabilities, total	30,120	29,664
Trade payables and other non-interest-bearing		
debt, total	31,200	34,669

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

26. Related-party information

Group structure

Parent and subsidiary relationships of the Group on December 31, 2016:

		Group	
		share	Group share
Company name	Domicile	of share capital, %	of votes, %
Parent company: Enfo Oyj	Kuopio	100%	100%
Enfo Oyj's subsidiaries:			
Enfo Holdings Oy	Kuopio	100%	100%
Enfo Zender Oy	Kuopio	100%	100%
Enfo Rongo Oy	Espoo	100%	100%
Zuite by Enfo Oy	Kuopio	100%	100%
Enfo Holdings AB	Stockholm	100%	100%
Enfo Sweden AB	Göteborg	100%	100%
e-man AB	Örebro	100%	100%
e-man Connect AB	Örebro	100%	100%
Stayahead AB	Örebro	100%	100%
Enfo Forward AB	Göteborg	100%	100%
Enfo Zystems AB	Göteborg	100%	100%
Enfo Zipper AB	Göteborg	100%	100%
Enfo Zingle AB	Göteborg	100%	100%
Zuite Business Consulting AB	Göteborg	30%	30%
Enfo Zuite AB	Göteborg	100%	100%
Enfo Pointer AB	Stockholm	100%	100%
Enfo EnjoyIT Intergration AB	Göteborg	100%	100%
Enfo Framsteg AB	Stockholm	100%	100%
Framsteg Denmark ApS	Bröndby	100%	100%
Next Improvement Sweden AB	Skövde	100%	100%
Enfo Norway Holding AS	Oslo	100%	100%

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

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, Managing Director, and Executive Management Team, as well as their spouses and relatives living in the same household.

Employment	benefits fo	r management,

EUR 1,000	2016	2015
Salaries and other short-term employment		
benefits	1,549	1,906

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

Other transactions with related parties

land outstanding balances, EUR 1,000	2016	2015
Sales of goods and services		
Parent and affiliates	919	641
Other operating income		
Parent and affiliates	0	550
Purchases of goods and services		
Parent and affiliates	73	27
Sales receivables and other receivables, EUR 1,000		
Parent and affiliates	142	22
Trade payables and other payables		
Parent and affiliates	0	0

The Group is party to an eight-year lease agreement with Osuuskunta KPY starting from 1 January, 2012, concerning computer rooms located in Kiinteistö Oy Siilinjärven Lentokapteeni. The rent liability is included in the liability statement. The Group does not have any other significant transactions, receivables, liabilities or guarantees with related parties.

27. Corporate acquisitions

In January, Enfo Oyj's subsidiary Enfo Sweden Ab acquired 100 percent of the shares of the Swedish company Next Improvement. Next Improvement operates in the Service & Asset Management business, providing turnkey solutions to companies that wish to improve their efficiency, reduce costs, and

ensure business quality. Its customers are mainly Nordic industrial companies of all sizes. Next Improvement has been consolidated in the consolidated financial statements as of January 1, 2016.

On November 30, 2016, January, Enfo Sweden AB acquired 100 percent of the shares of e-man Ab, a Swedish company specializing in IT integration solutions, along with its subsidiaries e-man Connect Ab and Stayahead Ab. e-man Ab has been consolidated in the consolidated financial statements as of December 1, 2016. The company's turnover in December was EUR 1.2 million, with an operating profit of EUR -0.0 million.

Total consideration	8,968	937
Contingent consideration	1,711	
Additional purchase price	663	178
Paid in cash	6,595	759
Consideration paid for the acquisition, EUR 1,000	e-man	Next Improvement

Values of the acquired assets and liabilities on the acquisition date:

Acquired company's assets and liabilities, EUR 1,000

Acquired net assets	8,968	937
Plus goodwill	8,486	916
Trade payables and other current liabilities	-2,471	0
Other liabilities	-524	-200
Cash and cash equivalents	57	60
Sales receivables and other receivables	3,347	160
Intangible assets	17	
Tangible assets	57	

The goodwill arises from the expected synergies between the Enfo Group and e-man Ab and Next Improvement Ab, as well as by the personnel of the acquired companies.

The acquisition-related costs of EUR 45,200 are included in other operating expenses in the income statement and in cash flows from operations in the cash flow statement.

The Group's turnover in 2016 would have been EUR 140.1 million and its operating profit EUR 0.8 million if the above acquisition of e-man Ab had been consolidated in the consolidated financial statements from the beginning of the 2016 financial period.

28. Liabilities

The Group has the following liabilities

EUR 1,000	2016	2015
Debts and their securities		
Loans from financial institutions	29,250	18,477
Leasing liabilities		
Payable during the current financial period	2,776	3,637
Payable later	1,950	2,500
Total	4,726	6,137
Other rental liabilities	9,180	7,315
Other contingent liabilities	69	45
Bank guarantees	305	208
Total	9,554	7,568
Total	14,280	13,705

The Group's lease agreement obligations relate to rented premises, cars, and other rented assets.

Expiry of rental and leasing liabilities,

EUR 1,000	2016	2015
Other lease agreements - total amount of		
minimum rents	13,906	13,452
Within 1 year	6,372	6,393
Within more than 1 year and less than 5 years	7,535	7,058
In more than 5 years		
Total	13,907	13,451

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

29. Events following the financial year

In February 2017, Enfo sold the entire share capital of its subsidiary, Enfo Zender, an information logistics services provider, to Ropo Capital, a company specializing in invoicing and payment control services, based in Kuopio, Finland. In accordance with its strategy, Enfo Oyj will focus even more than before on IT and Financial Process Services that support digitalization. As a result of the change, Financial Process Services will focus on financial administration outsourcing services.

FINANCIAL STATEMENTS OF THE PARENT COMPANY (FAS)

PARENT COMPANY INCOME STATEMENT

FAS, EUR 1,000

	Note	Jan 1-Dec 31, 2016	Jan 1-Dec 31, 2015
Turnover	2	46,231	45,912
Other operating income	3	6,200	4,917
Materials and services	4	-22,430	-20,394
Personnel expenses	5	-17,949	-16,730
Depreciation, amortization and impairment	6	-618	-647
Other operating expenses	7	-10,749	-8,715
Operating profit		685	4,342
Financial income and expenses	8	-170	1,787
Profit/loss before appropriation and taxes		516	6,129
			_
Approriations			
Group contribution	9	-184	1,000
Income tax	10	-69	-1,426
Profit/loss for the period		263	5,703

PARENT COMPANY BALANCE SHEET

FAS, EUR 1,000

ACCETC	Nista	Jan 1-Dec 31,	Jan 1-Dec 31,
ASSETS	Note	2016	2015
Non-current assets			
Intangible assets	11	776	1,033
Tangible assets	12	11	160
Investments			
Holdings in Group companies	13	29,655	30,541
Other shares and holdings	13	45	45
Non-current assets total		30,487	31,779
Current assets			
Inventories	14	95	165
Non-current receivables	15	41,788	35,768
Current receivables	16	33,064	30,018
Financial securities	17	2	2
Bank and cash	18	4,555	4,860
Total current assets		79,503	70,813
TOTAL ASSETS		109,990	102,592

SHAREHOLDER EQUITY AND	Niete	Jan 1-Dec 31,	Jan 1-Dec 31,
LIABILITIES	Note	2016	2015
Equity			
Share capital	19	265	265
Share premium account	19	13,316	13,316
Reserve for invested non-restricted equity	19	7,915	2,893
Other reserves	19	11,756	11,663
Profit/loss from previous financial periods		17,740	15,657
Profit/loss for the period		263	5,703
Total equity		51,255	49,498
Obligatory provisions		512	95
Liabilities			
Non-current	20	19,250	25,769
Current	21	38,973	27,230
Total liabilities		58,222	52,999
TOTAL EQUITIES AND LIABILITIES		109,990	102,592

PARENT COMPANY CASH FLOW STATEMENT

FAS, EUR 1,000

	Jan 1-Dec 31, 2016	Jan 1-Dec 31, 2015
Cash flow from operating activities	2010	2013
Net profit for the period	263	5,703
Adjustments to operating profit		
Depreciation and amortization	618	647
Financial items	170	-1,787
Obligatory provisions	418	-11
Extraordinary items	184	-1,000
Taxes	69	1,426
Change in working capital:		
Changes in inventories, increase (-), decrease (+)	70	18
Change in non-interest-bearing current receivables, increase (-), decrease (+)	-782	550
Change in non-interest-bearing current liabilities, increase (-), decrease (+)	345	-73
Interest paid and other financial costs	-789	-1,056
Dividends received	8	10
Interest received and other financial costs	408	332
Taxes paid	-547	-1,290
Change in Group receivables/liabilities	-2,871	-51
Total cash flow from operating activities	-2,437	3,417

	Jan 1-Dec 31,	Jan 1-Dec 31,
	2016	2015
Cash flow from investment activities		
Investment in intangible assets	-211	-149
Acquisition of subsidiaries	-4,002	-4,458
Changes in other investments	0	0
Total cash flow from investment activities	-4,213	-4,607
Cash flow from financing		
Payment of dividends	-3,539	-3,478
Purchase/sale of treasury shares	-82	-1
Share issue	5,022	
Current loans taken	15,002	11,501
Repayment of current loans	-3,881	-18,531
Increase in loan receivables	-7,167	
Group contribution	1,000	3,850
Total cash flow from financing activities	6,355	-6,659
Change in cash and cash equivalents	-296	-7,849
Cash and cash equivalents on Jan 1	4,860	12,709
Impact of exchange rate changes	-10	
Cash and cash equivalents on Dec 31	4,555	4,860

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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 from 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, plant or equipment.

The depreciation periods are:

Intangible assets3-5 yearsOther machinery and equipment3-5 yearsOther tangible assets10 years

Research and development costs

As a rule, research and product development costs are recognized as annual

expenses in the year in which they were incurred.

Valuation of inventories

Inventories are presented at the weighted average acquisition price or a lower redemption price or probable sales price.

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 some other method is a better indicator 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 management's estimate of business developments and the resulting plan on the utilization of deferred tax assets.

2. Geographical distribution of turnover

	Jan 1-Dec 31,	Jan 1-Dec 31,
EUR 1,000	2016	2015
Geographically		
Finland	40,664	41,785
EU countries	5,555	4,116
Other countries	12	11
Total	46,231	45,912

3. Other operating income

Total	6,200	4,917
Others	6,199	4,917
Revenue from sales of fixed assets	1	0
EUR 1,000	Jan 1-Dec 31, 2016	Jan 1-Dec 31, 2015

4. Materials and services

Total	22,430	20,394
External services	17,588	15,500
Change in inventories	70	18
Purchases during the period	4,772	4,877
EUR 1,000	Jan 1-Dec 31, 2016	Jan 1-Dec 31, 2015

5. Personnel expenses

EUR 1,000	Jan 1-Dec 31, 2016	Jan 1-Dec 31, 2015
Salaries and remunerations	14,539	13,520
Indirect personnel costs		
Pension costs	2,564	2,490
Other indirect employee costs	846	719
Total	17,949	16,730
Number of employees		
Average	251	253
Management salaries and remunerations		
Managing Director, Deputy Managing Director, and Board of Directors	373	365

6. Depreciation, amortization, and impairment

EUR 1,000	Jan 1-Dec 31, 2016	Jan 1-Dec 31, 2015
Planned depreciation		
Intangible assets	593	553
Goodwill	0	0
Other machinery and equipment	24	94
Total	618	647

7.1. Other operating expenses

	Jan 1-Dec 31,	Jan 1-Dec 31,
EUR 1,000	2016	2015
Other personnel expenses	1,042	937
Travel expenses	745	636
Office space expenses	2,223	1,897
Vehicle expenses	601	620
Hardware and software expenses	2,175	1,866
Other administrative expenses	1,994	1,116
Telephone and data expenses	268	256
Marketing, sales, and entertainment expenses	713	781
Other operating expenses	988	606
Total	10,749	8,715

7.2. Auditor's fees

	Jan 1-Dec 31,	Jan 1-Dec 31,
EUR 1,000	2016	2015
Auditing	71	94
Tax guidance	26	11_
Other services	13	33
Total	110	138

8. Financial income and expenses

EUR 1,000	Jan 1-Dec 31, 2016	Jan 1-Dec 31, 2015
Dividend income		
From Group companies	7	9
From others	0	1
Total	8	10
Interest income		
From group companies	1,800	1,799
From others	6	39
Total	1,806	1,838
Other financial income		
Exchange rate gains	444	1,270
Other financial income	0	0
Total	444	1,270
Total financial income	2,258	3,117
Impairment of non-current assets		
Reversal of impairment	0	-1
Impairment total	0	-1
Interest and other financial expenses		
To group companies	90	134
To others	551	869
Exchange rate losses	1,786	329
Total	2,427	1,331
Total financial expenses	2,427	1,330
The financial income and expenses include		
Exchange rate losses/gains (net)	-1,342	941
Total financial income and expenses	-170	1,787

9. Group contribution

	Jan 1-Dec 31,	Jan 1-Dec 31,
EUR 1,000	2016	2015
Group contribution received+/granted	-184	1,000
Total	-184	1,000

10. Income tax

	Jan 1-Dec 31,	Jan 1-Dec 31,
EUR 1,000	2016	2015
Income tax on ordinary activities	125	1,412
Previous years' taxes	-5	-10
Change in deferred tax assets	-52	24
Total	69	1,426

Deferred tax assets are caused by a negative depreciation difference of EUR 118,687.53 and by a statutory provision.

The amount of deferred tax assets is presented in Note 15.

11. Intangible assets

Intangible rights, EUR 1,000	Dec 31, 2016	Dec 31, 2015
Acquisition cost Jan 1	797	797
Increases		
Decreases		
Acquisition cost Dec 31	797	797
Accumulated depreciation, amortization, and impairment Jan 1	-785	-745
Accumulated depreciation on decreases and transfers		
Depreciation during the year	-12	-40
Accumulated depreciation, amortization, and impairment Dec 31	-797	-785
Carrying amount Jan 1	12	53
Carrying amount Dec 31	0	12

Other long-term expenses, EUR 1,000	Dec 31, 2016	Dec 31, 2015
Acquisition cost Jan 1	6,149	6,119
Increases	211	24
Transfers between items	125	6
Acquisition cost Dec 31	6,485	6,149
Accumulated depreciation, amortization, and		
impairment Jan 1	-5,128	-4,615
Depreciation during the year	-581	-513
Accumulated depreciation, amortization, and		
impairment Dec 31	-5,710	-5,128
Carrying amount Jan 1	1,021	1,504
Carrying amount Dec 31	776	1,021
Intangible assets total	776	1,033

12. Tangible assets

Machinery and equipment, EUR 1,000	Dec 31, 2016	Dec 31, 2015
Acquisition cost Jan 1	6,894	6,894
Acquisition cost Dec 31	6,894	6,894
Accumulated depreciation, amortization, and impairment Jan 1	-6,864	-6,770
Depreciation during the year	-24	-94
Accumulated depreciation, amortization, and impairment Dec 31	-6,888	-6,864
Carrying amount Jan 1	30	124
Carrying amount Dec 31	6	30

Other tangible assets, EUR 1,000	Dec 31, 2016	Dec 31, 2015
Acquisition cost Jan 1	5	5
Acquisition cost Dec 31	5	5
Carrying amount Jan 1	5	5
Carrying amount Dec 31	5	5

Advance payments and purchases in progress,		
EUR 1,000	Dec 31, 2016	Dec 31, 2015
Acquisition cost Jan 1	125	6
Increase	0	125
Decrease/transfer	-125	-6
Carrying amount Dec 31	0	125
Tangible assets total	11	160

13. Investments

EUR 1,000	Dec 31, 2016	Dec 31, 2015
Holdings in Group companies		
Carrying amount Jan 1	30,541	19,606
Increase	0	10,934
Decrease	-886	0
Carrying amount Dec 31	29,655	30,541

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

EUR 1,000	Dec 31, 2016	Dec 31, 2015
Other shares and holdings		
Carrying amount Jan 1	45	44
Decreases		
Impairment reversal	0	1
Carrying amount Dec 31	45	45
Holdings total	29,700	30,586

14. Inventories

EUR 1,000	Dec 31, 2016	Dec 31, 2015
Materials and supplies Jan 1	165	183
Change in inventory	-70	-18
Total	95	165

15. Non-current receivables

Dec 31, 2016	Dec 31, 2015
41,592	35,624
41,592	35,624
126	98
69	45
41,788	35,768
	41,592 41,592 126 69

16. Current receivables

EUR 1,000	Dec 31, 2016	Dec 31, 2015
Receivables from Group companies		
Sales receivables	556	310
Loans receivable	3,635	3,779
Group receivables	12,356	10,469
Other accrued income	8,156	7,111
Total	24,703	21,670
Sales receivables	6,598	5,900
Accrued income		
Employment pension contributions	0	276
Income tax receivables	618	192
Purchase invoice accruals	808	858
Other accrued income	263	104
Total	1,690	1,430
Other receivables	74	18
Short-term receivables total	33,064	29,018

17. Financial securities

EUR 1,000	Dec 31, 2016	Dec 31, 2015
Carrying amount Jan 1	2	2
Change		0
Financial securities (carrying amount) Dec 31	2	2

18. Bank and cash

Total	4,555	4,860
Cash in bank accounts	4,555	4,860
EUR 1,000	Dec 31, 2016	Dec 31, 2015

19. Equity

	265	
Share capital Jan 1	265	265
Share capital Dec 31	265	265
Share premium reserve Jan 1	13,316	13,316
Share premium reserve Dec 31	13,316	13,316
Reserve for invested non-restricted equity Jan 1	2,893	1,912
Capital gain from treasury shares	22	3
Share issue	5,000	978
Reserve for invested non-restricted equity Dec 31	7,915	2,893
Other reserves Jan 1	11,663	11,562
Change in hedging reserves	93	101
Other reserves Dec 31	11,756	11,663
Retained earnings Jan 1	21,360	19,140
Distributed dividends	-3,539	-3,478
Change in treasury reserve	-62	-5
Purchase of treasury shares	-20	
Retained earnings December 31	17,740	15,657
Profit/loss for the period	263	5,703
Equity total Dec 31	51,255	49,498
Calculation on distributable equity Dec 31		
Retained earnings	17,740	15,657
Other reserves	11,756	11,663
Reserve for invested non-restricted equity	7,915	2,893
Net profit for the period	263	5,703
Total	37,674	35,917

Treasury shares and major shareholders are presented in Note 22 to the consolidated financial statements.

20. Non-current liabilities

Liabilities expiring in less than 5 years

EUR 1,000	Dec 31, 2016	Dec 31, 2015
Loans to finance institutions	9,250	11,121
Bond loan 2014/2019 1.85%	10,000	10,000
Other non-current liabilities	0	4,648
Non-current liabilities, total	19,250	25,769

21. Current liabilities

EUR 1,000	Dec 31, 2016	Dec 31, 2015
Loans to finance institutions	20,000	7,356
Total loans	20,000	7,356
Liabilities to Group companies		
Trade payables	423	80
Other liabilities	10,235	11,191
Total	10,658	11,272
Trade payables	2,507	2,842
Advances received	335	510
Accrued expenses and deferred income		
Personnel-related liabilities	3,129	2,652
Expense provisions	303	153
Total	3,432	2,805
Other liabilities		
Valuation debt of derivatives	41	139
Other liabilities	2,000	2,307
Total	2,041	2,446
Current liabilities, total	38,973	27,230

22. Commitments, contingent liabilities, and other liabilities

EUR 1,000	Dec 31, 2016	Dec 31, 2015
Debts and their securities		
Loans from financial institutions	29,250	18,477
Total loans	29,250	18,477

Contingent liabilities and other liabilities

Leasing liabilities, EUR 1,000	Dec 31, 2016	Dec 31, 2015
Amounts paid for lease agreements		
Payable during the current financial period	4,556	6,019
Payable later	3,949	5,311
Total	8,504	11,330
Other contingent liabilities		
Deposits as rental security on the balance sheet	69	45
Bank guarantees	305	208
Rent liabilities	5,104	6,532
Share redemption commitments	244	152

SIGNATURES TO THE FINANCIAL STATEMENTS AND REVIEW OF OPERATIONS

Kuopio March 1, 2017

Tapio Hakakari Timo Kärkkäinen Kaisa Olkkonen

Lauri Kerman Soili Mäkinen Anssi Lehikoinen

Arto Herranen CEO

AUDITOR'S NOTE

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

Kuopio March 1, 2017

PricewaterhouseCoopers Oy Firm of Authorized Public Accountants

Pekka Loikkanen Authorized Public Accountant

AUDITOR'S REPORT (TRANSLATION OF THE FINNISH ORIGINAL) FOR ENFO OYJ:S AGM

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 performance and financial position 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, 2016. The financial statements comprise:

- the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies
- the parent company's balance sheet, income statement, 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 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 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 on 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 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 information included in the report of the Board of Directors and in the Annual Report, but does not include the financial statements and our auditor's report thereon.

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 identified above 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 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, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Kuopio 1 March 2017

PricewaterhouseCoopers Oy

Authorised Public Accountants

Pekka Loikkanen Authorised Public Accountant (KHT)

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