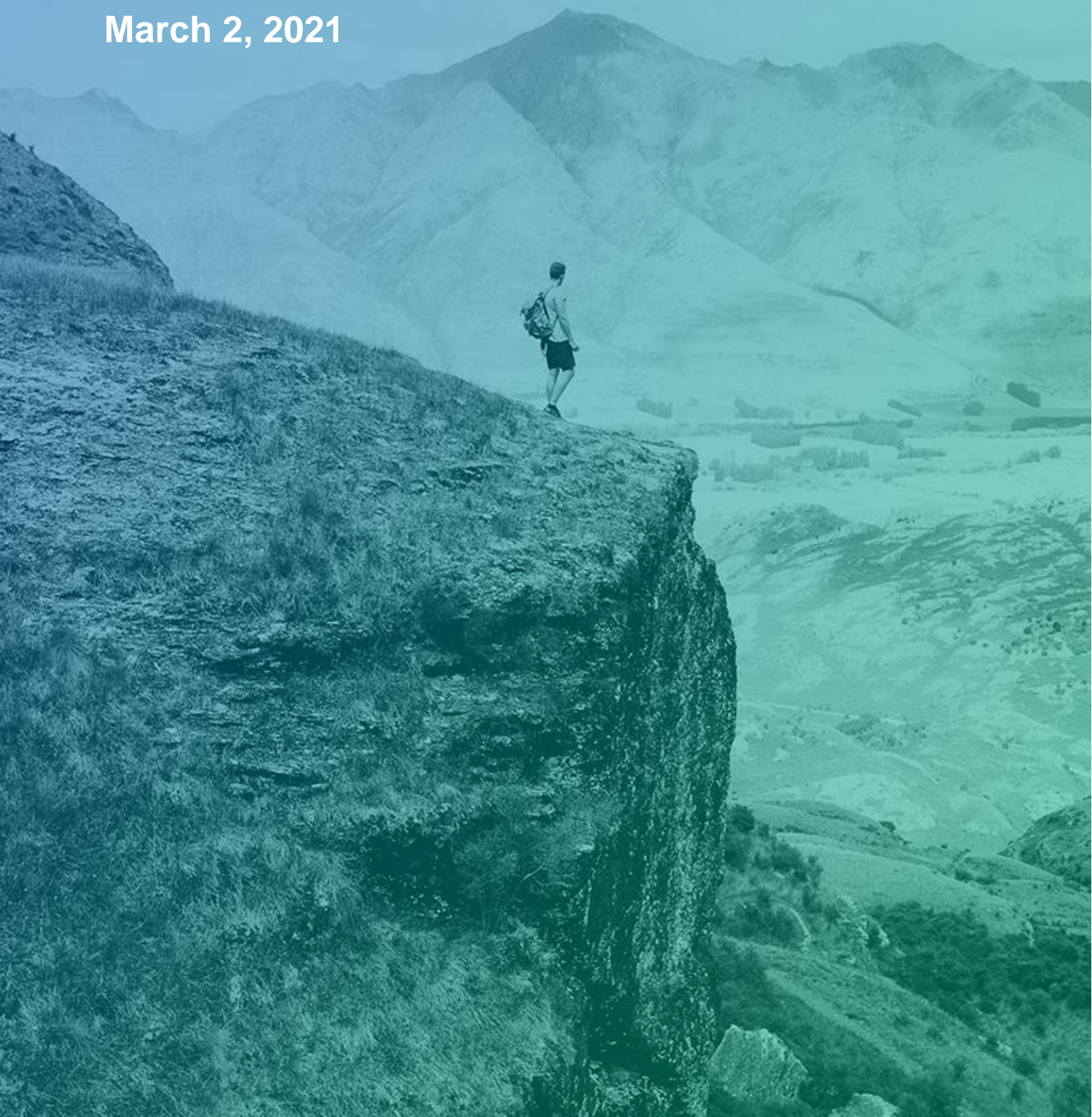


Enfo Oyj

Full year financial report 2020

March 2, 2021



Enfo Group's financial statement bulletin

January 1 – December 31, 2020

Enfo 2020: Stable profitability despite exceptional year

Q4/2020

- Net sales in October-December were EUR 30.3 (31.8) million
- EBITDA was EUR 3.8 (2.7) million
- EBIT was EUR 1.4 (0.9) million
- Profit for the period was EUR 0.9 (0.3) million
- Earnings per share were EUR 0.5 (-0.2)
- Operating cash flow was EUR 2.8 (4.2) million

Full year 2020

- Net sales in 2020 were EUR 114.6 (121.5) million
- EBITDA was EUR 11.4 (9.4) million
- EBIT was EUR 2.0 (1.4) million
- Profit for the period was EUR 0.0 (-1.4) million
- Earnings per share were EUR -2.6 (-4.6)
- Operating cash flow was EUR 10.5 (9.3) million

The numbers in brackets refer to the value in the corresponding period a year earlier, unless otherwise stated. The calculation formulae of key figures are presented in Enfo's Financial Statements for 2020.

Key figures

	1.10-31.12.2020	1.10.-31.12.2019	1.1.-31.12.2020	1.1.-31.12.2019
Net sales, EUR million	30.3	31.8	114.6	121.5
EBITDA	3.8	2.7	11.4	9.4
% of Net sales	12.5	8.5	10.0	7.8
Operating profit, EUR million	1.4	0.9	2.0	1.4
% of Net sales	4.5	3.0	1.7	1.1
Profit for the period, EUR million	0.9	0.3	0.0	-1.4
% of Net sales	2.9	1.1	0.0	-1.1
Earnings per share, EUR	0.5	-0.2	-2.6	-4.6
Return on investment, %	3.6	3.4	3.6	3.4
Equity ratio, %	40.1	36.4	40.1	36.4
Net gearing, %	86.1	96.0	86.1	96.0
Interest-bearing net debt, EUR million	40.8	41.6	40.8	41.6
Equity per share, EUR	60.7	62.6	60.7	62.6
Average number of employees	897	903	907	903

CEO's review

Seppo Kuula, CEO in 2020, comments on the year:

“The year 2020 was a special year for Enfo just as for all other companies. Our aim for the year was growth, but the corona pandemic forced us to move our focus to business continuity. Many of our customers reacted strongly at the Nordic outbreak of the pandemic, downscaling or even cancelling services and postponing projects. However, as the pandemic continued, we did not witness such strong reactions, but a general slowdown in decision-making among customers as well as a focus on the short-term. Customers were prepared to execute projects supporting them to cope with the new situation, but long-term, extensive IT development projects were put on hold.

We are a company that is used to effectively responding to constant market changes, and we were able to take prompt action in the new situation. We agreed increased credit limits with our financiers and implemented cost and recruitment control. In both countries, we also implemented temporary layoffs, most of which were part time. I am content that we were able to do these measures together, in good cooperation. Throughout the corona period, we have succeeded in keeping our experts engaged: employee satisfaction based on monthly Employee Net Promoter Score (eNPS) and yearly Employee Satisfaction Survey remained on a high level. Throughout the year, we followed-up and supported our employees in coping with remote working mentally and physically. The year started with two important steps to advance our offering around management of business-critical applications and data. Enfo acquired Solteq Oyj's SAP ERP business at the end of December 2019 and the business was integrated into Enfo in 2020. Enfo and TIBCO Software Inc., a global leader in enterprise data, announced a strategic partnership in January, making Enfo an exclusive reseller of TIBCO solutions in the Nordic and Baltic countries. The



SAP business was impacted by the pandemic, but sales of TIBCO solutions started on a positive note in 2020. In March, Enfo sold the Swedish Zervicepoint business to FoF Family Office. When the pandemic is over and the general economic outlook improves, the demand for long-term IT development projects will pick up. Thus, it is important for us to have the competencies and preparedness to respond to the backlog created during 2020 when the time comes. Our business is on a stable foundation and we are well-equipped to wait out the pandemic.

I want to thank all Enfonians, our customers, partners and owners, not only for collaboration during this unprecedented year, but for the past three years, when I have had the honor to lead Enfo. It has been a privilege for me to be on this journey together with the Enfonians, transforming our business and strengthening the company culture. I wish Enfo's new CEO Mikko Valorinta all the best in taking this great company forward together with all Enfonians.

Net sales and profit

Q4/2020

The Enfo Group's net sales in the fourth quarter were EUR 30.3 (31.8) million. EUR 13.5 million of the net sales were generated in Finland and EUR 16.8 million in Sweden. Sales from recurring services amounted to EUR 11.9 (12.5) million, sales from consulting to EUR 15.0 (16.4) million and intermediary sales to EUR 3.4 (2.9) million in the fourth quarter.

EBITDA was EUR 3.8 (2.7) million from October–December. Operating profit (EBIT) for the fourth quarter was EUR 1.4 (0.9) million, or 4.5% of net sales. Profit before taxes was EUR 1.1 (1.0) million and profit for the period was EUR 0.9 (0.3) million in the fourth quarter. Fourth-quarter earnings per share were EUR 0.5 (-0.2).

Full year 2020

In 2020, the Enfo Group's net sales decreased by 5.7% to EUR 114.6 (121.5) million. The development of net sales was affected by the corona pandemic. EUR 51.7 million of the net sales were generated in Finland and EUR 62.9 million were generated in Sweden. Sales from recurring services amounted to EUR 45.1 (47.6) million, sales from consulting amounted to EUR 56.6 (62.6) million and intermediary sales to EUR 12.9 (11.2) million in 2020.

EBITDA was EUR 11.4 (9.4) million in 2020. Full-year operating profit (EBIT) increased by EUR 0.6 million and was EUR 2.0 (1.4) million or 1.7% of net sales. Full-year profit before taxes amounted to EUR 0.7 (-0.1) million and profit for the period was EUR 0.0 (-1.4) million. Full-year earnings per share in 2020 were EUR -2.6 (-4.6).

Investments and financing

Enfo's net investments from October–December amounted to EUR 3.5 (1.6) million. Enfo's full-year 2020 net investments were EUR 7.4 (15.4) million. The total consisted of EUR 0.3 (0.6) million invested in the competence management program, EUR 5.2 (7.8) million in additions in right-of-use assets, and EUR 2.0 (2.7) million in investments in operations and production. In 2019, EUR 4.3 million was invested in an SAP business acquisition.

Interest-bearing liabilities at the end of the year were EUR 41.0 (42.6) million and were composed of EUR 29.8 (29.9) million in bank loans and EUR 11.2 (12.7) million in lease liabilities.

Enfo's loan agreements include financial covenants that are tested twice a year, at the end of the second and fourth quarter. As at December 31, Enfo remained in compliance with the financial covenants specified in its loan agreements:

- Net gearing less than 100%
- Interest-bearing net liabilities/EBITDA less than 4.0

Due to the corona pandemic, the company renegotiated with its financiers for a six-month extension in its existing loan agreements ensuing Interest-bearing net liabilities/EBITDA covenant gradually to reach 3.0 by December 31, 2021.

At the end of 2020, Enfo had credit limits amounting to EUR 16.7 (13.7) million, of which EUR 9.4 (9.5) million had been withdrawn. Enfo has agreed to increase its credit limits with its financiers due to the corona crisis.



The company's equity ratio at the end of the financial year was 40.1% (36.4) and net gearing was 86.1% (96.0). The Enfo Group's net financial expenses were EUR -0.2 (0.1) million from October–December and EUR -1.2 (-1.5) million for the full year. Net cash flow from operations were EUR 2.8 (4.2) million in the fourth quarter and EUR 10.5 (9.3) million in 2020. The end-of-year balance sheet totaled EUR 118.5 (119.6) million.

Board of Directors, management and auditor

Kaisa Olkkonen was elected Chairperson of Enfo's Board of Directors in August 2020, with Anssi Lehtikainen and Mikko Laine continuing as Board members. At the same time, Lauri Kerman resigned from his position as an observer member of the Board of Directors.

At the end of 2020, the Group Management Team consisted of CEO Seppo Kuula, Nina Annala (EVP, Care and Data platforms Finland), Björn Arkenfall (EVP, Applications and Information management Sweden), Erik Brügge (EVP, Care and Data platforms Sweden), Antti Hemmilä (General Counsel), Sami Kähkönen (EVP, Applications and Information management Finland), Henrik Norell (EVP, People operations) and Mari Orttenvuori (CFO).

In the 2020 financial year, the company's auditor was Authorized Public Accountants PricewaterhouseCoopers Oy, with Juha Toppinen, Authorized Public Accountant, as the principal auditor.

Shares, owners, and share capital changes

Enfo Oyj had a total of 747,978 shares on December 31, 2020. Enfo had 121 direct shareholders excluding foreign shareholders whose shares are nominee-registered. The company has one series of shares, and the shares are connected to Euroclear Finland Oy's book-entry system.

Enfo Oyj is the parent company of Enfo Group, which belongs to Osuuskunta KPY Group. The parent company of Osuuskunta KPY Group is Osuuskunta KPY. Enfo Group comprises subsidiaries in Finland, Sweden, Denmark, and Norway. Enfo Oyj has a branch office in the UK. At the end of 2020, the company's ten largest shareholders were Osuuskunta KPY, Ilmarinen Mutual Pension Insurance Company, Rongo Cap Oy, the Gösta Serlachius Fine Arts Foundation, Seppo Kuula, Keski-suomalainen Oyj, Einari Vidgrén Oy, Lululemon Oy, Hannu Isotalo Oy and Kallax Oy. Osuuskunta KPY holds 85.81% of Enfo's shares.

Enfo Oyj had a total of 679,251 shares on January 1, 2020. The company issued a total of 82,233 new shares in the financial year (rights issue in January 2020) but did not convey any treasury shares. The company purchased a total of 118 treasury shares during the financial year from a former key employee. At the end of September, the Board of Directors decided to cancel 13,506 of Enfo's treasury shares. The change was registered and came into effect in October.

Personnel and remuneration

Enfo employed an average of 907 employees (903) during the year and a total of 901 employees (916) at the end of the year. On average, 399 (360) employees were in Finland and 508 (543) were in Sweden. The Group's personnel expenses totaled EUR 70.6 (70.9) million in 2020. Personnel expenses made up 62% (59) of all expenses in the income statement. Enfo paid salaries and bonuses to its personnel to a total amount of EUR 52.6 (52.9) million.

At the end of 2020, the average duration of a permanent employment relationship in the Enfo Group was 6.9 (5.2) years. A clear majority or 76.2% (77) of the Group's personnel are men. The average age of the personnel was 43.4 (42.6).

Enfonians are the key to our success. Enhancing Enfo's attractiveness as an employer remained one of our priorities in 2020. We succeeded in keeping our experts' level of commitment high despite the corona crisis: the results of the annual employee satisfaction survey improved from 2019, and monthly eNPS scores stayed at a good level in both Finland and Sweden. We surveyed our personnel's feelings regarding remote work, manager support and internal communications in May and November 2020. According to the remote work surveys, Enfonians have enjoyed working remotely for the most part.

Events following the financial year

The Board of Enfo Oyj appointed Mikko Valorinta as the company's new CEO in January 2021. Valorinta will step into his position at the beginning of March 2021. He joins Enfo from consulting firm Capgemini, where he has served as Managing Director of Capgemini Finland Oy since 2013. In November, Enfo announced that Seppo Kuula has decided to leave the company to pursue opportunities outside of Enfo. Kuula will nevertheless continue in a new role at Enfo's majority owner Osuuskunta KPY, as KPY has invited him to be a Senior Adviser to the KPY Board of Directors.

Outlook

The IT services market is expected to continue growing, with digitalization driving customer demand. The impact of the corona pandemic on investment decisions and purchasing behavior will have a significant effect on growth.

The Group's net sales and EBITDA are expected to grow from the previous year.

Risks and uncertainties

Enfo's short- and medium-term risks are related to, among other things, the ongoing corona pandemic. The extent of its effects will depend on the progress of the virus, the availability of vaccines and the measures taken by governments to limit the spread of the virus. The duration and severity of the financial impact on business ecosystems and entities are significant uncertainties that may affect companies' decisions on IT investments and their timing. Our customers' possible decisions to scale down services or postpone projects would have an impact on Enfo, as would a decrease in our customers' ability to pay and possible demands for the renegotiation of contract terms.

Enfo's success in customer deliveries depends on skilled personnel. The rapid advance of technology in the ICT industry requires the continuous expansion and renewal of competencies. The availability of certain human resources is limited in the Finnish and Swedish markets, which poses a risk to the development of Enfo's business. To manage this risk, Enfo strives to maintain a positive employer brand and retain highly competent personnel by investing in the continuous development of its personnel and keeping employee satisfaction high.

The company's operations involve risks related to information security and data privacy. At Enfo, information security is managed centrally, and operations are based on risk management and responsibilities, roles and documentation approved by the management. The confidentiality, integrity and availability of our customers' data are ensured with multi-level controls.



The IT services market is expected to continue growing, with digitalization driving customer demand. However, any slowdown in market growth and increased price competition could have an adverse impact on market conditions and thus increase risking profitable growth. This could affect Enfo's operations, financial position and cash flows.

In the long term, Enfo's growth will be influenced by its customers' willingness and ability to migrate business-critical solutions to cross-platform environments and manage them in these environments.

Proposal of the Board of Directors for dividend distribution

On December 31, 2020, the parent company's distributable funds totaled EUR 65,462,935.27. The Board of Directors proposes to the Annual General Meeting that no dividends be distributed for the financial year 2020.

Timetable for financial reporting in 2021

The financial statement bulletin for 2020 will be published on Enfo's website on March 2, 2021. The Annual Report 2020 will be published during week 10. Enfo Oyj's Annual General Meeting will be held on March 24, 2021. The interim reports for 2021 will be published as follows: Q1/2021 on April 23, Q2/2021 on August 20 and Q3/2021 on October 25.

Basis of presentation

This financial statement bulletin has been prepared in accordance with the recognition and measurement principles of the International Financial Reporting Standards (IFRS) and the accounting principles published in the 2020 financial statements.

The figures in the tables have been rounded to the nearest million euros, so they may not add up to precise totals. The figures presented in the tables are unaudited.

Consolidated statement of income

EUR million

	1.10-31.12.2020	1.10.-31.12.2019	1.1.-31.12.2020	1.1.-31.12.2019
Net sales	30.3	31.8	114.6	121.5
Other operating income	0.0	0.1	1.2	0.2
Materials and services	-6.4	-7.4	-25.5	-29.3
Employee benefit expenses	-18.0	-18.5	-70.6	-70.9
Depreciation, amortization and impairment	-2.4	-2.2	-9.4	-8.1
Other operating expenses	-2.2	-2.8	-8.2	-12.0
Operating profit	1.4	0.9	2.0	1.4
Financial income	0.3	0.6	1.1	0.1
Financial expenses	-0.5	-0.5	-2.4	-1.6
Profit before taxes	1.1	1.0	0.7	-0.1
Income taxes	-0.2	-0.7	-0.7	-1.3
Profit for the period	0.9	0.3	0.0	-1.4
Attributable to				
Owners of the parent company	0.4	-0.1	-1.9	-3.0
Non-controlling interests	0.6	0.5	1.9	1.7
Earnings per share, EUR	0.5	-0.2	-2.6	-4.6

Consolidated statement of comprehensive income

EUR million

	1.10-31.12.2020	1.10.-31.12.2019	1.1.-31.12.2020	1.1.-31.12.2019
Profit for the period	0.9	0.3	0.0	-1.4
Exchange rate differences caused by net investments in foreign subsidiaries	0.0	0.4	0.0	-0.3
Other translation differences	1.9	-0.3	1.6	0.2
Comprehensive income for the period	2.8	0.4	1.6	-1.5
Attributable to				
Owners of the parent company	2.2	-0.1	-0.4	-3.1
Non-controlling interests	0.7	0.5	2.0	1.7

Consolidated statement of financial position

EUR million

	31.12.2020	31.12.2019
Assets		
Non-current assets		
Tangible assets	10.9	12.4
Goodwill	68.4	66.5
Other intangible assets	9.2	9.5
Available-for-sale investments	0.1	0.1
Receivables	1.1	0.9
Deferred tax assets	1.5	1.5
Total non-current assets	91.2	91.0
Current assets		
Trade receivables	21.2	22.0
Other receivables	5.9	5.6
Cash and cash equivalents	0.2	1.0
Total current assets	27.3	28.6
Total assets	118.5	119.6
Equity and liabilities		
Equity		
Share capital	0.3	0.3
Other reserves	31.0	25.6
Translation differences	-0.2	-1.7
Retained earnings	14.3	17.4
Total equity attributable to owners of the parent company	45.4	41.6
Non-controlling interests	2.0	1.7
Total equity	47.4	43.4
Non-current liabilities		
Interest-bearing liabilities	28.0	27.7
Provisions	0.1	0.1
Deferred tax liabilities	0.5	0.5
Total non-current liabilities	28.6	28.4
Current liabilities		
Interest-bearing liabilities	13.1	14.9
Trade payables	5.8	6.3
Other liabilities	22.2	25.5
Tax liabilities based on the period's taxable income	1.1	1.2
Provisions	0.3	0.0
Total current liabilities	42.5	47.8
Total liabilities	71.1	76.2
Total equity and liabilities	118.5	119.6

Condensed statement of cash flows

EUR million

	1.1.–31.12.2020	1.1.–31.12.2019
Cash flow from operations		
Profit for the period	0.0	-1.4
Adjustments to the profit for the period	10.5	10.9
Change in working capital	1.7	1.9
Interest paid and received	-1.1	-1.2
Taxes paid	-0.6	-0.9
Net cash flow from operations	10.5	9.3
Cash flow from investments		
Investments in tangible and intangible fixed assets	-7.7	-1.4
Sales of tangible and intangible fixed assets	0.2	0.2
Net cash flow from investment activities	-7.5	-1.2
Cash flow from financing activities		
Changes in loans	-0.5	1.1
Rights issue	4.2	0.0
Other changes in equity	-1.7	-1.6
Repayment of lease liabilities	-5.5	-6.7
Net cash flow from financing activities	-3.6	-7.1
Changes in cash and cash equivalents	-0.6	1.0
Net foreign exchange difference on cash and cash equivalents	-0.1	-0.2
Cash and cash equivalents at the beginning of the period	1.0	0.2
Cash and cash equivalents at the end of the period	0.2	1.0

Changes in shareholders' equity

EUR million

	Share capital	Treasury shares	Translation differences	Value change and other funds	Retained earnings	Total	Non-controlling interests	Total equity
Equity on Jan 1, 2019	0.3	-1.1	-1.6	26.8	20.1	44.5	1.6	46.1
Profit/loss for the period					-3.0	-3.0	1.7	-1.4
Comprehensive income								
Other comprehensive income items								
Exchange rate differences caused by net investment in foreign subsidiaries			-0.3			-0.3		-0.3
Other translation differences			0.2			0.2	0.0	0.2
Other comprehensive income items for the period after taxes	0.0	0.0	-0.1	0.0	0.0	-0.1	0.0	-0.1
Comprehensive income for the period	0.0	0.0	-0.1	0.0	-3.0	-3.1	1.7	-1.5
Transactions with owners								
Distributed dividends							-1.6	-1.6
Share bonuses					0.1	0.1		0.1
Redemption obligation					0.3	0.3		0.3
Total transactions with owners	0.0	0.0	0.0	0.0	0.4	0.4	-1.6	-1.2
Equity on December 31, 2019	0.3	-1.1	-1.7	26.8	17.4	41.7	1.7	43.4

Changes in shareholders' equity

EUR million

	Share capital	Treasury shares	Translation differences	Value change and other funds	Retained earnings	Total	Non-controlling interests	Total equity
Equity on Jan 1, 2020	0.3	-1.1	-1.7	26.8	17.4	41.7	1.7	43.4
Profit/loss for the period					-1.9	-1.9	1.9	0.0
Comprehensive income								
Other comprehensive income items								
Exchange rate differences caused by net investment in foreign subsidiaries			0.0			0.0		0.0
Other translation differences			1.5		0.0	1.5	0.1	1.6
Other comprehensive income items for the period after taxes	0.0	0.0	1.5	0.0	0.0	1.5	0.1	1.6
Comprehensive income for the period	0.0	0.0	1.5	0.0	-1.9	-0.4	2.0	1.6
Transactions with owners								
Distributed dividends						0.0	-1.7	-1.7
Share issue				4.2		4.2		4.2
Acquisition of treasury shares		0.0				0.0		0.0
Cancellation of treasury shares		1.1			-1.1	0.0		0.0
Total transactions with owners	0.0	1.1	0.0	4.2	-1.1	4.2	-1.7	2.5
Other adjustments					-0.1	-0.1		-0.1
Equity on December 31, 2020	0.3	0.0	-0.2	31.0	14.3	45.4	2.0	47.4

Commitments and contingencies

EUR million

	31.12.2020	31.12.2019
Leasing liabilities	0.3	0.1
Other rental liabilities	1.9	2.8
Bank guarantees	0.1	0.1
Total other liabilities	2.2	2.9

Additional information



Mikko Valorinta, CEO from March 1, 2021

+358 40 099 7257



Mari Orttenvuori, CFO

+358 46 876 5233

Enfo Oyj Business ID:

2081212-9

Enfo

Data-driven business transformation

Enfo is a Nordic IT service company enabling its customers' data-driven business transformation. With our niche expertise in hybrid platforms, information management and applications, we bring together relevant data for more intelligent operations. We both build and run digital solutions – supporting our customers in mastering complexity. We are 900 experts working for a more intelligent world, in which technology empowers people, businesses and societies.

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