

# DATA-DRIVEN

BUSINESS TRANSFORMATION

ANNUAL REPORT 2018





Enfo is a Nordic IT service company enabling its customers' data-driven business transformation. With our niched 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 the complexity. We are some 900 niched experts working for a more intelligent world, with technology empowering people, businesses and societies.

# ENFO 2018

From the beginning of the year, Enfo started to execute on its sharpened strategy. Enfo increased its cloud operations, strengthened its focus on information management and continued to build on its track record of not only building, but also running solutions in the long term. Priorities of the year were our people and profitability.





# KEY FIGURES AND HIGHLIGHTS 2018

In 2018, Enfo focused on profitability and a sustainable business foundation. EBITDA excluding non-recurring items was at a moderate level. The profit was affected by non-recurring items.

## KEY FIGURES

	IFRS 2018	IFRS 2017
Turnover (EUR million)	125.6	131.7
Operating profit (EUR million)	-2.5	-5.1
Profit for the period (EUR million)	-4.5	-7.2
Return on equity %	-5.6	-9.2
Equity ratio %	43.8	46.6
Net gearing %	69.5	57.4
Interest-bearing net liabilities (EUR million)	32.0	30.1
Balance sheet total (EUR million)	105.5	112.9

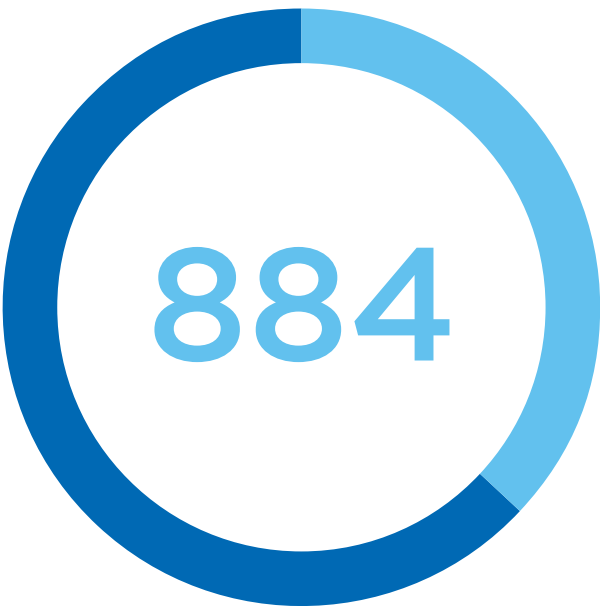
## NET SALES

EUR million, total



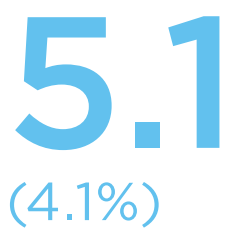
## EXPERTS

total



## EBITDA EXCL. NON-RECURRING ITEMS

EUR million



## CUSTOMERS

(approx.)



## HIGHLIGHTS

Seppo Kuula starts as Enfo's **CEO** and Enfo begins the execution of its **sharpened strategy**.

Enfo launches its **Cloud Care** concept at the AWS summit in Sweden and becomes an AWS Managed Service Partner. During the year Enfo develops Cloud Care capability for SAP.

In a market that is rapidly moving towards cloud-based solutions, Enfo decides to **end classical outsourcing operations in Sweden** and to close down the business unit Care Transform Karlskrona. Earlier in the year Enfo decided to close down the data center in Karlskrona.

Enfo implements a **new structure** and during the fall **simplifies its legal structure** in Sweden.



# CEO'S REVIEW

The year 2018 was a year of unification and solidification at Enfo. Our focus was on building a sustainable business foundation, prioritizing our people and profitability.

The value of an expert company rests with its people. Thus, we put extra effort into our strategic must-win battle A workplace to love. We began the year by setting our common values and developing processes for a unified culture to reinforce a sense of belonging. We also defined the Enfo leadership philosophy.

A common story is the foundation for coherent business development. In the second quarter, we advanced our shared story and offering towards a competitive position. We enable data-driven business transformation for a more intelligent Nordics by supporting our customers in mastering the complex scene of hybrid platforms and exponentially increasing amounts of data and number of applications. Our strength lies in our cross-platform expertise and our capability to both build and run digital solutions from business-critical enterprise software systems to discrete digital services. Going forward, our focus will increasingly be on the cloud.

The company structure should support the story. In the third quarter, we implemented a new structure for clarifying value creation. Our four business areas since August are Data platforms, Information management, Applications and Care. Together with our subsidiary Zuite Business

Consulting, we advanced the alignment of our offerings around SAP on cloud. With the future market being characterized by cross-platform activity, we decided to close down our data center in Karlskrona and end operations at the business unit Care Transform Karlskrona in Sweden.

Common tools and operational alignment are a prerequisite for maneuverability in a constantly changing market. In the fourth quarter we focused on developing tools to enhance navigation as well as transparency in the organization. We brought our financial processes and tools back in-house, as the cooperation with an external partner did not succeed. During the year, we simplified our legal structure in Sweden. The foundation for competence management as well as sales and business area alignment was set at the end of the year.

Throughout the year we focused on profitability. After a challenging year in 2017, we managed to get back on track.

In 2019, operational efficiency continues to be our focus. We will put effort into attrition, utilization and our cloud offering. We have made headway when it comes to



culture, offering and story, but need forward-looking transparency to support proactivity in business management. For this purpose, further development of financial as well as a competence management tools and processes is crucial.

I joined Enfo in January 2018 and will remember this first year as a year of challenges to tackle, progress to praise and hard work with new friends. During the year, we pushed through necessary transformational changes and will in 2019 be able to focus on collaborative value creation. My sincere thanks to all Enfonians for their resilience. I also want to pass on my thanks to our extended network of colleagues: customers, partners as well as other players taking the branch forward together with us. The data convergence is a golden opportunity for all of us.

**SEPPO KUULA**  
CEO



# DIRECTION

Our strategy is based on enabling data-driven business transformation in an operating environment characterized by an increasing amount of data and number of applications as well as the movement to cloud. Enfo wants to be a responsible player as regards digital responsibility, environmental responsibility and corporate citizenship.



# OPERATING ENVIRONMENT

As the amount of data grew exponentially, the IT services market expanded at an accelerated pace in 2018.

Massive growth in the amount of data has impacted the IT services industry as a whole. The management and application of this data dominated the operating environment in 2018. As the amount of data continues to grow, so have the multiple ecosystems that store this data been bolstered, creating an increasingly complex environment that spans various platforms. The integration of existing on- or off-premises solutions with cloud solutions also continued in earnest, and data and IT services continued to transform to public cloud.

Growth in cloud-based IT and the massive influx of data are driving the market, enabling customers to focus on the solutions they need to effectively access and utilize the data they need. Implementing the relevant services also demands accessing a diverse range of solutions from multiple vendors operating across various platforms. As a result, strategic partnerships play an increasingly important role in designing, developing and delivering an IT strategy for customers that helps them reach their business objectives.

Customers are reconsidering the traditional model of outsourcing IT, and increasingly seek to partner with IT service providers that can provide a holistic approach. Customers who are

able to utilize their data effectively are better positioned for success. In order to get the most out of their data, customers seek access to the latest technologies and aim to gain benefits from implementing the most reliable and cost-efficient solution possible.

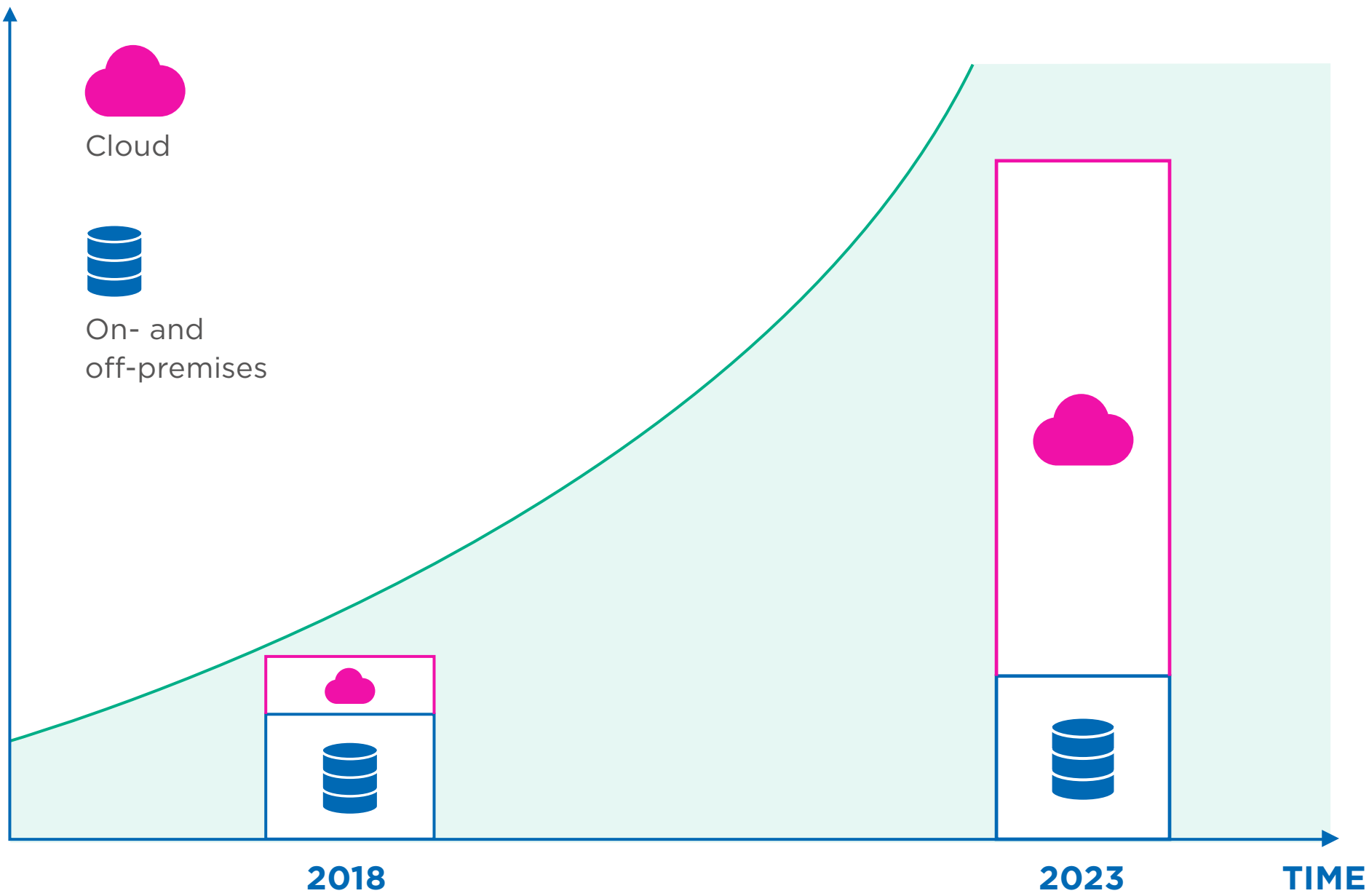
Building bridges between the global public cloud vendors and local customers is the sweet spot where regional and local IT service providers flourish. Customer co-creation establishes partnerships that share responsibility between IT service providers, customers and global vendors; from security management to ensuring data availability and beyond. With better control of their data, customers are empowered to look at new ways to use and develop it.

In an increasingly data-driven world, the IT service market will experience continued growth going forward, especially in cloud-based systems and applications. For customers, it will be imperative to continue to bring different data assets together in order to remain competitive. This integration is an absolute prerequisite for digital business transformation.

## HEADING FOR THE CLOUDS

Exponentially increasing amounts of data fuel growth in the IT services market, predominantly in the public cloud. However, on- and off-premises solutions will continue to play a role in the future.

### DATA AND APPLICATIONS



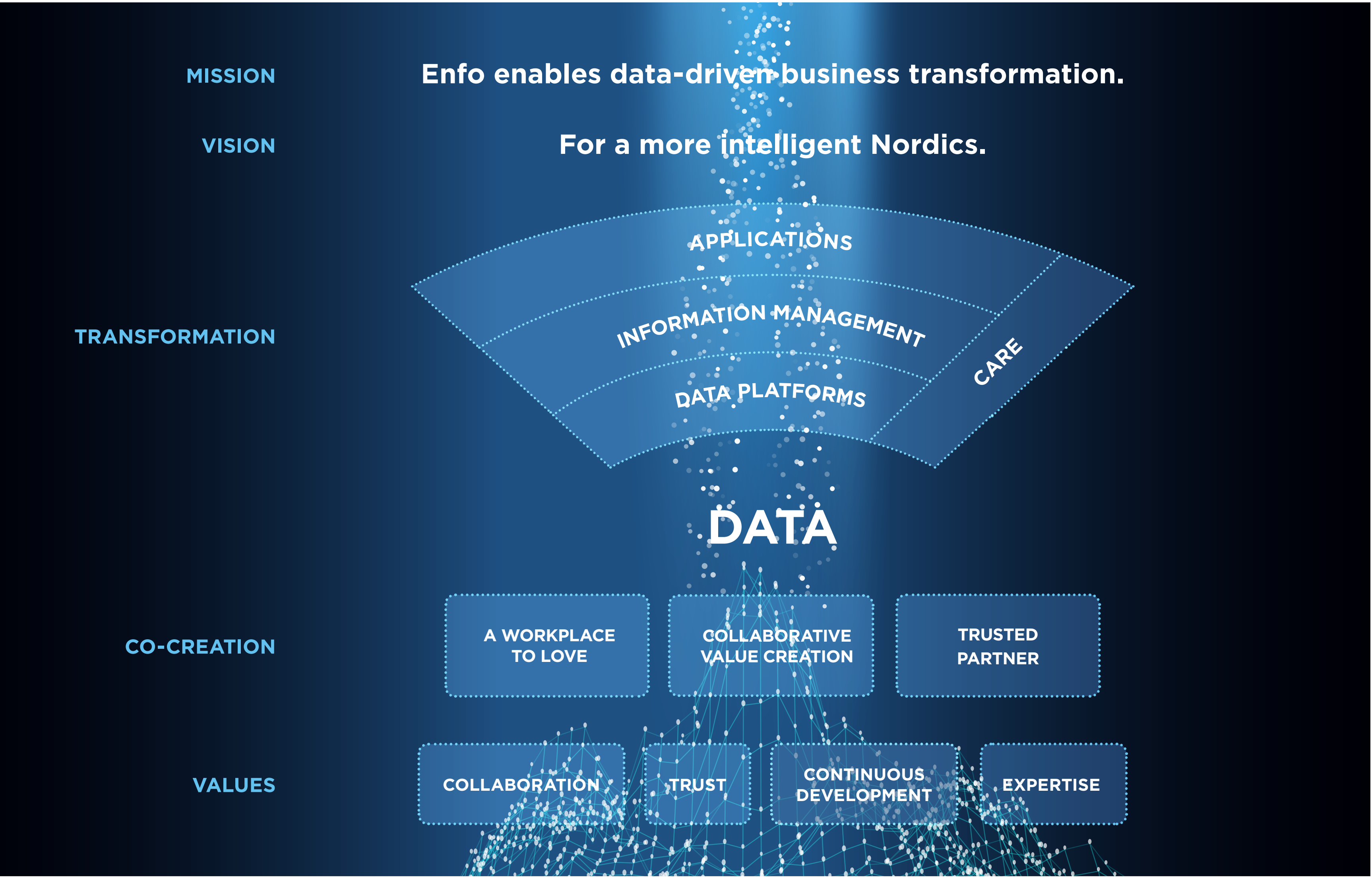


# STRATEGY

Towards 2020, Enfo focuses on comprehensive data management, supporting our customers in managing, refining, analyzing and using ecosystem data to their business advantage.

Enfo's strategy is based on enabling data-driven business transformation. Enfo both builds and runs digital solutions. Our strength lies in our cross-platform expertise, and going forward, we aim at being a leading provider of cloud solutions in the Nordics. Enfo operates in the Nordic countries, with Sweden and Finland as primary markets. We create value in close cooperation with our customers, taking ownership of our customers' business transformation as if it were our own. Digitalization drives a service-based business logic, which requires listening, customizing and co-creating. Thus, we seek trusted partnerships in customer relations and long-term cooperation.

We provide our customers with broad-ranging support in their data-driven transformation: our expertise covers the data platforms for data management, information management to govern exponentially increasing amounts of data,





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

Enfo started executing on its renewed strategy in the beginning of 2018. In connection with the strategy process in the autumn of 2017, Enfo also sharpened its mission and vision. The strategy includes three must-win battles related to talent, collaborative value creation and customers.

**Mission, vision and must-win battles**

Enfo envisions a more intelligent world where technology empowers people, businesses and societies. Data is at the core of this change. Our mission is to enable data-driven business transformation, and we operate in the Nordics. We enable data-driven business transformation for a more intelligent Nordics.

Enfo’s three must-win battles as 2020 approaches are:

**A workplace to love.** Enfo is a workplace where we are authorized to act, encouraged to grow and have a culture of caring. Our values are at the core of our actions: collaboration, trust, continuous development and expertise.

**Collaborative value creation.** Our strength is in our expertise. We develop our leadership and improve our agility by collaboration and predictability. We work together, focusing on customers’ needs and respond to change driven by digitalization. We work towards one common goal and with one common story.

**Trusted partner.** We understand our customers’ business and possess broad knowledge of technology enabling data-driven transformation, as well as competence to co-create value.

**Strategy implementation in 2018**

In 2018, Enfo focused on a sustainable business foundation, people and profitability. Among our strategic must-win battles we prioritized the must-win battle A workplace to love.

We developed our culture based on our values and our leadership based on our leadership philosophy defined during the year. We enhanced internal communications, launching a new intranet, setting principles to improve manager communications and emphasizing strategy anchoring. For agile measurement we started to follow the Employee Net Promoter Score (eNPS) on a monthly basis and its development was positive throughout the year, starting from a low level though.

We built a Talent acquisition team focusing on inbound recruitment, developed recruitment processes and took modern recruitment tools into use. We started to develop our competence management and will continue that work in 2019.

To bring Enfo together, we carried out legal mergers in Sweden, where due to a history of company acquisitions we have had several legal entities. The mergers were finalized by year-end, and Enfo now has two operating companies in Sweden: Enfo Pointer AB and Enfo Sweden AB – Enfo Pointer AB being a subsidiary to Enfo Sweden AB.

To support our ambition to be a leading provider of cloud solutions in the Nordics in 2020, we launched our Cloud Care concept.

**Strategic goals for 2019**

In 2019, we will continue to focus on profitability and give priority to our strategic must-win battle Collaborative value creation.

As regards internal steering mechanisms, advancement was not adequate in 2018, and we will put effort into better navigation in 2019. The decision taken in 2018 to bring back financial processes and tools in-house was a necessary step for progress. Competence management will play a crucial role in 2019. Already in 2018, we started to develop a competence

management solution for aligning sales, business management, competence acquisition and competence development. When ready, it will give us transparency to manage our business and competence acquisition based on market demand, providing operational excellence and competitive advantage. In 2019, we will focus on utilization rates.

**FOCUS 2018: SUSTAINABLE BUSINESS FOUNDATION**

**TOOLS**

We put focus on developing a competence management tool. We brought back our financial processes and tools in-house, a necessary step towards common tools and processes at Enfo.

**STRUCTURE  
SUPPORTING  
STORY**

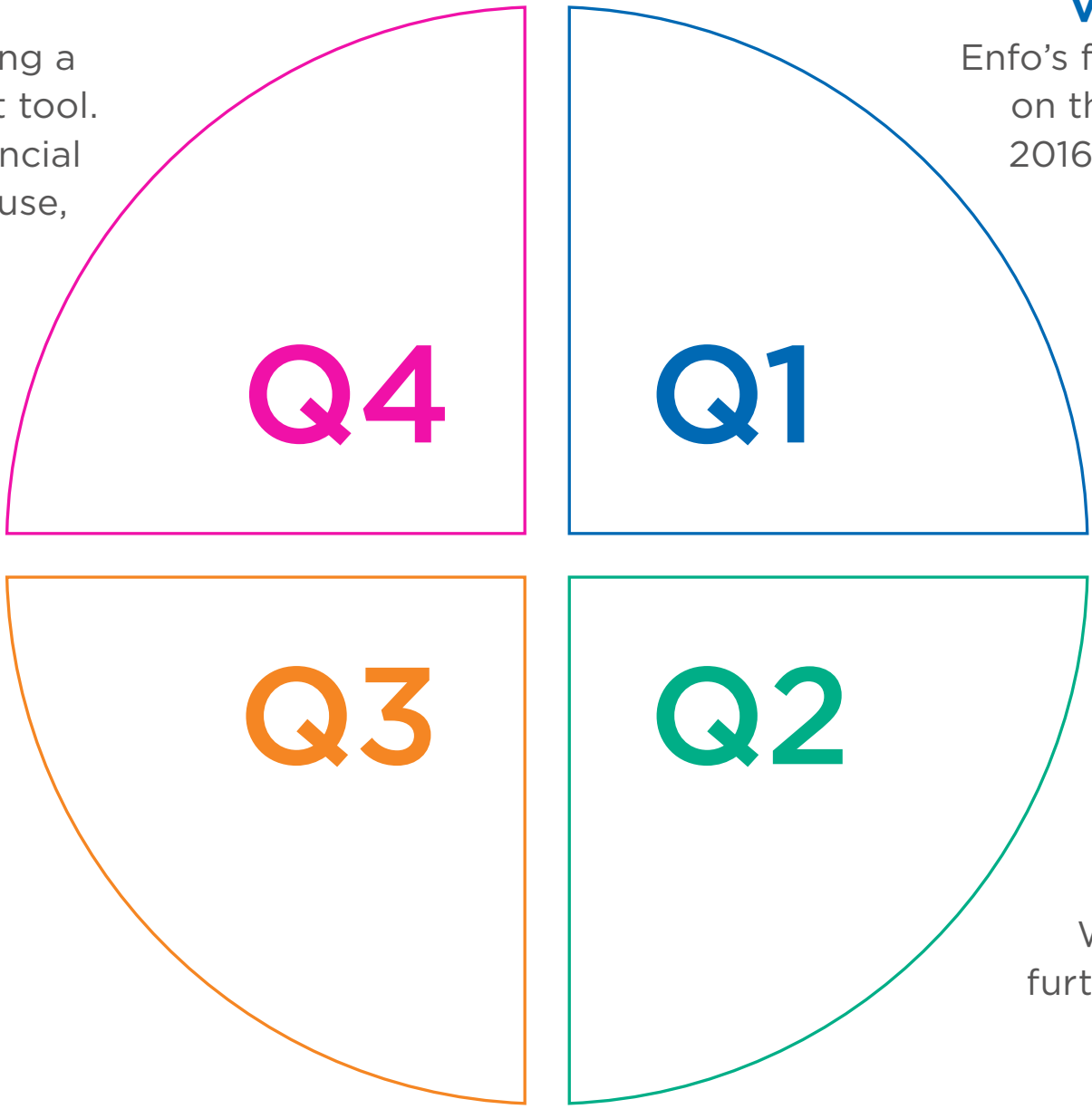
We implemented a new structure to support our story. Our four business areas are Data platforms, Information management, Applications and Care.

**VALUES AND CULTURE**

Enfo’s four values were set based on the Enfo identity process in 2016–2017: collaboration, trust, continuous development and expertise. We put effort into strengthening a unified culture and defined the Enfo leadership philosophy.

**STORY AND  
OFFERING**

Our story, with data at the core, evolved and was anchored internally and presented externally. We developed our offering further towards a competitive position.



MUST-WIN BATTLES TOWARDS 2020

	ACTION POINTS	ACHIEVEMENTS 2018	NEXT STEPS TOWARDS 2020
A WORKPLACE TO LOVE	<ul style="list-style-type: none"><li>• Define and anchor common story and values</li><li>• Develop lean leadership</li><li>• Secure a clear organization</li><li>• Make our administration simpler and data-driven</li><li>• Enable competence acquisition, competence management and competence development disciplines</li><li>• Improve employee communications to build commitment, pride and a sense of belonging</li></ul>	Story and values defined, with employee communications focusing on these. Leadership philosophy defined, manager communications strengthened. New organizational structure in place. Legal mergers in Sweden finalized. Talent acquisition team, working with employer branding, established. Work on continuous and transparent employee communications (e.g. summaries of Management Team meetings in the intranet) carried out, communications sparring arranged for all Enfonians. Must-win battle A workplace to love was the prioritized MWB in 2018.	Continue to strengthen shared culture and anchor story, values and leadership philosophy. Clarify roles where business areas overlap. Improve internal steering mechanisms and develop administration towards data-driven. Secure competence management and competence development to respond to market demand. Continue work on engaging employee communications.
COLLABORATIVE VALUE CREATION	<ul style="list-style-type: none"><li>• Create measures and processes for the common good, not silos</li><li>• Define the unified service portfolio and value proposition of Enfo</li><li>• Learn to manage common sales organization with business area specific requirements</li><li>• Create common culture for leadership, sales and business management</li></ul>	Bonus plans overseen to include EBITDA element. Enfo value proposition defined: mastering complexity, confidence in cloud and genuine care. Development of common offering.	Align sales and business areas and take service portfolio to the next level. Develop measures and processes to support the common culture and good. Must-win battle Collaborative value creation will be the prioritized MWB in 2019.
TRUSTED PARTNER	<ul style="list-style-type: none"><li>• Define the different types of trusted partnerships</li><li>• Segment Enfo customers to choose where to go for strategic partnership</li><li>• Define partnership goals together with trusted partner</li><li>• Follow up on actions and results transparently together with the trusted partner</li><li>• Create one umbrella story for trusted partnerships and embrace individuality in every partnership</li><li>• Co-creational partnership development</li></ul>	A proposal of definition of types of trusted partnerships developed. KPIs to follow up trusted partnerships set. Co-creational approach introduced in chosen customer relationships. Internal materials produced to support transformation.	Continue to work on trusted partnerships and increase their number. Enhance segmentation. Track partnership goals and follow up on actions and results in trusted partnership relations in line with KPIs. Enhance co-creational approach in customer relations. Must-win battle Trusted partner will be the prioritized MWB in 2020.

Within recruitment and employer branding we will continue to develop tools and integrate recruitment and HR tools for a comprehensive view of the employee life cycle. We will also advance academies and our career site. We will continue to focus on sustainable employee turnover.

We will increase our information management and cloud operations and look further into SAP on cloud.

In addition, we will align sales and business areas to respond better to a pull-driven market where co-creational relationships are essential. We have an extensive customer base of large and medium-sized companies in Finland and Sweden. By further integrating the offering for these customers, Enfo holds a unique position and considerable growth potential.



# RESPONSIBILITY

In 2018, Enfo worked to protect its customers from cyber attacks and made energy-saving decisions.

Enfo acknowledges its social and environmental impact and aims for sustainability in its operations. We pursue to be active in developing responsible digital operations, and our commitment to the environment has been recognized with an ISO certificate.

### Digital responsibility

In 2018, Enfo developed its processes, practices and competencies in close collaboration with customers and partners.

The EU General Data Protection Regulation (GDPR), implemented in May, required an in-depth understanding of the regulation’s effects on Enfo and Enfo’s customers. We succeeded in communicating about the regulation’s requirements to all relevant stakeholders and building appropriate processes under a tight time constraint.

Personal data protection and cyber security are of high importance to Enfo. We reacted against a significant wave of Office 365 phishing attacks during 2018 by supporting affected

customers and protecting others from being attacked. Enfo’s own systems provided key information on the security breaches not only to Enfo and its partners, but also to several organizations around the Nordics. Over the course of the year, Enfo began work on constructing a new Information Security Management System (ISMS) based on the ISO/IEC 27000 standard and the Internet Security Forum’s (ISF) best practices. The new system will be certified on the Group level in 2019.

In 2018, Enfo launched a Security Operations Center practice, a 24/7 threat monitoring and escalation service. Enfo also introduced mandatory multifactor authentication (MFA) to all its employees in fall 2018. We continue to send information security bulletins to our employees and customers on a regular basis.

Enfo expects to reconstruct its entire network infrastructure in spring 2019 by shifting from a traditional structure to a software-defined network (SDN). This will enable Enfo to provide solutions that are secure and agile by expanding the capabilities of a traditional connectivity to extend to public cloud services.

### Environmental responsibility

The main contributors to Enfo’s environmental impact are its data centers, other premises and travel. Enfo responds to the need to reduce the impact of its operations by obliging to environmental standards and embracing energy-saving solutions.

Enfo received the ISO 14001:2015 certificate in 2017, and its Environmental Management System continued to be based on this standard in 2018.

The certificate calls for the continuous development of the quality of the company’s operations.

Data centers remain the most significant consumers of energy in the IT sector. Enfo reduces its energy consumption by moving its own and its customers’ operations increasingly to the cloud. Enfo has continued its efforts to save energy and whenever possible use sustainable energy sources. Green energy is used in all data centers and in most offices.

Enfo’s new travel policy was launched in 2018. It encourages using the virtual meeting equipment available at all the offices over traveling for business. Enfo urges employees to use public transport and will review its car policy in 2019.

### Social responsibility

As a company fulfilling its social responsibility, Enfo makes charitable donations on an annual basis. In 2018, instead of Christmas gifts to clients and employees, Enfo made a donation to Arcanys Early Learning Foundation. Enfo also rewards its employees for being active on social media by donating to charity. In 2018, the charities Enfo donated to through this program were Kiva, UNHCR, WWF and Cancerfonden in Sweden, and Aamu – Suomen Lasten Syöpäsäätiö and WWF in Finland.

In Sweden, Enfo continued the practice of enabling employees to donate to charity directly from their salaries to different organizations. In addition, Enfo continued working with computer education with From One to Another, supporting every girl’s right to education.

## ENFO’S IMPACT ON SOCIETY IN 2018

Materials and services	EUR <b>30.3</b> million
Salaries to employees	EUR <b>61.6</b> million
Pension insurance premiums and pensions	EUR <b>8.8</b> million
Interest payments on loans	EUR <b>0.6</b> million
Corporate taxes	EUR <b>0.7</b> million
Dividends to shareholders	EUR <b>0.0</b> million
Equity repayment	EUR <b>0.0</b> million

## CERTIFICATIONS AWARDED TO ENFO’S BUSINESSES AND OFFICES

- ISO 9001:2015 (Quality system)
- ISO 14001:2015 (Environment)
- Helsinki Region Transport, ‘Employer that makes you move’
- LEED and BREEAM certifications (Environment, offices)

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

# CUSTOMERS

Enfo supports its customers in mastering the complex scene of hybrid platforms, business applications and new digital services. Our aim is to be the leading cloud service provider in the Nordics by 2020. We focus on mid-sized and large companies. We provide genuine care, taking ownership of our customers' business transformation as if it were our own.





# BUSINESS OPERATIONS

Enfo supports its customers in their data-driven transformation, providing cross-platform expertise from data centers to different clouds and capability to both build and run digital solutions.

Enfo developed its structure further in 2018. Enfo’s four business areas respond to a market where connectivity is business-critical, cross-platform and omni-channel. The Data platforms business area provides the backbone for the management of data: our data center in Kuopio as well as private, hybrid and public cloud platforms. The Information management business area supports customers in handling exponentially increasing amounts of data to support new business opportunities and make existing operations more efficient. The Applications business area provides applications, digital services and integration with all leading technologies. The Care business area is responsible for our service center and continuous operations with top-notch customer support 24/7/365 irrespective of platform and solutions.

Customer centricity continues to be at the core of our operations. In the long-term, we aim for co-creation in our customer relationships. Co-creation represents deep maturity in the

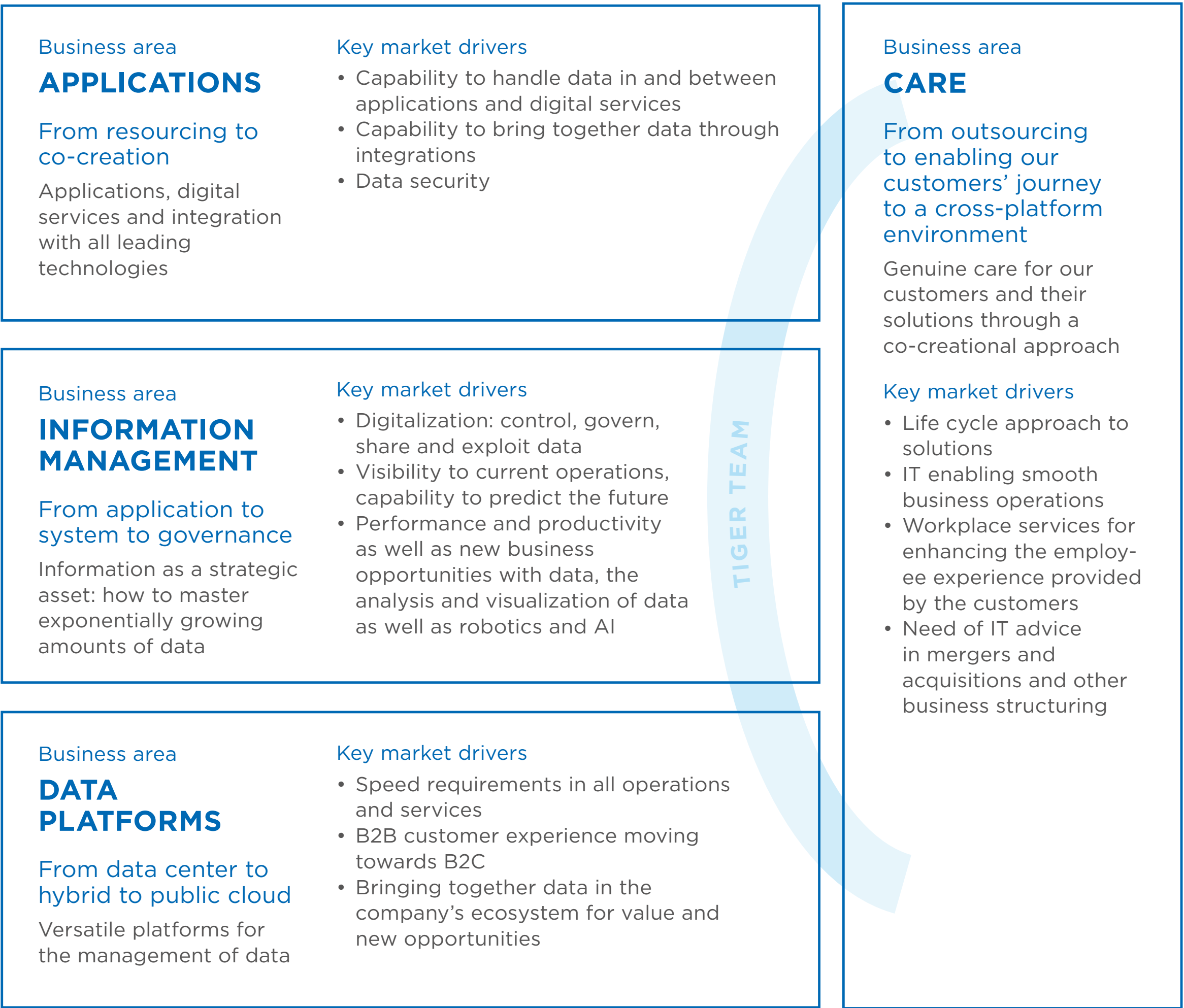
customer relationships, where our customers and Enfonians work closely together towards value creation. In 2018, a co-creational approach was introduced among chosen customers. At the end of 2017, Enfo defined as a must-win battle towards 2020 to be a trusted partner and increase the number of strategic partnerships. In 2018, the development of strategic partnerships advanced with a handful of customers.

During the year, Enfo developed its offering further and defined its value proposition to customers. Enfo’s value proposition is:

**Mastering complexity.** We both build and run digital solutions – supporting our customers in mastering the complex scene of hybrid platforms, business applications and new digital services.

**Confidence in cloud.** With our steadfast confidence in the cloud, our aim is to be the leading cloud service provider in the Nordics by 2020.

**Genuine care.** We take ownership of our customers’ business transformation as if it were our own.



# OFFERING

Managing data streams, refining, analyzing and using data wisely.



## INFORMATION MANAGEMENT

Make better decisions with the right data to maximize business value



## CLOUD SERVICES

Transform your business through a step-by-step journey to the cloud



## INTEGRATION SERVICES

Have the right information at the right time for your business success



## DIGITAL TRANSFORMATION

Turn ideas into innovative digital products for the future



## WORKLIFE

Create a digital work life that attracts tomorrow's sharp minds



## APPLICATIONS

Choose the best applications that serve, build and develop your business



## SAP & ENTERPRISE APPLICATIONS

Utilize and develop your core applications with a holistic cloud-based approach



# SUCCESS STORIES



## POSTNORD

Enfo and PostNord, the leading provider of communications and logistics solutions to, from and within the Nordic region, have been working together since 2013 on transforming PostNord's digital infrastructure and product offering. In the spring of 2017, Enfo helped PostNord revise its e-commerce solution 'Shipping Tool' to make it modern and accessible, and with a secure and stable identity solution for the service. "It's obvious that automated processes have given us the best and most robust system in PostNord's history," says Petter Edlund, Head of Business IT at PostNord eCommerce & Logistics. Enfo has also helped PostNord with future-proofing and streamlining many of the company's other processes by contributing to the "big picture" and providing strategic advice along the way.

[Read the whole story >](#)



## TECHNOPOLIS

Technopolis is a shared workspace expert whose campuses host 1,600 companies with 50,000 employees in six countries. Technopolis and Enfo collaborated to develop proactive incident management: solving workstation issues before they become visible to users. Through proactive incident management, Enfo can serve users at Technopolis more effectively and actively. The method is fairly new. "The feedback we have received has been exclusively positive," says Risto Kivisilta, CIO at Technopolis. In the future, the goal of Technopolis is to introduce the proactive approach to business applications.

[Read the whole story >](#)



## LÄNSFÖRSÄKRINGAR

Länsförsäkringar consists of 23 customer-owned, regional insurance companies. Enfo and Länsförsäkringar Stockholm have been working together for over 10 years. In 2018, they implemented a migration and tie-back of the existing solution for planning and follow-up with the goal that 80% of the finance department's time could be used on data analysis. The solution has received a great deal of positive feedback and paves the way for improving the day-to-day lives of employees. It has become easier for management to make decisions and plan their resources, which creates proactivity and improves the preconditions for taking appropriate action.

[Read the whole story >](#)



# EXPERTS

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







## OUR EXPERTS

Enfo wants to provide a workplace to love. In 2018, we defined our values and leadership philosophy to support common culture.

**R**ecruiting and engaging experts is key to Enfo's success. In 2018, Enfo developed its employer brand and focused on building a community with shared values. The four Enfo values; collaboration, trust, continuous development and expertise; were based on an identity-defining process carried out in 2016 and 2017. The values were communicated throughout the company over the course of 2018 and are now also a key part of the new

appraisal and development discussion process. Work on developing company culture based on values will continue in 2019.

Enfo's new leadership philosophy supports the development of talent in-house by encouraging e.g. looking for value and embracing diversity. The leadership philosophy was rolled out in spring 2018 at leadership forums organized for supervisors in Sweden and Finland. Going forward, there will be an increasing emphasis on opportunities to develop as a leader of others and oneself at Enfo.

In January, a new Talent acquisition team was established to develop employee experience from recruitment to exit, implementing the inbound methodology, as well as to increase employer brand recognition. Enfo continued its referral program to encourage current employees to give recruitment tips from their own networks.

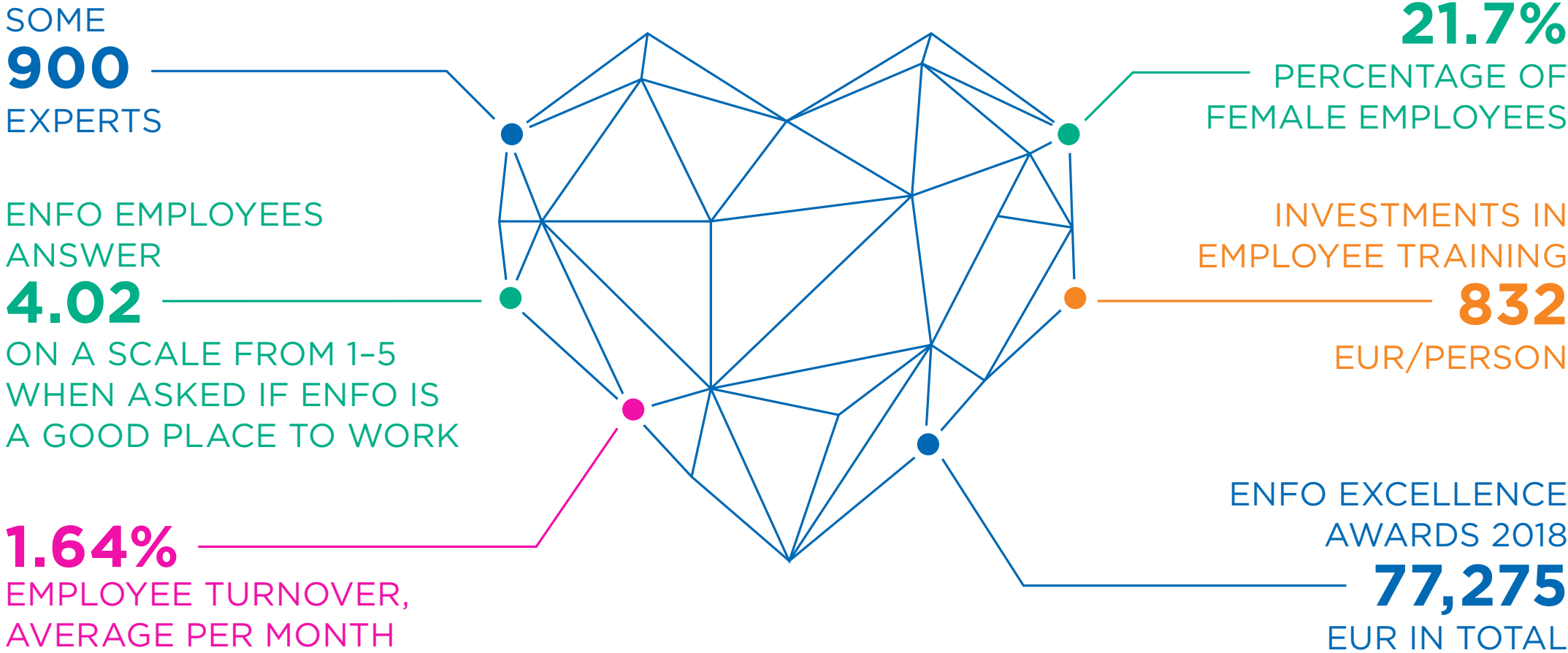
**Sarvenaz Glemfors**

**COACHING A SELF-DRIVEN TEAM**

"Enfo is just the right size for getting to know customers well. Every day at the office is fun!"



ENFONIANS AT A GLANCE



Legal mergers and wellbeing

Enfo has a history of growing through acquisitions. In 2018, Enfo simplified its structure by merging Swedish Enfo companies into two operational legal entities. In addition to aligning practices, work was carried out to strengthen unified company culture across all Enfo countries.

One of Enfo’s strategic targets is to be a workplace to love. Enfo started to measure its employee satisfaction with the monthly Employee Net Promoter Score (eNPS) survey in 2018. The eNPS surveys were followed up in a more extensive survey in November 2018.

During 2018, a network of employee wellness and culture clubs was established at the Enfo offices. The clubs’ activities are instigated by the employees themselves and include culture, sports and lectures on mental wellbeing.

Mourad Daifi  
DATA MANAGEMENT ENTHUSIAST INTO POSITIVE LEADERSHIP

“It’s not just a job, it’s an opportunity to grow. I’m trusted and respected as an expert in my field.”



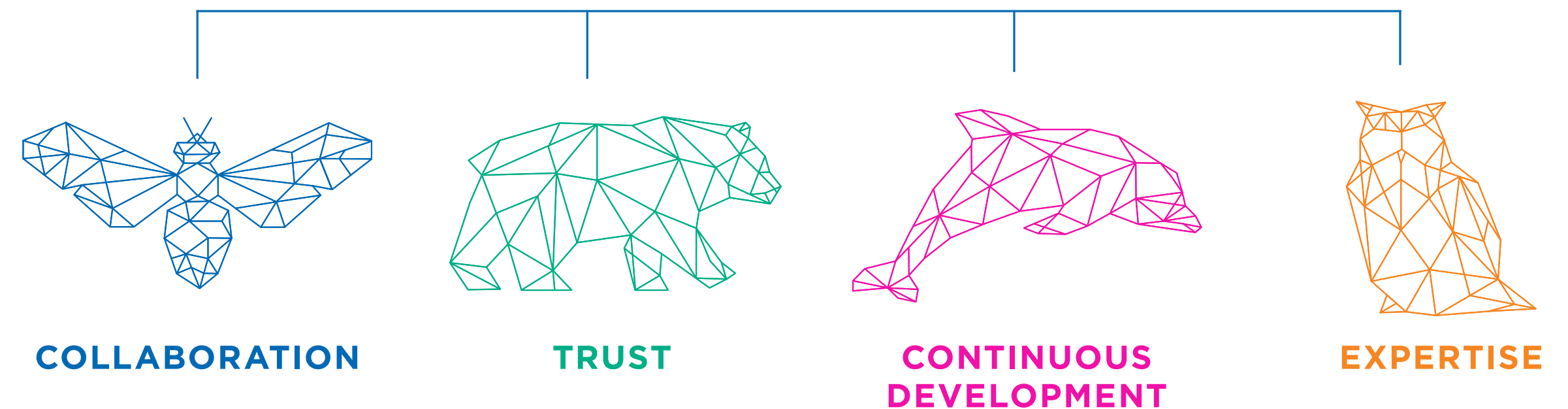




**Sanni Milonoff**  
**MAKING PEOPLE AND FIGURES WORK IN HR AND FINANCE**

“My tasks challenge me, and I have the freedom to develop my role and way of working.”

## OUR VALUES



### Sharing and developing expertise

To provide employees with more opportunities to grow at Enfo, we began to set up training academies that will expand in 2019. Throughout the year, Enfo focused on internal communications, and a new intranet was launched in February 2018. Enfo has continued with Enfo excellence awards to recognize and encourage great performance and behavior. Any employee can nominate another employee for the award.

## ENFO'S LEADERSHIP PHILOSOPHY

### CARE

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

### ADD VALUE

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

### COMMUNICATE

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

### THINK LIKE AN ENTREPRENEUR

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

### RESPECT

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



# CORPORATE GOVERNANCE





# CORPORATE GOVERNANCE REPORT

Enfo Oyj's administration and management complies with the company's Articles of Association, the Finnish Companies Act and the Finnish Corporate Governance Code 2015 for Finnish listed companies, with exceptions. The Code is available on the Securities Market Association's website ([www.cgfinland.fi](http://www.cgfinland.fi)). Taking into account the extent of the company's operations, the company does not have committees nominated by the Board of Directors. However, the shareholders have appointed a Shareholders' Nomination Board as described in recommendation 18b of the Code.

The application guidelines for good corporate governance were revised and approved by the Board of Directors on January 1, 2018. A yearly report on the Corporate Governance is part of the Annual Report.

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

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

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

## The General Meeting of Shareholders

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

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

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

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

After the meeting, Enfo publishes the decisions made by the General Meeting.

The Annual General Meeting was held on March 27, 2018.

## The Shareholders' Nomination Board

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

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

Having a diverse Board of Directors is an essential component of a responsible business, which enables the achieving of the company's strategic targets. When planning the composition of the Board of Directors, the Shareholders' Nomination Board takes into account the needs and development phases of the company's business operations. The diversity of the Board of Directors is assessed from various viewpoints. Key factors include the expertise and education of members supplementing those of other members', varied experience in different business fields and managerial positions, as well as the

personal qualities of each member. The objective is that both genders are represented by at least two members.

The Annual General Meeting of March 27, 2018 elected members of the Shareholders' Nomination Board as follows: Anssi Lehtikainen, Pekka Kantanen, Lauri Kerman (Secretary) and Tarja Tikkanen (Chairperson). In 2018, the Nomination Board convened once, and the attendance rate of the members was 100%.

## The Board of Directors

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

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

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

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

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

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

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

Enfo Oyj's Annual General Meeting on March 27, 2018 elected Anssi Lehtikainen, Lauri Kerman, Mikko Laine, Kaisa Olkkonen, Susanna Rahkamo and Claes Wallnér as members of the Board of Directors, as proposed by the Shareholders'

Nomination Board. The meeting of the Board of Directors held on the same day elected Anssi Lehtikainen as the Chairman of the Board of Directors, as proposed by the Shareholders' Nomination Board.

In 2018, the Board of Directors convened 12 times, and the overall attendance rate of the Board members was 99%.

### CEO and other management

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

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

Seppo Kuula, M.Sc. (Tech, industrial engineering), eMBA (marketing) and Engineer (machine automation), started as CEO on January 1, 2018.

The CEO is assisted by the Group's Management Team, which is responsible for the operative management of Enfo Group. The Group's Management Team convenes at least once a month. In addition to the CEO, in February 2019, the members of the Group's Management Team included Lars Aabol (EVP, Care), Nina Annila

(EVP, Data platforms), Björn Arkenfall (EVP, Applications), Erik Brügge (EVP, Sales), Antti Hemmilä (General Counsel), Christian Homén (CFO), Sami Kähkönen (EVP, Information management) and Henrik Norell (SVP, People operations).

### Incentive schemes

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

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

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

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

In 2018, the company paid a total of EUR 400,000 in salaries and fees to CEO Seppo Kuula, of which the result-based bonuses accounted for EUR 100,000. The period of notice in the executive agreement of Seppo Kuula, valid until further notice, is six months if the CEO terminates the agreement. If the company terminates the agreement, the CEO will also receive an amount corresponding to the salary of six months.

In 2018, EUR 1,911,073 were paid in salaries and fees to all members of the Group's Management Team.

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

In 2018, the short-term incentive or bonus scheme for the management and key persons in Finland and Sweden involved approximately 50 persons. For management and key persons the central determining criteria for the bonus include profitability of the Group or business area and/or personal objectives, and bonus accounted for, at most, 10–50% of a person's annual salary. In 2018, the incentive scheme had



two earning periods: from January 1 to June 30 and from July 1 to December 31.

For the Group's other permanent employees (apart from persons in the Sales' salary scheme and certain other exceptions), the short-term incentive or bonus scheme 2018 was based on profitability of the Group or business area and/or personal objectives.

In addition to the annual bonus scheme, the Group has a long-term share incentive scheme directed at the management and key personnel. On December 31, 2018 the number of key persons belonging to the target group was 23 and the maximum amount of shares payable as a reward to these persons is 12,426. The company may also pay the reward entirely or partially in cash.

In 2018, the company did not pay share rewards based on earlier share-based incentive schemes. The profit bonus for 2017 was paid to Enfo's personnel fund in the spring, based on principles agreed in 2017. Enfo's Board of Directors decided to discontinue the scheme consisting of profit-sharing items and result-based bonuses paid to the personnel fund. Enfo repurchased shares owned by the personnel fund and the fund was liquidated in 2018.

Enfo's Board of Directors decided in February 2019 on the short-term incentive or bonus scheme for the management and key persons in 2019. In 2019, the incentive scheme will have one earning period, involve approximately 50 persons and be based on profitability of the Group or business area. For the Group's other employees the arrangements will mainly be the same as in 2018. However, e.g. Sales' bonus

scheme has been finetuned and general terms for different bonus and incentive schemes have been aligned.

### **The governance of Group companies, affiliated companies and offshore operations**

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

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

### **Other governance**

The company's internal audit is based on regular reporting 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 analysis of the probability of threats and risks related to busi-

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

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

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

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

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

The company's auditor is Authorised Public Accountants PricewaterhouseCoopers Oy, with Authorised Public Accountant Pekka Loikkanen as the main auditor. In the period of January 1–December 31, 2018, the Group paid the auditor a total of EUR 169,730 in auditing fees and EUR 69,751 in fees not related to auditing.

# ENFO'S BOARD OF DIRECTORS 1.1.2019



## **ANSSI LEHIKONEN**

Chairman of the Board, M.Sc (Technology), PhD

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

Member of Enfo Oyj's Board of Directors since March 30, 2016, and Chairman since March 30, 2017. Holds no shares in Enfo Oyj. Independent of the company, dependent on a significant shareholder.



## **LAURI KERMAN**

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

Lauri Kerman is Managing Director at Osuuskunta KPY. Member of the Board of Directors of Enfo Oyj, Voimatel Oy, Vetrea Terveys Oy 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.



## **MIKKO LAINE**

Member of the Board, BBA, MBA

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

Member of Enfo Oyj's Board of Directors since March 30, 2017. Holds indirectly 3,703 shares in Enfo Oyj. Independent of the company and significant shareholders.



# ENFO'S BOARD OF DIRECTORS 1.1.2019



**KAISA OLKKONEN**

Member of the Board, Master of Laws

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

Member of Enfo Oyj's Board of Directors since March 30, 2016. Holds 175 shares in Enfo Oyj. Independent of the company and significant shareholders.



**SUSANNA RAHKAMO**

Member of the Board, PhD

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

Member of Enfo Oyj's Board of Directors since March 27, 2018. Independent of the company and significant shareholders.



**CLAES WALLNÉR**

Member of the Board, M.Sc.

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

Member of Enfo Oyj's Board of Directors since March 27, 2018. Independent of the company and significant shareholders.

# ENFO'S MANAGEMENT TEAM 1.2.2019



**SEPPO KUULA**  
CEO, Chairman of the Management Team

Seppo Kuula is M.Sc. (Tech, industrial engineering), eMBA (marketing) and Engineer (machine automation). CEO of Enfo Oyj from the beginning of the year 2018. Kuula has previously been the CEO of the Finnish software integrator Siili Solutions Oyj, and before that, he has led business operations and sales both in publicly listed and private companies in Europe and the US. Holds 6,211 shares of Enfo Oyj.



**LARS AABOL**  
EVP, Care

Lars Aabol has previously served as the Managing Director of Enfo Zystems and Hogia Infra AB, and as a Sales Manager for Framfab. Member of the Management Team of Enfo Oyj since July 1, 2012. Holds 1,400 shares in Enfo Oyj.



**NINA ANNILA**  
EVP, Data platforms

Nina Annila has more than 20 years of experience in the IT sector. She returned to Enfo after working in TietoEnator and Otava in 2010 and was a member of Enfo's Management Team 2011–2013. Member of the Management Team of Enfo Oyj since August 24, 2018. Holds 200 shares in Enfo Oyj.



# ENFO'S MANAGEMENT TEAM 1.2.2019



**BJÖRN ARKENFALL**  
EVP, Applications

Björn Arkenfall has a Master of Science degree in Computer and Electrical Engineering. He has worked at Enfo as an SVP and VP in integration business unit since 2016 and before that at e-man as a deputy CEO and COO. Member of the Management Team of Enfo Oyj since February 1, 2019. Holds no shares in Enfo Oyj.



**ERIK BRÜGGE**  
EVP, Sales

Erik Brügge is a Bachelor of Science in Informatics. He has previously worked in consulting at Zipper AB. From 2008, when Enfo acquired Zipper, he has held management positions at Enfo Zipper. Member of the Management Team of Enfo Oyj since July 1, 2017. Holds 222 shares in Enfo Oyj.



**ANTTI HEMMILÄ**  
General Counsel

Antti Hemmilä is LL.M. He has previously been Specialist Partner at Attorneys at law Borenus Ltd. specializing in companies law, M&A and capital markets. Member of the Management Team of Enfo Oyj since July 1, 2017. Holds 693 shares in Enfo Oyj.

# ENFO'S MANAGEMENT TEAM 1.2.2019



**CHRISTIAN HOMÉN**  
CFO

Christian Homén has a Master's degree in Finance and has previously worked as Director of Finance and Control at Microsoft Corporation. He has also held several director positions at Nokia Oyj in such areas as business planning, reporting, controlling and finance. Member of the Management Team of Enfo Oyj since February 1, 2015. Holds 1,000 shares in Enfo Oyj.



**SAMI KÄHKÖNEN**  
EVP, Information management

Sami Kähkönen is a Master of Science in Information Technology. He has previously worked as CEO in Enfo Rongo. He has also worked at Tieto (previously TietoEnator) as a consultant and as Director in Data & Analytics. Member of the Management Team of Enfo Oyj since July 1, 2017. Holds directly or indirectly 5,617 shares in Enfo Oyj.



**HENRIK NORELL**  
SVP, People operations

Henrik Norell has an education within human resources. Norell has previously acted as Head of HR CBRE Sweden AB, HR Manager Nordic at Ingram Micro AB, HR Director at Nasdaq OMX and HR Specialist at Accenture. Member of the Management Team of Enfo Oyj since January 9, 2017. Holds 320 shares in Enfo Oyj.



# FINANCIAL STATEMENTS

# BOARD OF DIRECTORS' REPORT 2018

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

## Market development

The economic trend was positive in both Finland and Sweden in 2018. According to the countries' central banks, Finland's economy is expected to grow by 1.9% in 2019 and Sweden's by 1.5%. According to forecasts for the sector, the market for IT services will expand more rapidly than the economy as a whole, both in Finland and Sweden. This will be particularly true of business-critical cloud services, which will experience strong growth.

The amount of data is growing exponentially and, consequently, the demand for IT services is developing positively. At the same time, the market is much more willing to migrate services into the cloud. The ability to master complexity and bring together digital services and traditional systems is emphasized. The significance of strategic partnerships is growing as customers seek to build long-term relationships with selected, trusted partners.

## Turnover and profit

The consolidated turnover of Enfo Group was EUR 125.6 (131.7) million (2017 figure for continuing operations). EBIT was EUR -2.5 (-5.1) million, including EUR 3.6 million in non-recurring expenses. The loss for the financial year from continuing operations was EUR -4.5 million (-7.2). Earnings per share from continuing operations were EUR -9.2 (-13.46). The net financial expenses of the Group were EUR 1.2 (0.9) million.

In 2018, Enfo focused on profitability and a sustainable business foundation. EBITDA excluding non-recurring items was moderate at EUR 5.1 million (6.4), however not fully in line with target. The profit was affected by non-recurring items related to closing down business unit Care Transform Karlskrona in Sweden as well ending the outsourcing project related to financial processes and tools. Both measures were needed for a sustainable business foundation. There were no substantial deviations in development of profitability and the direction was right over the year, even if monthly volatility was a challenge.

## Investments and financing

Enfo's net investments in the financial year amounted to EUR 1.7 (1.8) million. During the year Enfo made an investment into a private cloud platform to enable use of native public cloud services. This was financed from cash flow, not burdening the balance sheet.

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 EBITDA less than 3.5

The Group exceeded the latter covenant during and at end of the financial year. This has been approved by the Group's financiers. The covenants are reviewed twice per year, so the Group has classified the loans covered by the covenants as short-term loans on the balance sheet date.

The company's equity ratio at the end of the financial year was 43.8% (46.6). Interest-bearing net liabilities at the end of December amounted to EUR 32.0 (30.1) million and net gearing was 69.5% (57.4).

## Personnel and remuneration

Enfo employed an average of 884 employees (911) during the year and a total of 881 employees (888) at the end of the year (2017 figures for continuing operations). On average, 321 (318) employees were in Finland and 561 (594) were in Sweden.

The Group's personnel expenses in 2018 totaled EUR 73.4 (78.2) million (2017 figure for continuing operations). Personnel expenses made up 57% (58) of all expenses in the income statement. Enfo paid salaries and bonuses to its personnel in continuing operations in a total amount of EUR 61.6 (65.7) million.

In 2018, Enfo Group recruited 176 permanent employees (147) to positions in its continuing operations. A total of 170 (144) permanent employment relationships ended. At the end of 2018, the average duration of a permanent employment relationship in the Group was 5 (6.5) years. A clear majority of 77% (77) of the Group's personnel are men. The average age of the personnel was 42 (41.8).

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

In 2018, the short-term incentive or bonus scheme for the management and key persons in Finland and Sweden involved approximately 50 persons. For management and key persons the central determining criteria for the bonus include profitability of the Group or business area and/or personal objectives, and bonus accounted for, at most, 10–50% of a person's annual salary. In 2018, the incentive scheme had two earning periods: from January 1 to June 30 and from July 1 to December 31.

For the Group's other permanent employees (apart from persons in the Sales' salary scheme and certain other exceptions), the short-term incentive or bonus scheme 2018 was based on profitability of the Group or business area and/or personal objectives.



In addition to the annual bonus scheme, the Group has a long-term share incentive scheme directed at the management and key personnel. On December 31, 2018, the number of key persons belonging to the target group was 23 and the maximum amount of shares payable as a reward to these persons is 12,426. The company may also pay the reward entirely or partially in cash.

In 2018, the company did not pay share rewards based on earlier share-based incentive schemes. The profit bonus for 2017 was paid to Enfo's personnel fund in the spring. Enfo's Board of Directors decided to discontinue the scheme paid to the personnel fund, and the personnel fund Board and Council decided to liquidate the fund during 2018.

### Research and development

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

### Implementation of the strategy

Enfo began the execution of its sharpened strategy from beginning of 2018. Enfo envisions a more intelligent world where technology empowers individuals, companies and societies. Data is at the core of this change. The strategy is based on Enfo's mission of enabling data-driven business transformation in the Nordics. In the growing IT service market, Enfo takes the role of a modern data integrator that focuses on comprehensive data management. Enfo both builds and runs digital solutions. The company offers comprehensive support for data-driven transformation: hybrid platforms for data management, information management for refining exponentially increasing amounts of data, and application integrations and analytics for the utilization of data. Cross-platform expertise is Enfo's strength, and the company aims at being a leading provider of cloud solutions in the Nordics by 2020. Enfo operates in the Nordic countries, with Sweden and Finland as its primary markets. Co-creation with customers and other stakeholders is at the core of the strategy. Enfo aims for trusted partner status and long-term collaboration in its customer relationships.

In 2018, Enfo focused on people, profitability and a sustainable business foundation. Among Enfo's strategic must-win battles, the company prioritized the must-win battle "A workplace to love". During the year, the company developed its culture, anchored its strategy, advanced recruitment and simplified its legal structure in Sweden. Enfo implemented a new structure to support the consolidated offering and developed steering mechanisms to support business processes. The year 2018 also saw the launch of Enfo's Cloud Care concept. Enfo and Zuite Business Consulting aligned their offerings around SAP on cloud. Together with Zuite's owners, Enfo also looked into opportunities for deepening collaboration further.

In 2019, Enfo will prioritize the must-win battle "Collaborative value creation". Enfo will develop competence management, grow the company's business in information management and cloud services, and strengthen the collaboration between Sales and the Business Areas.

### Environmental matters

Enfo's environmental management system corresponds to the ISO 14001:2015 standard, and it was certified in April 2017. 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 stan-

dards. Enfo has set environmental goals for its operations, including ecological purchases, CO<sub>2</sub>-free energy use, reducing paper use, effective waste recycling, and reducing travel emissions.

Key stakeholders, such as customers, the personnel, partners, owners, and the management, expect Enfo to act responsibly and protect the environment in its operations. Enfo chooses environmentally friendly alternatives whenever they are available. In order to ensure its profitable and sustainable growth, Enfo partners with its customers in an environmentally responsible way.

Enfo uses green energy at all of its data centers and most of its offices. Enfo's offices have favored green options in contexts such as energy agreements and purchases of furniture and office supplies. Enfo has the best virtual conference and remote working tools at its disposal, reducing the need for travel and thereby helping to save the environment. Enfo's travel policy, updated in 2018, states that virtual meetings are to be preferred and travel should only be undertaken when necessary. Enfo's employees are also encouraged to use public transportation.

### Board of Directors, management, and auditor

The Chairman of the company's Board of Directors is Anssi Lehtikainen. The other members of the Board of Directors in 2019 are Lauri Kerman (CEO of Osuuskunta KPY), Mikko Laine (Partner and Advisor at Broadius Partners), Kaisa Olkkonen (CEO of SSH Communications Security), Susanna Rahkamo (Senior Partner and leadership consultant at Pertec Consulting) and Claes Wallnér (management consultant at No Wait AB).

In February 2019, the Group Management Team consisted of CEO Seppo Kuula, Lars Aabol (EVP, Care), Nina Annala (EVP, Data platforms), Björn Arkenfall (EVP, Applications), Erik Brügge (EVP, Sales), Antti Hemmilä (General Counsel), Christian Homén (CFO), Sami Kähkönen (EVP, Information management) and Henrik Norell (SVP, People operations).

In the 2018 financial year, the company's auditor was Authorized Public Accountants PricewaterhouseCoopers Oy, with Pekka Loikkanen, Authorized Public Accountant, as the designated chief auditor.

### Shares, owners, and share capital changes

On December 31, 2018, Enfo Oyj had a total of 679,251 shares. According to the company's list of owners, the company had a total of 136 shareholders at the end of the financial year, including the company itself. However, this figure does not include foreign shareholders whose shares are nominee-registered. At the end of the financial year, the company held 13,386 treasury shares (1.97% of all of the shares). The company has one series of shares, and the shares are connected to Euroclear Finland Oy's book-entry system. Enfo Oyj is the parent company of Enfo Group, which belongs to Osuuskunta KPY Group. The parent company of Osuuskunta KPY Group is Osuuskunta KPY.

At the end of 2018, the company's ten largest shareholders were Osuuskunta KPY, Ilmarinen Mutual Pension Insurance Company, Rongo Cap Oy, the Gösta Serlachius Fine Arts Foundation, Seppo Kuula, Keskisuomalainen Oyj, Einari Vidgrén Oy, Lululemon Oy, Hannu Isotalo Oy and Kallax Oy. Osuuskunta KPY holds 83.56% of Enfo's shares.

On January 1, 2018, Enfo Oyj had a total of 670,349 shares. As decided by the Board on May 23, 2018, the company registered the shares subscribed under a directed share issue (8,902 shares) for certain key employees in the financial year. The subscription was related to the implementation of Enfo's long-term incentive scheme.

The company repurchased a total of 8,896 treasury shares during the financial year. The shares were purchased from the Enfo Oyj personnel fund and the company's former key employees, and the transaction price was the fair value of the shares. The company did not convey any treasury shares in the financial year.

**Decisions of the Annual General Meeting**

In accordance with a proposal made by the Board of Directors, Enfo Oyj's Annual General Meeting held on March 27, 2018, decided to authorize the Board of Directors to decide in its discretion on the distribution of dividend. The total amount of the distribution based on this authorization should not exceed EUR 3 million, approximately EUR 4.5 per share based on the number of shares on date of notice to the General Meeting. The authorization is valid until the Annual General Meeting of 2019.

In accordance with the proposal of the Nomination Board, Anssi Lehtikainen, Lauri Kerman, Kaisa Ollkonen and Mikko Laine were re-elected as members of the Board of Directors, and Susanna Rahkamo and Claes Wallnér 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 Anssi Lehtikainen as the Chairman and Kaisa Ollkonen as the Deputy Chairman.

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

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

The Board of Directors has not used the authorization on dividend payment issued by the AGM of March 27, 2018.

**Events following the financial year**

Björn Arkenfall joined Enfo Group's Management Team on February 1, 2019, in the role of EVP, Applications, succeeding Hans Sollerman.

**Outlook**

The Group's turnover and operating margin (EBITDA) are expected to increase in 2019. The improvement is based on the enhancement of competence acquisition and management, alignment of Sales and Business Areas, as well as improvement of operational efficiency and steering mechanisms.

**Risks and uncertainties**

Competition for experts is a major factor in terms of growth, and the main short-term risks are related to recruiting and efficient onboarding of employees. The internal capability to develop competence management, advance tools for maneuverability, and continue to execute renewed story, offering and structure is essential in the short term. Enfo's growth in the long term will be impacted by the markets' moves towards bringing together data assets, as well as the pace of the shift towards cloud.

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

On December 31, 2018, the parent company had distributable assets totaling EUR 60,740,970.35. The Board of Directors proposes to the Annual General Meeting that no dividend will be paid for the year 2018.



# KEY FIGURES

## IFRS

<b>Key figures from the income statement</b>	2018	2017	2016
Turnover (EUR million)	125.6	131.7	125.5
Change in turnover (%)	-4.6	4.9	14.3
Operating profit (EUR million)	-2.5	-5.1	2.5
% of turnover	-2.0	-3.9	2.0
Profit before taxes (EUR million)	-3.6	-6.1	1.5
% of turnover	-2.9	-4.6	1.2
Profit for the financial year (EUR million)	-4.5	-7.2	1.2
% of turnover	-3.6	-5.4	1.0
Financing expenses, net (EUR million)	-1.2	-0.9	-0.9
% of turnover	-0.9	-0.7	-0.7
Return on investment (%)	-0.5	-4.2	2.7
Return on equity (%)	-5.6	-9.2	2.2
<b>Key figures from the balance sheet</b>			
Equity ratio (%)	43.8	46.6	41.5
Net gearing (%)	69.5	57.4	70.8
Interest-bearing net debt (EUR million)	32.0	30.1	38.9
Balance sheet total (EUR million)	105.5	112.9	133.6

<b>Key figures per share</b>	2018	2017	2016
Diluted and undiluted earnings per share from continuing operations for company shareholders (EUR)	-9.17	-13.46	1.53
Diluted and undiluted earnings per share for company shareholders (EUR)	-9.17	9.91	-1.60
Equity per share	66.78	76.2	80.5
Dividend per share	0.00	0.00	0.99
Dividend payout ratio (%)	n/a	n/a	n/a
Number of shares on December 31	679,251	670,349	660,761
excluding treasury shares	665,865	665,859	659,091
Average diluted number of shares	664,003	665,264	605,423
<b>Other key figures</b>			
Investments (net) (EUR million)	1.7	1.8	10.4
% of turnover	1.3	1.4	8.2
Average personnel, continuing operations	884	911	820
Average personnel, discontinued operations	0	45	95

# FORMULAS FOR CALCULATING KEY FIGURES

THE KEY FIGURES WERE CALCULATED USING THE FOLLOWING FORMULAS:

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



# CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

## CONSOLIDATED INCOME STATEMENT

IFRS, EUR 1,000

	Note	Jan 1-Dec 31, 2018	Jan 1-Dec 31, 2017
<b>Turnover</b>	4	<b>125,561</b>	<b>131,657</b>
Other operating income	5	662	17
Materials and services	6	-30,263	-31,663
Salaries and other employee benefits	7	-73,387	-78,166
Depreciation, amortization and impairment	8	-6,249	-9,053
Other operating expenses	9	-18,775	-17,907
<b>Operating profit</b>		<b>-2,452</b>	<b>-5,115</b>
Financial income	10	2,024	1,169
Financial expenses	10	-3,190	-2,119
Financial expenses (net)	10	-1,167	-950
<b>Profit before taxes</b>		<b>-3,619</b>	<b>-6,065</b>
Income taxes	11	-845	-1,115
<b>Profit from continuing operations in the financial year</b>		<b>-4,464</b>	<b>-7,180</b>
<b>Discontinued operations</b>			
Profit from discontinued operations in the financial year		0	15,547
<b>Profit for the financial year</b>		<b>-4,464</b>	<b>8,367</b>

	Note	Jan 1-Dec 31, 2018	Jan 1-Dec 31, 2017
Attributable to			
owners of the parent company		-6,090	6,592
non-controlling interests		1,626	1,775
Earnings per share calculated on the basis of the profit attributable to the owners of the parent company:			
Diluted and undiluted earnings per share			
Operating profit from continuing operations attributable to the company's shareholders (EUR)	13	-9.17	-13.46
Profit from discontinued operations (EUR)	13	0.00	23.37
Undiluted earnings per share attributable to the company's shareholders (EUR)	13	-9.17	9.91

# CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

IFRS, EUR 1,000

	Jan 1-Dec 31, 2018	Jan 1-Dec 31, 2017
<b>Profit for the financial year</b>	<b>-4,464</b>	<b>8,367</b>
Items that may be recognized through profit or loss in the future:		
Financial assets measured at fair value in the comprehensive income statement	-5	16
Exchange rate differences caused by net investments in foreign subsidiaries	-663	-505
Other translation differences	-33	-56
Cash flow hedging	0	0
Taxes on other items of comprehensive income	0	-3
Other items of comprehensive income for the financial year after taxes	-701	-548
<b>Total comprehensive income for the financial year</b>	<b>-5,165</b>	<b>-7,819</b>
Attributable to		
owners of the parent company	-6,721	6,098
non-controlling interests	1,556	1,721



# CONSOLIDATED BALANCE SHEET

IFRS, EUR 1,000

	Note	Dec 31, 2018	Dec 31, 2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	2,755	3,470
Goodwill	15	66,094	69,466
Other intangible assets	15	4,180	5,338
Financial assets measured at fair value in the comprehensive income statement	16	123	130
Receivables	17	874	821
Deferred tax assets	18	1,523	1,589
<b>Total non-current assets</b>		<b>75,548</b>	<b>80,813</b>
<b>Current assets</b>			
Inventories	19	0	0
Trade receivables	20	24,384	25,256
Other receivables	20	3,616	3,230
Tax assets based on the financial year's taxable income	20	1,810	1,675
Financial assets measured at fair value in the comprehensive income statement	16	2	2
Cash and cash equivalents	21	156	1,948
<b>Total current assets</b>		<b>29,968</b>	<b>32,111</b>
<b>Total assets</b>		<b>105,516</b>	<b>112,923</b>
<b>Assets of discontinued operations</b>			
		<b>0</b>	<b>0</b>
<b>Total assets</b>		<b>105,516</b>	<b>112,923</b>

	Note	Dec 31, 2018	Dec 31, 2017
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity attributable to owners of the parent company			
Share capital	22	265	265
Treasury shares	22	-1,123	-396
Translation differences	22	-1,569	-299
Fair value reserve and other reserves	22	26,755	26,082
Retained earnings		20,139	25,116
<b>Total equity attributable to owners of the parent company</b>		<b>44,466</b>	<b>50,768</b>
<b>Non-controlling interests</b>		<b>1,630</b>	<b>1,741</b>
<b>Total equity</b>		<b>46,096</b>	<b>52,509</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	18	713	917
Financial liabilities	24	1,235	11,478
Other liabilities	25, 26	376	890
<b>Total non-current liabilities</b>		<b>2,323</b>	<b>13,285</b>
<b>Current liabilities</b>			
Trade payables	25, 26	4,927	6,042
Other liabilities	25, 26	20,523	20,097
Tax liabilities based on the financial year's taxable income	25, 26	680	383
Financial liabilities	24	30,966	20,608
<b>Total current liabilities</b>		<b>57,097</b>	<b>47,129</b>
<b>Total liabilities</b>		<b>59,420</b>	<b>60,414</b>
<b>Total equity and liabilities</b>		<b>105,516</b>	<b>112,923</b>

# CONSOLIDATED CASH FLOW STATEMENT

IFRS, EUR 1,000

	Jan 1-Dec 31, 2018	Jan 1-Dec 31, 2017
<b>Cash flow from operating activities (including discontinued operations)</b>		
Profit for the financial year	-4,464	8,367
Adjustments		
Depreciation and amortization	6,249	9,375
Financial items	693	-16,852
Capital gains/losses from fixed assets	69	10
Taxes	845	1,160
Non-cash transactions	0	-417
Change in working capital:		
Change in trade receivables and other receivables	841	3,323
Change in inventories	0	98
Change in trade payables and other payables	734	1,067
Interest paid	-850	-966
Interest and dividends received	9	197
Taxes paid	-1,852	-1,516
<b>Net cash flow from operations</b>	<b>2,273</b>	<b>3,846</b>
<b>Cash flow from investments (including discontinued operations)</b>		
Acquisition of subsidiaries less financial assets on the acquisition date	0	-666
Investments in tangible and intangible fixed assets	-1,088	-827
Sales of tangible and intangible fixed assets	72	136
Investments consolidated using the equity method	0	-2,394
Sales of subsidiaries less cash and cash equivalents on the sale date	0	19,029
Loans issued	0	-500
<b>Net cash flow from investing activities</b>	<b>-1,071</b>	<b>14,778</b>

	Jan 1-Dec 31, 2018	Jan 1-Dec 31, 2017
<b>Cash flow from financing activities (including discontinued operations)</b>		
Rights issue	678	300
Dividends paid and equity refunded	-1,667	-10,378
Transactions related to treasury shares	-728	-264
Loans taken out	4,946	13,379
Loan repayments	-3,925	-23,306
Repayment of financial leasing liabilities	-2,286	-2,725
<b>Net cash flow from financing activities</b>	<b>-2,981</b>	<b>-22,992</b>
<b>Change in cash and cash equivalents</b>	<b>-1,725</b>	<b>-4,369</b>
Effect of translation changes on cash and cash equivalents	-67	-194
Cash and cash equivalents at beginning of the financial year	1,948	5,018
Cash and cash equivalents from discontinued operations at beginning of the financial year	0	1,492
Cash and cash equivalents from discontinued operations at end of the financial year	0	0
<b>Cash and cash equivalents at end of the financial year</b>	<b>156</b>	<b>1,948</b>



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

IFRS, EUR 1,000

	Note	Share capital	Share premium account	Treasury shares	Translation differences	Fair value reserve and other reserves	Retained earnings	Total	Non-controlling interest	Total equity
<b>Equity Jan 1, 2017</b>		<b>265</b>	<b>13,316</b>	<b>-148</b>	<b>671</b>	<b>7,980</b>	<b>30,941</b>	<b>53,025</b>	<b>1,853</b>	<b>54,877</b>
<b>Adjusted equity Jan 1, 2017</b>		<b>265</b>	<b>13,316</b>	<b>-148</b>	<b>671</b>	<b>7,980</b>	<b>30,941</b>	<b>53,025</b>	<b>1,853</b>	<b>54,877</b>
Profit/loss for the financial year							6,592	<b>6,592</b>	1,775	<b>8,367</b>
<b>Comprehensive income</b>										
Other items of comprehensive income										
Available-for-sale investments						16		<b>16</b>		<b>16</b>
Exchange rate differences caused by net investments in foreign subsidiaries					-505			<b>-505</b>		<b>-505</b>
Other translation differences					-466		464	<b>-2</b>	-54	<b>-56</b>
Cash flow hedging								<b>0</b>		<b>0</b>
Taxes on other items of comprehensive income						-3		<b>-3</b>		<b>-3</b>
Other items of comprehensive income for the financial year after taxes		0	0	0	-970	13	464	<b>-493</b>	-54	<b>-547</b>
Comprehensive income for the financial year		0	0	0	-970	13	7,056	<b>6,099</b>	1,721	<b>7,820</b>
								<b>0</b>		<b>0</b>
<b>Transactions with owners</b>								<b>0</b>		<b>0</b>
Dividends						-7,890	-656	<b>-8,546</b>	-1,832	<b>-10,378</b>
Share issue						906		<b>906</b>		<b>906</b>
Purchase of treasury shares				-279				<b>-279</b>		<b>-279</b>
Sale of treasury shares				31				<b>31</b>		<b>31</b>
Redemption obligation							-482	<b>-482</b>		<b>-482</b>
Total transactions with owners		0	0	-248	0	-6,984	-1,138	<b>-8,370</b>	-1,832	<b>-10,202</b>
Transfers between items			-13,316	1		25,072	-11,742	<b>15</b>		<b>15</b>
<b>Equity Dec 31, 2017</b>		<b>265</b>	<b>0</b>	<b>-395</b>	<b>-299</b>	<b>26,081</b>	<b>25,117</b>	<b>50,770</b>	<b>1,741</b>	<b>52,510</b>

	Note	Share capital	Share premium account	Treasury shares	Translation differences	Fair value reserve and other reserves	Retained earnings	Total	Non-controlling interest	Total equity
<b>Equity Jan 1, 2018</b>		<b>265</b>	<b>0</b>	<b>-395</b>	<b>-299</b>	<b>26,081</b>	<b>25,117</b>	<b>50,770</b>	<b>1,741</b>	<b>52,510</b>
Profit/loss for the financial year							-6,090	-6,090	1,626	-4,464
<b>Comprehensive income</b>										
Other items of comprehensive income										
Financial assets measured at fair value in the comprehensive income statement						-5		-5		-5
Exchange rate differences caused by net investments in foreign subsidiaries					-663			-663		-663
Net investment hedging								0		0
Other translation differences					-607		644	37	-70	-33
Cash flow hedging								0		0
Taxes on other items of comprehensive income								0		0
Other items of comprehensive income for the financial year after taxes		0	0	0	-1,270	-5	644	-631	-70	-701
Comprehensive income for the financial year		0	0	0	-1,270	-5	-5,446	-6,721	-1,556	-5,165
								0		0
<b>Transactions with owners</b>								0		0
Dividends								0	-1,667	-1,667
Share issue						678		678		678
Purchase of treasury shares				-728				-728		-728
Sale of treasury shares								0		0
Redemption obligation								0		0
Total transactions with owners		0	0	-728	0	678	0	-50	-1,667	-1,717
Other adjustments			0	0	0	0	467	467	0	467
<b>Equity Dec 31, 2018</b>		<b>265</b>	<b>0</b>	<b>-1,123</b>	<b>-1,569</b>	<b>26,754</b>	<b>20,138</b>	<b>44,465</b>	<b>1,630</b>	<b>46,095</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 1. BASIC INFORMATION ABOUT THE COMPANY

Enfo is a Nordic IT service company that enables data-driven business transformation for its customers.

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 on February 26, 2019. 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 publication. 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, 2018, 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 thousands of euros. 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. Enfo Oyj has adopted the International Accounting Standards Board's standards IFRS 15, Revenue from Contracts with Customers, and IFRS 9, Financial Instruments, which entered into force on January 1, 2018. The adoption of the IFRS 15 standard affected the recognition of revenue and material and service costs. The most significant change applied to the client vs. agent classification. The adoption of IFRS 9 did not have any material impact on Enfo Oyj's financial statements.

IFRS 15 contains a five-step model for recognizing revenue from customer contracts. The revenue is recognized when (or as) the customer gains control of the promised goods or services, to the amount the company expects for the products or services in question. Enfo Oyj has adopted the standard retroactively.

The application of IFRS 15 had an impact on the client vs. agent classification, and revenue and material and service costs have been correspondingly adjusted to conform to the new classification. The revenue posted for the reference year was adjusted by EUR -1.2 million due to the agent classification. The application of the standard did not cause any changes to the reference year's balance sheet information. The company has incurred costs from entering into contracts, and these costs have been allocated to other non-current interests on the balance sheet, and the related deferred tax liabilities have been recognized for them. As a result of the adoption of IFRS 15, these assets will be allocated as expenses on a straight-line basis for the validity period of the contract.

IFRS 9 contains revised instructions for the classification and valuation of financial assets, along with a new model for evaluating the depreciation of financial assets, based on expected credit losses, and new requirements for general hedge accounting. In addition, IFRS 9 contains expanded requirements for notes to the financial statements and their presentation. Enfo Oyj has adopted the standard retroactively in full. The principal impact of the adoption of IFRS 9 will be related to the application of the expected credit losses model when evaluating impairment related to uncertain receivables. Enfo Oyj has employed the simplified model permitted by IFRS 9, as the company's trade receivables do not contain a significant financing component. For the determination of expected credit losses, trade receivables have been categorized by common credit risk characteristics and age distribution. Expected credit losses are determined on the basis of historical credit loss amounts, taking anticipatory information and receivable-specific assessments into account. Management has drawn up a calculation in accordance with IFRS 9, based on historical credit loss amounts. Based on the calculation, the expected credit loss amount would be so minor with regard to the financial statements that no impairments have been recognized in the financial statements on this basis.

IFRS 9 contains revised instructions for the classification and valuation of financial assets and liabilities on the basis of the cash flow properties of the assets and the business models used for their management. IFRS 9 contains three main classification categories, according to which the financial assets of Enfo Oyj have been classified as follows: financial assets measured at amortized acquisition cost, financial assets measured at fair value in other items of comprehensive income and financial assets recognized at fair value through profit or loss. The standard eliminated the classification specified by the old IAS 39: held-to-maturity financial assets, loans and receivables and available-for-sale investments. The application of the IFRS 9 standard did not have any notable effect on the calculation principles of Enfo Oyj's financial liabilities or assets. Thus, the adoption of IFRS 9 did not have a significant impact on the items and values in Enfo Oyj's financial statements.

IFRS2 standard. The company has a share-based incentive scheme compliant with standard IFRS2 and adopted in 2018. The scheme has been treated according to the currently valid standard in the consolidated financial statements.

## CHANGES COMING INTO EFFECT NEXT YEAR

The IASB has published standard IFRS 16 (taking effect on January 1, 2019), which will primarily affect the accounts of lessees. As a result of this, all lease agreements other than low-value or short-term agreements are entered on the balance sheet. From the lessee's point of view, the current division between operating and financing leases has been discontinued in the standard and, accordingly, an asset (the right to use the leased asset) and a financial liability pertaining to the lease obligation are entered for practically all lease agreements.

The standard will affect the income statement because the total expenses are typically higher in the early stage of the validity of the lease and lower toward the end. Furthermore, the lease expenses currently included in business expenditure will be replaced by interest and depreciation, which will affect key figures such as EBITDA and net leveraging. Net cash flow from operations will also increase, since loan instalments are presented in cash flow from financing activities.

Enfo Oyj intends to apply the exemption in standard IFRS 16, according to which leases of less than 12 months that do not include a purchase option are not recognized on the balance sheet. In addition, the Group will not recognize contracts that are not material for the Group on the balance sheet. At the moment, the consolidated balance sheet already includes a significant number of leases treated as financing leases. The change will primarily affect the consolidated income statement and balance sheet through leases for business premises and other minor entities, such as hardware rental and car leasing.

The Group is currently evaluating the monetary impact in more detail. The Group will adopt the standard for the financial year beginning January 1, 2019. The Group intends to apply the new rules with effect from January 1, 2019, so that assets will be valued to an amount corresponding to the lease agreement debt at the time of implementation of the standard. At the end of the financial year, the Group has a non-cancellable lease liability of EUR 9,487,000 based on lease agreements, presented in note 28 to the balance sheet. The Group estimates that this will result in the recognition of assets and interest-bearing debt amounting to approximately EUR 8,600,000 (right to use the leased assets) on the balance sheet.



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 the 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.

The subsidiaries have the same financial year as the parent company and comply with the consolidated accounting principles described herein.

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 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.

The income statements for foreign Group companies have been translated into the parent company’s currency at the average exchange rate for the financial year and the balance sheets use the exchange rate valid on the balance sheet date. 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. Exchange rate 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 through profit or loss on disposal of the investment.

Property, plant, and equipment

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

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

Machinery and equipment	3–5 years
Other tangible assets	10 years

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

Goodwill is not amortized. Instead, it is 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 original acquisition cost less impairment.

INTANGIBLE ASSETS ARISING FROM COMBINED BUSINESS OPERATIONS

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

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

**OTHER INTANGIBLE ASSETS**

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

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 recognized as costs 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 fair 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 recognized. However, the impairment loss is not reversed to a value above the carrying amount of the asset before the recognition of the impairment loss. Impairment losses recognized for goodwill are never reversed.

**Borrowing costs**

Other borrowing costs are recognized as expenses in the financial year 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 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 associated 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 financial year in question.

**SHARE-BASED PAYMENTS**

The Group has a long-term share-based incentive scheme for management and key personnel. The accounting treatment of the scheme corresponds to standard IFRS 2, Share-based Payment. As of December 31, 2018, the number of employees in the target group for the scheme was 23, and the maximum number of shares to be awarded as bonuses under the scheme was 12,426. The company may also pay all or part of the bonus in cash. The bonus is allocated to the earning period.

More information on the company’s share-based scheme is available 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 present value of the expenses required to settle the obligation.

A restructuring provision is recognized in the financial year when the Group becomes legally or factually liable to pay. Compensation for termination of employment will not be recognized until an agreement has

been made with the representatives of the concerned employees specifying the reasons for the termination and the number of discharged employees, or when the employees have been notified of the specific terms. Provisions are not recognized for costs related to the continuing operations of the Group.

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

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 taxable income for the financial year 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 items of comprehensive income. 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 sources such as the fair value measurement of financial assets, differences between tax and accounting depreciation on fixed assets, finance lease recognitions, and the capitalization of intangible rights recognized in connection with business combinations. Deferred tax is not recognized for non-deductible impairment of goodwill or undistributed earnings of subsidiaries where it is probable that the difference will not reverse in the foreseeable future.

Deferred taxes have been calculated using the tax rates enacted or tax rates whose confirmed content has been announced by the closing date. Deferred tax assets are recognized 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

**Sales of services, ongoing services.** Revenue from services is recognized as income in the financial year when the service is provided.

**Sales of services, deployment projects.** Revenue and costs from services are recognized in the financial year when the material risks, rewards, and actual control have been transferred to the buyer, and it is likely that the financial benefit associated with the transaction will accrue to the company.

**Sales of services, consulting.** Revenue from services is recognized as income in the financial year when the service is provided. 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 provided 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.

**Sales of hardware and software.** Revenue from the sale of hardware or provision of software is recognized when the material risks, rewards, and actual control over the hardware or software 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. Maintenance services related to software are recognized on the basis of time elapsed in equal instalments for the duration of the validity of the agreement.

**Commissions from the sale of hardware and software.** Revenue is recognized in the financial year when the basis for the commission arose and the outcome of the transaction can be reliably estimated.

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 AND DIVIDENDS**

Interest 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 in compliance with the effective interest method, and dividends are recognized when the shareholder obtains the right to receive payment.

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

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

**MEASURED AT AMORTIZED ACQUISITION COST**

This category includes the Group’s 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.



**MEASURED AT FAIR VALUE IN OTHER ITEMS OF COMPREHENSIVE INCOME**

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

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

**ESTABLISHMENT OF FAIR VALUE**

The fair value of financial assets is primarily established by using market values. If market values 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 balance sheet 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 present 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 present 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 except 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 that the derivative contract is entered into, 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 does not hold any valid interest-rate derivatives.

**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 uncertainty**

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 in matters such as 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 balance sheet date. The estimates are based on prior experience and assumptions

concerning the future deemed most likely on the balance sheet 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 in areas such as 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  
EXCHANGE RATE 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, exchange rate risk in equity arises through earnings and the profit for the financial year. At the end of 2018, the currency translation position in equity stood at approximately EUR 0.1 million (2017: 0.2). The position includes a net

investment in subsidiaries outside the euro area. The position is mainly the result of investments denominated in Swedish krona. The position includes minor investments denominated in Danish krone or Norwegian krone. Furthermore, the Group has an internal loan of SEK 204 million (approx. EUR 20 million) as a net investment in foreign operations.

The translation position has been hedged through loans denominated in Swedish krona. The Group’s foreign-currency assets and liabilities, translated into euros at the rate on the balance sheet date, are as follows:

EUR 1,000	2018	2017
Non-current assets	46,300	57,777
Non-current liabilities	39,318	41,085
Current assets	24,026	32,742
Current liabilities	44,482	48,745

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

In addition, the parent company has a small number of purchase agreements denominated in US dollars, British pounds sterling, and Swedish krona. Due to the nature of the business, the lead time is short and, as a result, the exchange rate risk remains low.

The Group’s realized exchange rate losses amounted to EUR 132,000 in 2018 (149,000).

Sensitivity analysis for changes in exchange rates

Change rate = average volatility over the previous 12 months:

EUR 1,000	2018	2017
Change rate	6.10	5.53
Impact		
On profit after taxes	+325 / -340	+198 / -220
On equity	+933 / -696	+28 / -42



## 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, 2018, the Group's loan portfolio consisted of loans from financial institutions denominated in Swedish krona and a bond denominated in euros. The loans from financial institutions are variable-rate loans, while the bond loan has a fixed interest rate.

The interest-bearing liabilities are itemized below:

	Thousands 2018	2017	EUR 1,000 2018	2017
<b>Bank loans, current</b>				
EUR	1,755	344	1,755	344
SEK	177,557	180,722	17,315	18,359
<b>Total</b>			<b>19,070</b>	<b>18,703</b>
<b>Bonds, non-current</b>	2018	2017	2018	2017
SEK	0	9,969	0	9,969
<b>Bonds, current</b>	2018	2017	2018	2017
EUR	9,991	0	9,991	0
Other interest-bearing liabilities				
Non-current finance lease liability (EUR)	1,235	1,509	1,235	1,509
Current finance lease liability (EUR)	1,906	1,905	1,906	1,905
<b>Total</b>	<b>3,140</b>	<b>3,414</b>	<b>3,140</b>	<b>3,414</b>
Cash and cash equivalents			156	1,948
<b>Interest-bearing net liabilities</b>			<b>32,045</b>	<b>30,138</b>

The Group's other interest-bearing liabilities 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 2018 was 2.2% (2.9% in 2017). A change of one percentage point in the reference rate of variable-rate loans would have decreased the Group's result and equity by EUR 173,000.

## MARKET RISKS ASSOCIATED WITH INVESTMENTS

According to the Group's investment policy, the Group only invests in low-risk market deposits, bank certificates of deposit, and money market funds, maintaining 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 3.5

The Group exceeded the latter covenant during and at end of the financial year. This has been approved by the Group's financiers. The covenants are reviewed twice per year, so the Group has classified the loans covered by the covenants as short-term loans on the balance sheet date.

Maturity information on financial liabilities is presented in [note 24](#).

The financing negotiations regarding refinancing of the bond loan maturing in June have advanced according to plan and will be finalized in the spring.

The Group invests money in low-risk and high-liquidity instruments. On Dec 31, 2018 the Group's cash and cash equivalents totaled EUR 156,000 (1,947,000) and its liquid financial investments totaled EUR 2,000 (2,000). The Group's liquidity was adequate on the balance sheet date.

The Group's trade payables of EUR 4,927,000 and other current non-interest-bearing liabilities of EUR 21,169,000 will fall payable during 2019.

## CREDIT RISK

In order to minimize credit risks in financing, the Group enters into agreements only with financial institutions and other parties with a solid financial standing. Customers' credit ratings are reviewed regularly. The Group does not have any significant concentrations of credit risk from receivables, as the Group has a customer base distributed across various sectors. The credit losses recognized during 2018 amounted to EUR 0 (500). The Group's maximum credit risk corresponds to the carrying amount of financial assets at the end of the financial year.

Age distribution of sales receivables on December 31

EUR 1,000	2018		2017	
Not fallen due	19,841	81.37%	19,318	76.49%
1-14 days	3,596	14.75%	4,055	16.05%
15-30 days	295	1.21%	494	1.96%
31-60 days	376	1.54%	795	3.15%
61-90 days	80	0.33%	209	0.83%
91 days	195	0.80%	385	1.52%
	<b>24,384</b>	<b>100.00%</b>	<b>25,255</b>	<b>100.00%</b>

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 by customer contract type as follows:

EUR 1,000	Jan 1-Dec 31, 2018	Jan 1-Dec 31, 2017
<b>Revenue from customer contracts</b>		
Sales of services, ongoing services	68,682	69,409
Sales of services, consulting	46,108	51,468
Hardware and software sales and commissions	10,771	10,780
<b>Total</b>	<b>125,561</b>	<b>131,657</b>

Information about geographical areas

Geographically, the Group operates mainly in Finland and Sweden.

EUR 1,000	Jan 1-Dec 31, 2018	Jan 1-Dec 31, 2017
<b>Revenues (external)</b>		
Finland	51,960	51,919
Other countries	73,601	79,738
<b>Total consolidated income</b>	<b>125,561</b>	<b>131,657</b>

5. OTHER OPERATING INCOME

EUR 1,000	Jan 1-Dec 31, 2018	Jan 1-Dec 31, 2017
Capital gains from property, plant and equipment	0	0
Others	662	17
<b>Total</b>	<b>662</b>	<b>17</b>

6. MATERIALS AND SERVICES

EUR 1,000	Jan 1-Dec 31, 2018	Jan 1-Dec 31, 2017
Purchases during the financial year	8,038	9,185
Change in inventory	0	95
External services	22,226	22,382
<b>Total</b>	<b>30,263</b>	<b>31,663</b>

7. SALARIES AND OTHER EMPLOYEE BENEFITS

EUR 1,000	Jan 1-Dec 31, 2018	Jan 1-Dec 31, 2017
Salaries and fees	61,629	65,721
Personnel fund profit bonus	0	0
Pension insurance premiums and pensions		
defined-contribution plans	8,792	8,919
Other indirect employee costs	2,966	3,526
<b>Total</b>	<b>73,387</b>	<b>78,166</b>

Information on the management’s employee benefits is presented in [note 27, 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, 2018	Jan 1-Dec 31, 2017
Finland	323	318
Sweden	560	594
Norway	1	0
<b>Total</b>	<b>884</b>	<b>911</b>
<b>Number of personnel at the end of the financial year</b>	<b>881</b>	<b>888</b>



## 8. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

<b>EUR 1,000</b>	Jan 1-Dec 31, 2018	Jan 1-Dec 31, 2017
Depreciation and amortization by asset category		
Intangible assets	2,514	2,703
Property, plant and equipment	2,223	2,289
<b>Total depreciation</b>	<b>4,736</b>	<b>4,992</b>
<b>Impairment by asset category</b>		
Goodwill	1,513	4,061
<b>Total depreciation, amortization and impairment</b>	<b>6,249</b>	<b>9,053</b>

## 9. OTHER OPERATING EXPENSES

<b>EUR 1,000</b>	Jan 1-Dec 31, 2018	Jan 1-Dec 31, 2017
Voluntary personnel expenses	2,466	2,626
Travel expenses	2,156	2,243
Office expenses	3,924	4,551
Vehicle expenses	1,279	1,701
Hardware and software expenses	2,436	1,992
Other administrative expenses	2,931	2,622
Telephone and data expenses	630	808
Marketing, sales, and representation expenses	1,225	1,064
Other operating expenses	1,728	300
<b>Total</b>	<b>18,775</b>	<b>17,907</b>

The Group did not have any significant research and development expenses. Other operating expenses include rental expenses of EUR 6,867,000 (7,636,000).

<b>Auditors' fees</b>		
<b>EUR 1,000</b>	Jan 1-Dec 31, 2018	Jan 1-Dec 31, 2017
Auditing	170	135
Tax advice	12	21
Other services	58	106
<b>Total</b>	<b>239</b>	<b>262</b>

## 10. FINANCIAL INCOME AND EXPENSES

<b>EUR 1,000</b>	Jan 1-Dec 31, 2018	Jan 1-Dec 31, 2017
Dividend income	7	8
Interest income	2	17
Exchange rate gains	1,842	690
Other financial income	173	454
<b>Total financial income</b>	<b>2,024</b>	<b>1,170</b>
Interest expenses	570	661
Exchange rate losses	2,411	1,251
Other financial expenses	210	208
<b>Total financial expenses</b>	<b>3,190</b>	<b>2,119</b>

## 11. INCOME TAXES

<b>EUR 1,000</b>	Jan 1-Dec 31, 2018	Jan 1-Dec 31, 2017
<b>Tax based on the financial year's taxable income</b>		
Taxes on the profit for the financial year	1,020	1,179
Adjustments for previous financial years	-2	463
<b>Total taxes based on the financial year's taxable income</b>	<b>1,018</b>	<b>1,642</b>
<b>Deferred taxes</b>		
Increase in deferred tax assets	3	-159
Increase/decrease in deferred tax assets	-176	-322
<b>Total deferred taxes</b>	<b>-173</b>	<b>-482</b>
<b>Income tax expenses</b>	<b>845</b>	<b>1,160</b>
Distribution of income taxes:		
Profit from continuing operations	845	1,115
Profit from discontinued operations	0	46
<b>Total income tax expenses</b>	<b>845</b>	<b>1,160</b>

Comparison of taxes based on the current tax base of 20.0% (20.0% in Finland in 2017) and taxes presented in the income statement:

EUR 1,000	Jan 1-Dec 31, 2018	Jan 1-Dec 31, 2017
Profit for continuing operations before taxes	-3,619	-6,065
Profit for discontinued operations before taxes	0	15,592
	-3,619	9,527
Taxes based on the current tax rate in Finland	-724	2,718
Different tax rates of foreign subsidiaries	-49	-48
Expenses non-deductible in taxation	547	769
Non-taxable income	-192	-3,852
Non-recognized deferred tax assets	1,269	1,101
Impact of appropriations	-8	10
Taxes for previous financial years	2	463
Taxes for discontinued operations	0	-46
Taxes in the income statement	845	1,115

The weighted average of the applied tax rates was 20.6% in 2018.

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

EUR 1,000	Before taxes	2018 Tax expenses (-)/income	After taxes
Available-for-sale investments	-5	0	-5
Exchange rate differences caused by net investments in foreign subsidiaries	-663	0	-663
Other translation differences	-33	0	-33
<b>Other items of comprehensive income</b>	<b>-701</b>	<b>0</b>	<b>-701</b>

EUR 1,000	Before taxes	2017 Tax expenses (-)/income	After taxes
Available-for-sale investments	16	-3	13
Exchange rate differences caused by net investments in foreign subsidiaries	-504	0	-504
Other translation differences	-56	0	-56
<b>Other items of comprehensive income</b>	<b>-543</b>	<b>-3</b>	<b>-547</b>

12. DISCONTINUED OPERATIONS

In the 2017 financial year, Enfo Oyj sold the entire share capital of its subsidiary Enfo Zender Oy to Ropo Capital, a Kuopio-based company that provides invoicing and payment monitoring services.

In October 2017, Administer Oy, a company that provides financial management services, acquired a majority stake in Enfo Oyj’s subsidiary, Enfo Partner Oy. Following the transaction, Enfo retained a minority stake in the company with a shareholding of 20%.

The divested businesses have been classified on the balance sheet as discontinued operations and have also been reported separately from the Group’s continuing operations.



<b>EUR 1,000</b>	Jan 1-Dec 31, 2018	Jan 1-Dec 31, 2017
<b>Profit from discontinued operations</b>		
Turnover	0	6,572
Expenses	0	-8,789
Profit before taxes	0	-2,216
Taxes	0	-46
Profit after taxes	0	-2,262
Capital gain from subsidiaries after taxes	0	17,808
<b>Profit from discontinued operations</b>	<b>0</b>	<b>15,547</b>
<b>Cash flow from discontinued operations</b>		
Cash flow from operations	0	229
Cash flow from investment activities	0	-705
Cash flow from financing activities	0	0
Total cash flow	0	-477

<b>EUR 1,000</b>	Jan 1-Dec 31, 2018	Jan 1-Dec 31, 2017
<b>Detailed information on the sales of subsidiaries</b>		
Consideration received	0	20,815
Carrying amount of the divested net assets	0	-2,602
Expenses related to sales	0	-406
Profit before taxes	0	17,808
Capital gains tax	0	0
<b>Capital gains after taxes</b>	<b>0</b>	<b>17,809</b>

### 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.

<b>EUR 1,000</b>	Jan 1-Dec 31, 2018	Jan 1-Dec 31, 2017
Profit attributable to the company's shareholders:		
From continuing operations	-6,090	-8,954
From discontinued operations	0	15,547
Total profit attributable to the company's shareholders	-6,090	6,592
Weighted average number of shares	664	665

<b>Diluted/undiluted earnings per share</b>	2018 EUR	2017 EUR
Earnings from continuing operations attributable to the company's shareholders	-9.17	-13.46
Earnings from discontinued operations	0.00	23.37
Undiluted earnings per share attributable to the company's shareholders	-9.17	9.91

#### 14. TANGIBLE ASSETS

EUR 1,000	2018	2017
<b>Machinery and equipment</b>		
Acquisition cost Jan 1	4,134	15,844
Increases	17	229
Increases from business combinations	0	0
Decreases	-628	-7,366
Divestments	0	-4,544
Exchange rate differences	-34	-29
Acquisition cost Dec 31	3,489	4,134
Accumulated depreciation Jan 1	3,707	15,303
Increases from business combinations	0	0
Accumulated depreciation on decreases	-543	-7,230
Depreciation during the financial year	176	162
Accumulated depreciation on divestments	0	-4,510
Exchange rate differences	-20	-19
Accumulated depreciation Dec 31	3,320	3,707
Assets classified as available for sale	0	0
Carrying amount Dec 31	169	427
<b>EUR 1,000</b>	<b>2018</b>	<b>2017</b>
<b>Other tangible assets</b>		
Acquisition cost Jan 1	119	383
Increases	0	0
Decreases	-87	-279
Transfer between items	0	0
Exchange rate difference	-4	15
Acquisition cost Dec 31	28	119
Accumulated depreciation Jan 1	43	302
Depreciation during the financial year	17	18
Increases from business combinations	0	0
Accumulated depreciation on decreases and transfers	-78	-273
Exchange rate differences	12	-5
Accumulated depreciation Dec 31	-7	43
Carrying amount Dec 31	35	76

EUR 1,000	2018	2017
<b>Finance leases</b>		
Acquisition cost Jan 1	8,641	9,706
Increases	1,655	1,471
Decreases	-1,543	-2,536
Acquisition cost Dec 31	8,753	8,641
Accumulated depreciation Jan 1	5,674	5,924
Accumulated depreciation on decreases	-1,369	-2,356
Depreciation for the financial year	1,988	2,106
Write-off	-90	
Accumulated depreciation Dec 31	6,203	5,674
Carrying amount Dec 31	2,551	2,968
<b>Total tangible assets</b>	<b>2,753</b>	<b>3,470</b>

#### 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.

EUR 1,000	2018	2017
<b>Goodwill*</b>		
Acquisition cost Jan 1	69,466	77,803
Increases	0	0
Impact of purchase price allocations	0	-2,652
Impairment	-1,513	-4,061
Exchange rate difference	-1,859	-1,624
Carrying amount Dec 31	66,094	69,466

\*Goodwill has been reduced to correspond to the recoverable amount by recognizing a goodwill impairment. The loss is included in the item, Depreciation, amortization and impairment, on the income statement.



EUR 1,000	2018	2017
<b>Other intangible assets</b>		
<b>Customer relationships and trademarks (business combinations)</b>		
Acquisition cost Jan 1	15,435	14,334
Increases	1	2,314
Decreases	-1	-797
Exchange rate difference	-574	-416
Acquisition cost Dec 31	14,861	15,435
Accumulated depreciation Jan 1	11,334	10,896
Depreciation and amortization	1,226	1,585
Accumulated depreciation on decreases	0	-797
Exchange rate difference	-451	-350
Accumulated depreciation Dec 31	12,110	11,334
Carrying amount Dec 31	2,751	4,101

EUR 1,000	2018	2017
<b>Other intangible assets*</b>		
Acquisition cost Jan 1	6,662	12,815
Increases	130	0
Increases through corporate acquisitions	0	0
Decreases, divestments	-74	-2,377
Decreases	-664	-3,768
Transfers between items	1,322	0
Exchange rate differences	-4	-8
Acquisition cost Dec 31	7,373	6,662
Accumulated depreciation Jan 1	6,400	10,470
Accumulated depreciation on decreases	0	-3,768
Accumulated depreciation on divestments	-61	-1,110
Impairment	0	9
Depreciation for the financial year	279	794
Exchange rate differences	-3	5
Accumulated depreciation Dec 31	6,616	6,400
Carrying amount Dec 31	757	262

\*Other intangible assets mainly include licenses and software.

EUR 1,000	2018	2017
<b>Intangible financial leasing assets</b>		
Acquisition cost Jan 1	2,172	2,951
Increases	510	206
Decreases	-469	-791
Divestments	0	-194
Acquisition cost Dec 31	2,213	2,172
Accumulated depreciation Jan 1	1,779	2,163
Accumulated depreciation on decreases	-467	-791
Accumulated depreciation on divestments	0	-189.6
Depreciation for the financial year	348	596
Accumulated depreciation Dec 31	1,660	1,779
Carrying amount Dec 31	553	393
Work-in-progress fixed assets	2018	2017
Acquisition cost Jan 1	581	0
Increases	859	581
Decreases	-1,322	0
Acquisition cost Dec 31	118	581
Total other intangible assets	4,179	5,337
<b>Total intangible assets</b>	<b>70,273</b>	<b>74,804</b>

For the purpose of impairment testing, goodwill has been allocated to the units generating cash flow. The units generating cash flow are the business areas for which the management monitors the business and 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.

Goodwill allocation to cash flow generating units:

EUR 1,000	2018	2017
Data platforms and Care	27,016	27,994
Applications	15,128	16,505
Information management	13,569	14,159
Zuite	10,381	10,809
<b>Total</b>	<b>66,094</b>	<b>69,467</b>

The information for the reference year is presented according to the business areas in force on the balance sheet date. The changes in goodwill are due to translation differences and an impairment loss of EUR 1,513,000.

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

The calculations are affected by the following assumptions:

**Forecast 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 prior experience of business development, the current market share and previous market share trends, and external appraisals of the outlook for the industry.

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

**Discount rate:** The rate used in the calculations was defined according to the weighted average cost of capital (WACC). The rate, 8.2%, 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.

#### ALLOCATION AND RECOGNITION OF IMPAIRMENT LOSSES

As a consequence of annual impairment testing, the Group incurred an impairment loss of EUR 1,513,000. No material changes have taken place in the key assumptions used for impairment testing in comparison with previous years. However, the management stated that, on the basis of the accuracy of forecasts in the Applications business in previous years, there was cause to critically examine the cash flows after the three-year forecast period. As a consequence of this examination, an impairment amount of EUR 587,000 was decided on. Enfo also closed down the Care Transform Karlskrona business unit in Sweden and wrote off the goodwill, EUR 927,000, related to this business.



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

EUR 1,000	2018	2017
<b>Impairment loss</b>		
Data platforms and Care	927	0
Applications	587	3,152
Information management	0	448
Zuite	0	461
<b>Total</b>	<b>1,514</b>	<b>4,061</b>

On December 31, 2018, the entire recoverable amount based on impairment testing was approximately EUR 106.7 million.

The key assumptions with which the recoverable amount for the units would be equal to the carrying amount:

	Data platforms and Care	Information management	Zuite
Turnover will fall short of the forecast in 2019-2021	4.00%	5.00%	14.00%
Discount rate	10.29%	9,85%	10.57%
Increase in cash flow after the forecast period	0.52%	0.40%	0.20%

16. FINANCIAL ASSETS MEASURED AT FAIR VALUE IN THE COMPREHENSIVE INCOME STATEMENT

Non-current (EUR 1,000)	2018	2017
Jan 1	130	131
Changes in fair value	-7	5
Impairment	0	-5
Dec 31	123	130
<b>Current (EUR 1,000)</b>	<b>2018</b>	<b>2017</b>
Jan 1	2	2
Dec 31	2	2

Financial assets measured at fair value in the comprehensive income statement mainly consisted of fund investments and some minor investments in equities.

17. NON-CURRENT RECEIVABLES

EUR 1,000	2018	2017
Loan receivables from associated companies	500	500
Security deposits	288	321
Other non-current receivables	86	0
<b>Total</b>	<b>874</b>	<b>821</b>

## 18. DEFERRED TAX ASSETS AND LIABILITIES

### Changes in deferred taxes during 2017:

<b>Deferred tax assets (EUR 1,000)</b>	Dec 31, 2016	Recognized in the income statement	Recognized in equity	Recognized in items of comprehensive income	Exchange rate difference	Dec 31, 2017
Tangible and intangible assets: different depreciation period in taxation, activated financial leasing assets	60	-4				56
Provisions	104	-125				-21
Employee benefits	52	-4			-1	47
Confirmed losses	1,281	270			-44	1,507
<b>Total</b>	<b>1,497</b>	<b>136</b>	<b>0</b>	<b>0</b>	<b>-45</b>	<b>1,589</b>
<b>Deferred tax liabilities:</b>						
Different depreciation period in taxation for tangible assets	60	-45			0	15
Measurement of financial assets at fair value	16		3			19
Intangible assets recognized in connection with business acquisitions	723	177			-17	883
<b>Total</b>	<b>799</b>	<b>132</b>	<b>3</b>	<b>0</b>	<b>-17</b>	<b>917</b>

### Changes in deferred taxes during 2018:

<b>Deferred tax assets (EUR 1,000)</b>	Dec 31, 2017	Recognized in the income statement	Recognized in equity	Recognized in items of comprehensive income	Exchange rate difference	Dec 31, 2018
Tangible and intangible assets: different depreciation period in taxation, activated financial leasing assets	56	-3				53
Provisions	-21					-21
Employee benefits	47					47
Confirmed losses	1,507				-62	1,445
<b>Total</b>	<b>1,589</b>	<b>-4</b>	<b>0</b>	<b>0</b>	<b>-62</b>	<b>1,524</b>
<b>Deferred tax liabilities:</b>						
Different depreciation period in taxation for tangible assets	15	8				23
Measurement of financial assets at fair value	19		-1			18
Intangible assets recognized in connection with business acquisitions	883	-257			-27	599
Other items	0	73				73
<b>Total</b>	<b>917</b>	<b>-176</b>	<b>-1</b>	<b>0</b>	<b>-27</b>	<b>713</b>

The Group has EUR 5.7 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 was uncertain on the balance sheet date.

Of the deferred tax assets, EUR 219,000 (EUR 979,000) is expected to materialize in the next 12 months.

Of the deferred tax liabilities, approximately EUR 122,000 (EUR 263,000) is expected to materialize within 12 months.



19. INVENTORIES

EUR 1,000	2018	2017
Materials and supplies	0	95
<b>Total</b>	<b>0</b>	<b>95</b>

20. TRADE RECEIVABLES AND OTHER RECEIVABLES

EUR 1,000	2018	2017
Trade receivables	24,384	25,256
Income tax receivables	1,810	1,675
Other accrued income	3,475	3,196
Other receivables	141	34
<b>Total trade receivables and other receivables</b>	<b>29,810</b>	<b>30,161</b>

The fair values of trade receivables and other receivables correspond to their carrying amounts.

21. CASH AND CASH EQUIVALENTS

EUR 1,000	2018	2017
Cash in hand and at bank	156	1,948
<b>Total</b>	<b>156</b>	<b>1,948</b>

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
Dec 31, 2016	660,761	1,670	659,091
Purchase of treasury shares		3,188	
Share issue	9,588		
Sale of treasury shares		-368	
Dec 31, 2017	670,349	4,490	665,859

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

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

**TREASURY SHARES**

In 2018, Enfo Oyj purchased 8,896 treasury shares. On the balance sheet date, the company held 13,386 treasury shares. The treasury shares held by the company comprise 1.97% of all shares and voting rights.

Description of equity reserves:

**TRANSLATION DIFFERENCES**

The Group’s equity includes translation differences arising from the translation of equities in foreign subsidiaries and loan receivables corresponding to internal net investments into the rate on the balance sheet date.

**FAIR VALUE RESERVE AND OTHER RESERVES**

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

<b>EUR 1,000</b>	
Jan 1, 2017	7,981
Change in the value of assets measured at fair value in other items of comprehensive income	16
Deferred tax	-3
Share issue, invested non-restricted equity	906
Distribution of assets, invested non-restricted equity	-7,890
Transfer from share premium account, invested non-restricted equity	13,316
Transfer other reserves, invested non-restricted equity	11,755
Dec 31, 2017	26,081
<b>EUR 1,000</b>	
Jan 1, 2018	26,081
Change in the value of assets measured at fair value in other items of comprehensive income	-7
Deferred tax	1
Share issue, invested non-restricted equity	678
Acquisition and sale of subsidiaries	0
Dec 31, 2018	26,754

**Major shareholders December 31, 2017**

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

**DIVIDENDS**

No dividend was paid for the 2017 financial year. The Board of Directors proposes to the Annual General Meeting that no dividend be paid for 2018.

**23. SHARE-BASED INCENTIVES**

The Group has an incentive scheme for key employees, adopted at the end of the 2018 financial year and using an accounting practice that conforms to the IFRS 2 standard. On December 31, 2018, the scheme included 23 key persons decided by the Board of Directors. A bonus in shares will be paid under the scheme if the conditions of the program are met during the earning period. The earning period ends on June 30, 2022. The maximum number of shares that can be paid out under the scheme is 12,426. The Board of Directors can also decide to pay the bonus partly or completely in cash.

The fair value of the scheme introduced in 2018 has been calculated by simulating the probabilities of its realization in various years and the volatility of the companies in the reference group, using the value of the shares. Based on their fair value, the cost recognized for share-based payments in the financial year was EUR 33,857.87.

The company did not award any share bonuses in 2018 on the basis of prior share-based incentive schemes. The liability associated with the redemption obligation under the key employees' incentive schemes that expired in 2013 and earlier is presented under other non-interest-bearing non-current liabilities.



# 24. FINANCIAL LIABILITIES

<b>Non-current (EUR 1,000)</b>	2018	2017
Bonds	0	9,969
Finance lease liabilities	1,235	1,509
<b>Total</b>	<b>1,235</b>	<b>11,478</b>
<b>Current (EUR 1,000)</b>		
Loans from financial institutions	19,070	18,703
Bonds	9,991	0
Finance lease liabilities	1,906	1,905
<b>Total</b>	<b>30,966</b>	<b>20,607</b>

The Group’s financial liabilities as of December 31, 2018 consist of loans from financial institutions, a bond loan, and a finance lease liability.

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

The nominal value of the bond is EUR 10,000,000.

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

## Maturities of finance lease liabilities

Gross amount of finance lease liabilities – minimum rents by maturity

<b>EUR 1,000</b>	2018	2017
Within 1 year	1,949	1,949
Within 1–5 years	1,247	1,525
<b>Total</b>	<b>3,196</b>	<b>3,474</b>
Future finance expenses	56	60
<b>Present value of finance lease liabilities</b>	<b>3,140</b>	<b>3,414</b>

The present value of finance lease liabilities matures as follows:

<b>EUR 1,000</b>	2018	2017
Within 1 year	1,902	1,905
Within 1–5 years	1,238	1,509
<b>Total</b>	<b>3,140</b>	<b>3,414</b>

<b>Bank loans (EUR 1,000)</b>	2018	2017
1–6 months	11,052	10,029
6–12 months	8,018	8,675
<b>Total</b>	<b>19,070</b>	<b>18,703</b>

<b>Bonds (EUR 1,000)</b>	2018	2017
1–6 months	<b>9,991</b>	<b>0</b>
6–12 months	<b>0</b>	<b>0</b>
1–3 years	0	9,969
<b>Total</b>	<b>9,991</b>	<b>9,969</b>

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

	2018	2017
Bank loans	1.5	2.7
Bonds	3.2	3.2
Finance lease liabilities	2.0	2.3

## 25. RECONCILIATION OF NET LIABILITIES

EUR 1,000	2018	2017
Cash and cash equivalents	156	1,948
Liquid investments	2	2
Loans – payable within one year	-30,963	-20,608
Loans – repayable in more than one year	-1,238	-11,478
<b>Net liabilities</b>	<b>-32,044</b>	<b>-30,136</b>
Cash, cash equivalents and liquid investments	158	1,950
Gross liabilities – fixed interest rate	-13,131	-13,383
Gross liabilities – variable interest rate	-19,070	-18,703
<b>Net liabilities</b>	<b>-32,044</b>	<b>-30,136</b>

EUR 1,000	Cash and cash equivalents	Liquid investments	Finance leasing within one year	Finance leasing in more than one year	Loans within one year	Loans in more than one year	Total
<b>Net liabilities Jan 1, 2017</b>	<b>5,018</b>	<b>2</b>	<b>-2,377</b>	<b>-2,267</b>	<b>-20,000</b>	<b>-19,197</b>	<b>-38,821</b>
Cash flows	-4,368		472	758	9,927		6,789
Exchange rate adjustments	-194				203	393	402
Other changes that do not include a charge	1,492				-8,833	8,835	1,494
<b>Net liabilities Dec 31, 2017</b>	<b>1,948</b>	<b>2</b>	<b>-1,905</b>	<b>-1,509</b>	<b>-18,703</b>	<b>-9,969</b>	<b>-30,136</b>

EUR 1,000	Cash and cash equivalents	Liquid investments	Finance leasing within one year	Finance leasing in more than one year	Loans within one year	Loans in more than one year	Total
<b>Net liabilities Jan 1, 2018</b>	<b>1,948</b>	<b>2</b>	<b>-1,905</b>	<b>-1,509</b>	<b>-18,703</b>	<b>-9,969</b>	<b>-30,136</b>
Cash flows	-1,793		3	271	-1,104		-2,623
Exchange rate adjustments	0				737		737
Other changes that do not include a charge	0				-9,991	9,969	-22
<b>Net liabilities Jan 31, 2018</b>	<b>155</b>	<b>2</b>	<b>-1,902</b>	<b>-1,238</b>	<b>-29,061</b>	<b>0</b>	<b>-32,044</b>

26. TRADE PAYABLES AND OTHER PAYABLES

EUR 1,000	2018	2017
<b>Other non-current liabilities</b>		
Other non-current non-interest-bearing liabilities	376	890
<b>Current</b>		
Trade payables	4,927	6,042
Income tax liability	680	383
Advances received	0	38
<b>Accrued expenses and deferred income</b>		
Personnel-related liabilities	9,513	10,812
Other accrued expenses and deferred income	3,872	1,241
Total accrued expenses and deferred income	13,385	12,053
Other liabilities	7,138	8,005
<b>Total current non-interest-bearing liabilities</b>	<b>26,130</b>	<b>26,521</b>
<b>Total trade payables and other non-interest-bearing debt</b>	<b>26,506</b>	<b>27,411</b>

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

27. RELATED-PARTY INFORMATION

GROUP STRUCTURE

The Group’s parent company and subsidiary relationships on December 31, 2018 were as follows:

Company name	Domicile	Group share of share capital (%)	Group share of votes (%)
<b>Parent company: Enfo Oyj</b>	Kuopio	100%	100%
<b>Enfo Oyj’s subsidiaries:</b>			
Enfo Holdings AB	Stockholm	100%	100%
Enfo Sweden AB	Göteborg	100%	100%
Enfo Pointer AB	Stockholm	100%	100%
Enfo EnjoyIT Integration AB	Göteborg	100%	100%
Enfo Denmark ApS	Brøndby	100%	100%
Zuite Business Consulting AB	Göteborg	30%	30%
Enfo Norway Holding AS	Oslo	100%	100%

Control over Zuite Business Consulting AB is determined on the basis of shareholder agreements. The non-controlling interests (70%) are presented on a separate row in the consolidated 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, CEO, and Management Team, as well as their spouses and relatives living in the same household.



<b>Employee benefits for management (EUR 1,000)</b>	2018	2017
Salaries and other short-term employee benefits	1,911	1,389
Benefits after employment	339	314
Long-term benefits	0	0
Benefits related to the termination of employment	0	135
Share-based payments	0	0
<b>Total</b>	<b>2,250</b>	<b>1,838</b>

Information about the parent company’s CEO and Board of Directors is presented in [note 5](#) to the parent company’s financial statements.

<b>Other transactions with related parties and outstanding balances (EUR 1,000)</b>	2018	2017
Sales of goods and services		
Parent company and affiliates	1,074	869
Purchases of goods and services		
Parent company and affiliates	67	69
Trade receivables and other receivables		
Parent company and affiliates	219	215
Sales of goods and services		
Associated companies	1,224	597
Purchases of goods and services		
Associated companies	1,290	710
Trade receivables and other receivables		
Associated companies	67	591
Trade payables and other payables		
Associated companies	0	169

The Group is party to an eight-year lease agreement with Osuuskunta KPY starting from January 1, 2012, concerning device space located on a property known as 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.

## 28. LIABILITIES

The Group has the following liabilities:

<b>Leasing liabilities (EUR 1,000)</b>	2018	2017
Payable during the current financial year	1,832	2,077
Payable later	1821	2,041
<b>Total</b>	<b>3,653</b>	<b>4,118</b>
Other rental liabilities	5,834	9,297
Other contingent liabilities	157	265
Bank guarantees	305	305
<b>Total</b>	<b>6,295</b>	<b>9,867</b>
<b>Total</b>	<b>9,948</b>	<b>13,985</b>

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

<b>Maturity of rental and leasing liabilities (EUR 1,000)</b>	2018	2017
Other lease agreements – total amount of minimum rents	9,487	13,415
Within 1 year	4,845	5,468
Within more than 1 year and less than 5 years	4,642	7,947
In more than 5 years		
<b>Total</b>	<b>9,487</b>	<b>13,414</b>

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

29. INFORMATION ABOUT ASSOCIATED COMPANIES

During the financial year, Enfo Oyj has owned a share of financial administration outsourcing service provider Administer Partner Oy. Enfo Oyj sold its minority holding in Administer Partner Oy to Administer Oy on December 31, 2018.

Shares in associated companies

EUR 1,000		Nature of relationship	Valuation method	Carrying amount
Company name	Holding 2018			2018
Administer Partner Oy	19%	Associated company	Equity method	0

Enfo Oyj sold its share to Administer Oy on December 31, 2018

Commitments related to associated companies

EUR 1,000		2018
Subordinated loan		500
Total		500

30. EVENTS FOLLOWING THE FINANCIAL YEAR

On February 1, 2019, Björn Arkenfall was appointed EVP, Applications, also joining the Management Team. Arkenfall is taking up the position after Hans Sollerman, who is leaving the company.

# FINANCIAL STATEMENTS OF THE PARENT COMPANY (FAS)

## PARENT COMPANY'S INCOME STATEMENT

EUR 1,000	Note	Jan 1-Dec 31, 2018	Jan 1-Dec 31, 2017
<b>Turnover</b>	2	<b>51,326</b>	<b>45,266</b>
Other operating income	3	4,479	5,299
Materials and services	4	-21,410	-21,462
Personnel expenses	5	-22,188	-18,617
Depreciation, amortization and impairment	6	-1,815	-550
Other operating expenses	7	-10,143	-8,417
<b>Operating profit</b>		<b>249</b>	<b>1,518</b>
Financial income and expenses	8	-42	16,910
<b>Profit/loss before appropriations and taxes</b>		<b>208</b>	<b>18,428</b>
<b>Appropriations</b>			
Change in depreciation difference		-388	-80
Group contribution	9	0	-330
Income taxes	10	-184	-315
<b>Profit/loss for the financial year</b>		<b>-15</b>	<b>17,702</b>



## PARENT COMPANY'S BALANCE SHEET

<b>ASSETS, EUR 1,000</b>	Note	Jan 1-Dec 31, 2018	Jan 1-Dec 31, 2017
<b>Non-current assets</b>			
Intangible assets	11	8,396	233
Tangible assets	12	144	623
Investments			
Holdings in Group companies	13	18,021	28,064
Holdings in associated companies		0	0
Other shares and holdings	13	33	33
<b>Total non-current assets</b>		<b>26,595</b>	<b>28,953</b>
<b>Current assets, EUR 1,000</b>			
Inventories	14	0	0
Non-current receivables	15	39,301	40,936
Current receivables	16	40,568	38,748
Financial securities	17	2	2
Cash in hand and at bank	18	148	955
<b>Total current assets</b>		<b>80,019</b>	<b>80,640</b>
<b>TOTAL ASSETS</b>		<b>106,613</b>	<b>109,593</b>

<b>LIABILITIES AND SHAREHOLDER'S EQUITY, EUR 1,000</b>	Note	Jan 1-Dec 31, 2018	Jan 1-Dec 31, 2017
<b>Equity</b>			
Share capital	19	265	265
Share premium account	19	0	0
Other reserves			
Reserve for invested non-restricted equity	19	26,682	26,004
Other reserves	19	0	0
Retained earnings		34,074	17,099
Profit/loss for the financial year		-15	17,702
<b>Total equity</b>		<b>61,006</b>	<b>61,070</b>
<b>Accumulated appropriations</b>			
Depreciation difference		118	80
<b>Mandatory provisions</b>		<b>117</b>	<b>117</b>
<b>Liabilities</b>			
Non-current	20	0	10,000
Current	21	45,372	38,327
<b>Total liabilities</b>		<b>45,372</b>	<b>48,327</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>106,613</b>	<b>109,593</b>

## PARENT COMPANY'S CASH FLOW STATEMENT

EUR 1,000	Jan 1-Dec 31, 2018	Jan 1-Dec 31, 2017
<b>Cash flow from operating activities</b>		
Profit for the financial year	-15	17,702
Adjustments to operating profit		
Depreciation and amortization	1,815	550
Capital gains and losses on fixed assets	0	4
Financial items	42	-16,910
Mandatory provisions	0	-396
Group contribution	0	3306
Taxes	192	3156
Other adjustments	31	80
Change in working capital		
Changes in inventories, increase (-), decrease (+)	0	95
Change in non-interest-bearing current receivables, increase (-), decrease (+)	-1,379	1,468
Change in non-interest-bearing current liabilities, increase (+), decrease (-)	3,010	-83
Interest paid and other financial costs	-845	-744
Dividends received	7	8
Interest received and other financial costs	497	419
Taxes paid	-123	297
Change in Group receivables/liabilities	-5,162	-5,444
<b>Total cash flow from operating activities</b>	<b>-1,930</b>	<b>-2,307</b>
<b>Cash flow from investment activities</b>		
Investment in tangible assets	0	-43
Investment in intangible assets	-747	-581
Disposal of tangible assets	0	1

EUR 1,000	Jan 1-Dec 31, 2018	Jan 1-Dec 31, 2017
Acquisition of subsidiaries	0	-10
Divestment of subsidiaries	0	21,021
Investments in associated companies	0	-2,394
Loans issued	0	-500
<b>Total cash flow from investment activities</b>	<b>-747</b>	<b>17,495</b>
<b>Cash flow from financing</b>		
Payment of dividends	0	-8,546
Purchase/sale of treasury shares	-728	-264
Share issue	678	300
Loans taken out	4,946	13,217
Repayment of current loans	0	-13,146
Repayment of non-current loans	-3,947	-10,159
Increase in loan receivables	0	0
Group contribution	-330	-184
<b>Total cash flow from financing activities</b>	<b>619</b>	<b>-18,782</b>
<b>Change in cash and cash equivalents</b>	<b>-2,058</b>	<b>-3,594</b>
Cash and cash equivalents Jan 1	955	4,555
Impact of exchange rate changes	2	-5
Cash from merger	1,248	0
<b>Cash and cash equivalents Dec 31</b>	<b>148</b>	<b>955</b>

# NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

69	1.	Statement of accounting principles	72	11.	Intangible assets
70	2.	Geographical distribution of turnover	73	12.	Tangible assets
70	3.	Other operating income	74	13.	Investments
70	4.	Materials and services	74	14.	Inventories
71	5.	Personnel expenses	74	15.	Non-current receivables
71	6.	Depreciation, amortization and impairment	74	16.	Current receivables
71	7.1.	Other operating expenses	75	17.	Financial securities
71	7.2.	Auditor's fees	75	18.	Cash in hand and at bank
72	8.	Financial income and expenses	75	19.	Equity
72	9.	Group contribution	75	20.	Non-current liabilities
72	10.	Income taxes	76	21.	Current liabilities
			76	22.	Contingent liabilities and other liabilities

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

## NOTES TO THE INCOME STATEMENT

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

### Measurement principles

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

The depreciation periods are:

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

**RESEARCH AND DEVELOPMENT COSTS**  
As a rule, research and development costs are recognized as annual expenses in the year in which they were incurred.



**VALUATION OF INVENTORIES**

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

**MEASUREMENT OF FINANCIAL ASSETS**

Financial 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 year when the service is provided. When services are performed over a specific period of time, revenue is recognized for the period using the straight-line method, unless a different method provides a better indication of the degree of completion.

**PENSIONS**

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

**DEFERRED TAX ASSETS**

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

2. GEOGRAPHICAL DISTRIBUTION OF TURNOVER

EUR 1,000	Jan 1-Dec 31, 2018	Jan 1-Dec 31, 2017
Geographically		
Finland	49,939	40,202
EU countries	1,266	5,054
Other countries	120	10
Total	51,326	45,266

3. OTHER OPERATING INCOME

EUR 1,000	Jan 1-Dec 31, 2018	Jan 1-Dec 31, 2017
Capital gains on fixed assets	0	0
Others	4,479	5,299
Total	4,479	5,299

4. MATERIALS AND SERVICES

EUR 1,000	Jan 1-Dec 31, 2018	Jan 1-Dec 31, 2017
Purchases during the financial year	5,204	4,699
Change in inventories	0	95
External services	16,205	16,668
Total	21,410	21,462

5. PERSONNEL EXPENSES

EUR 1,000	Jan 1-Dec 31, 2018	Jan 1-Dec 31, 2017
Salaries and fees	18,102	15,274
Indirect personnel costs		
Pension costs	3,410	2,707
Other indirect employee costs	676	636
<b>Total</b>	<b>22,188</b>	<b>18,617</b>
<b>Number of employees</b>		
Average	324	247
<b>Management salaries and fees</b>		
CEO, Deputy CEO, and members of the Board of Directors	662	449

6. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

EUR 1,000	Jan 1-Dec 31, 2018	Jan 1-Dec 31, 2017
Planned depreciation		
Intangible assets	265	543
Goodwill	872	0
Other machinery and equipment	15	7
Impairment		
Impairment of non-current assets	664	0
<b>Total</b>	<b>1,815</b>	<b>550</b>

7.1. OTHER OPERATING EXPENSES

EUR 1,000	Jan 1-Dec 31, 2018	Jan 1-Dec 31, 2017
Other personnel expenses	1,020	875
Travel expenses	583	584
Office expenses	2,063	1,960
Vehicle expenses	639	518
Hardware and software expenses	1,426	2,376
Other administrative expenses	2,934	1,019
Telephone and data expenses	516	251
Marketing, sales, and representation expenses	658	493
Other operating expenses	305	340
<b>Total</b>	<b>10,143</b>	<b>8,417</b>

7.2. AUDITORS' FEES

EUR 1,000	Jan 1-Dec 31, 2018	Jan 1-Dec 31, 2017
Auditing	75	59
Tax advice	12	20
Other services	50	96
<b>Total</b>	<b>138</b>	<b>175</b>

## 8. FINANCIAL INCOME AND EXPENSES

EUR 1,000	Jan 1-Dec 31, 2018	Jan 1-Dec 31, 2017
Dividend income		
From group companies	0	7
From others	7	1
<b>Total</b>	<b>7</b>	<b>8</b>
Interest income		
From group companies	1,948	2,022
From others	1	17
<b>Total</b>	<b>1,949</b>	<b>2,039</b>
Other financial income		
Exchange rate gains	2,116	714
Other financial income	172	0
Capital gains on investments in fixed assets	0	19,249
<b>Total</b>	<b>2,288</b>	<b>19,963</b>
<b>Total financial income</b>	<b>4,244</b>	<b>22,010</b>
Impairment of non-current assets	0	2,396
<b>Total impairment</b>	<b>0</b>	<b>2,396</b>
Interest and other financial expenses		
To Group companies	64	77
To others	662	748
Exchange rate losses	3,561	1,879
<b>Total</b>	<b>4,286</b>	<b>2,704</b>
<b>Total financial expenses</b>	<b>4,286</b>	<b>5,100</b>
Financial income and expenses include		
Exchange rate losses/gains (net)	-1,445	-1,165
<b>Total financial income and expenses</b>	<b>-42</b>	<b>16,910</b>

## 9. GROUP CONTRIBUTION

EUR 1,000	Jan 1-Dec 31, 2018	Jan 1-Dec 31, 2017
Group contribution received (+), granted (-)	0	-330
<b>Total</b>	<b>0</b>	<b>-330</b>

## 10. INCOME TAXES

EUR 1,000	Jan 1-Dec 31, 2018	Jan 1-Dec 31, 2017
Income taxes on ordinary operations	186	217
Taxes in previous financial years	-2	-4
Change in deferred tax assets	0	103
<b>Total</b>	<b>184</b>	<b>315</b>

The deferred tax assets are due to a mandatory provision.

The amount of deferred tax assets is presented in [note 15](#).

# NOTES TO THE BALANCE SHEET

## 11. INTANGIBLE ASSETS

Intangible rights, EUR 1,000	Dec 31, 2018	Dec 31, 2017
Acquisition cost Jan 1	0	797
Decreases	0	-797
Acquisition cost Dec 31	0	0
Accumulated depreciation, amortization and impairment Jan 1	0	-797
Accumulated depreciation on decreases and transfers	0	797
Depreciation during the financial year	0	0
Accumulated depreciation, amortization and impairment Dec 31	0	0
Carrying amount Jan 1	0	0
Carrying amount Dec 31	0	0



<b>Merger loss, EUR 1,000</b>	Dec 31, 2018	Dec 31, 2017
Acquisition cost Jan 1	0	9,788
Decreases	0	-9,788
Increases	6,435	0
Balances transferred in the merger	2,115	0
Acquisition cost Dec 31	8,551	0
Accumulated depreciation, amortization and impairment Jan 1	0	-9,788
Accumulated depreciation on decreases	0	9,788
Depreciation for the financial year	-912	0
Accumulated depreciation, amortization and impairment Dec 31	-912	0
Carrying amount Jan 1	0	0
Carrying amount Dec 31	7,639	0
<b>Other long-term expenses, EUR 1,000</b>	Dec 31, 2018	Dec 31, 2017
Acquisition cost Jan 1	2,717	6,485
Increases	871	0
Transfers between items	581	0
Decreases	0	-3,768
Impairments	-664	0
Acquisition cost Dec 31	3,506	2,717
Accumulated depreciation, amortization and impairment Jan 1	-2,485	-5,710
Accumulated depreciation on decreases and transfers	0	3,768
Depreciation during the financial year	-265	-543
Accumulated depreciation, amortization and impairment Dec 31	-2,749	-2,485
Carrying amount Jan 1	233	776
Carrying amount Dec 31	757	233
<b>Total intangible assets</b>	<b>8,396</b>	<b>233</b>

## 12. TANGIBLE ASSETS

<b>Machinery and equipment, EUR 1,000</b>	Dec 31, 2018	Dec 31, 2017
Acquisition cost Jan 1	292	6,894
Increases	0	43
Decreases	0	-6,645
Acquisition cost Dec 31	292	292
Accumulated depreciation, amortization and impairment Jan 1	-251	-6,888
Accumulated depreciation on decreases and transfers	0	6,645
Depreciation during the financial year	-15	-7
Accumulated depreciation, amortization and impairment Dec 31	-266	-251
Carrying amount Jan 1	41	6
Carrying amount Dec 31	26	41
<b>Other tangible assets, EUR 1,000</b>	Dec 31, 2018	Dec 31, 2017
Acquisition cost Jan 1	0	5
Decreases	0	-5
Acquisition cost Dec 31	0	0
Carrying amount Jan 1	0	5
Carrying amount Dec 31	0	0
<b>Advance payments and purchases in progress, EUR 1,000</b>	Dec 31, 2018	Dec 31, 2017
Acquisition cost Jan 1	581	581
Increase	118	0
Decrease/transfer	-581	0
Carrying amount Dec 31	118	581
<b>Total tangible assets</b>	<b>144</b>	<b>623</b>

### 13. INVESTMENTS

<b>EUR 1,000</b>	Dec 31, 2018	Dec 31, 2017
<b>Holdings in Group companies</b>		
Carrying amount Jan 1	28,064	29,655
Increase	0	0
Decrease	-10,043	-1,590
Carrying amount Dec 31	18,021	28,064

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

<b>Holdings in associated companies, EUR 1,000</b>	Dec 31, 2018	Dec 31, 2017
Carrying amount Jan 1	0	0
Increase/Decrease	0	0
Carrying amount Dec 31	0	0

<b>Other shares and holdings, EUR 1,000</b>	Dec 31, 2018	Dec 31, 2017
Carrying amount Jan 1	33	45
Decreases	0	-12
Carrying amount Dec 31	33	33
<b>Total investments</b>	<b>18,055</b>	<b>28,098</b>

### 14. INVENTORIES

<b>EUR 1,000</b>	Dec 31, 2018	Dec 31, 2017
Materials and supplies Jan 1	0	95
Change in inventory	0	-95
<b>Total</b>	<b>0</b>	<b>0</b>

### 15. NON-CURRENT RECEIVABLES

<b>EUR 1,000</b>	Dec 31, 2018	Dec 31, 2017
Loan receivables from Group companies	38,744	40,362
Receivables from associated companies	500	500
Deferred tax asset	23	23
Other non-current receivables	34	51
<b>Total other receivables</b>	<b>57</b>	<b>74</b>
<b>Total non-current receivables</b>	<b>39,301</b>	<b>40,936</b>

### 16. CURRENT RECEIVABLES

<b>EUR 1,000</b>	Dec 31, 2018	Dec 31, 2017
Receivables from Group companies		
Trade receivables	385	346
Loan receivables	3,386	3,527
Group receivables	18,077	18,764
Other accrued income	10,537	9,473
<b>Total</b>	<b>32,385</b>	<b>32,110</b>
Trade receivables	6,570	5,539
Accrued income		
Income tax receivables	71	109
Purchase invoice accruals	1,015	886
Other accrued income	392	96
<b>Total</b>	<b>1,478</b>	<b>1,091</b>
Other receivables	135	8
<b>Total current receivables</b>	<b>40,568</b>	<b>38,748</b>

## 17. FINANCIAL SECURITIES

EUR 1,000	Dec 31, 2018	Dec 31, 2017
Other shares and holdings		
Carrying amount Jan 1	2	2
Change		
<b>Financial securities (carrying amount) Dec 31</b>	<b>2</b>	<b>2</b>

## 18. CASH IN HAND AND AT BANK

EUR 1,000	Dec 31, 2018	Dec 31, 2017
Cash in bank accounts	148	955
<b>Total</b>	<b>148</b>	<b>955</b>

## 19. EQUITY

EUR 1,000	Dec 31, 2018	Dec 31, 2017
Share capital Jan 1	265	265
<b>Share capital Dec 31</b>	<b>265</b>	<b>265</b>
Share premium account Jan 1	0	13,316
Reserve for invested non-restricted equity	0	-13,316
<b>Share premium account Dec 31</b>	<b>0</b>	<b>0</b>
Reserve for invested non-restricted equity Jan 1	26,004	7,915
Capital gain from treasury shares	0	6
Share issue	678	900
Transfer other reserves	0	11,756
Transfer share premium account	0	13,316
Equity refund	0	-7,890
<b>Reserve for invested non-restricted equity Dec 31</b>	<b>26,682</b>	<b>26,004</b>

Other reserves Jan 1	0	11,756
Change in hedging reserves	0	0
Transfer reserve for invested non-restricted equity	0	-11,756
<b>Other reserves Dec 31</b>	<b>0</b>	<b>0</b>

Retained earnings Jan 1	34,801	18,003
Dividends	0	-656
Change in treasury reserve	0	-247
Purchase of treasury shares	-728	-1
Other adjustments	0	0
<b>Retained earnings Dec 31</b>	<b>34,074</b>	<b>17,099</b>

Profit/loss for the financial year	-15	17,702
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Total equity Dec 31	<b>61,006</b>	<b>61,070</b>
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### Calculation of distributable equity Dec 31 EUR

Retained earnings	34,074	17,099
Reserve for invested non-restricted equity	26,682	26,004
Profit for the financial year	-15	17,702
<b>Total</b>	<b>60,741</b>	<b>60,805</b>

Treasury shares and major shareholders are presented in [note 22](#) to the consolidated financial statements.

## 20. NON-CURRENT LIABILITIES

Liabilities maturing in less than 5 years

EUR 1,000	Dec 31, 2018	Dec 31, 2017
Loans to financial institutions	0	0
Bond loan 2014/2019, 1.85%	0	10,000
Other non-current liabilities	0	0
<b>Total non-current liabilities</b>	<b>0</b>	<b>10,000</b>



## 21. CURRENT LIABILITIES

EUR 1,000	Dec 31, 2018	Dec 31, 2017
Loans from financial institutions	19,070	18,703
Bond loan 2014/2019, 1.85%	10,000	0
<b>Total loans</b>	<b>29,070</b>	<b>18,703</b>
<b>Liabilities to Group companies</b>		
Trade payables	545	263
Other liabilities	5,210	11,332
<b>Total</b>	<b>5,756</b>	<b>11,595</b>
Trade payables	3,129	2,843
Advances received	0	38
<b>Accrued expenses and deferred income</b>		
Personnel-related liabilities	4,041	3,401
Expense provisions	1,417	266
<b>Total</b>	<b>5,458</b>	<b>3,667</b>
<b>Other liabilities</b>		
Other liabilities	1,960	1,480
<b>Total</b>	<b>1,960</b>	<b>1,480</b>
<b>Total current liabilities</b>	<b>45,372</b>	<b>38,327</b>

## 22. COMMITMENTS, CONTINGENT LIABILITIES, AND OTHER LIABILITIES

Liabilities and commitments, EUR 1,000	Dec 31, 2018	Dec 31, 2017
<b>Leasing liabilities</b>		
Amounts paid for lease agreements		
Payable during the current financial year	3,462	3,217
Payable later	2,578	2,619
<b>Total</b>	<b>6,041</b>	<b>5,835</b>
<b>Other contingent liabilities</b>		
Deposits as rental security on the balance sheet	34	63
Other contractual obligations	157	265
Bank guarantees	305	305
Rent liabilities	2,022	3,894
Share redemption commitments	259	727

# SIGNATURES TO THE FINANCIAL STATEMENTS AND BOARD OF DIRECTORS' REPORT

Espoo, February 26, 2019

Anssi Lehtikoinen      Lauri Kerman

Mikko Laine      Kaisa Olkkonen

Susanna Rahkamo      Claes Wallnér

Seppo Kuula  
CEO

## AUDITOR'S NOTE

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

Kuopio, March 6, 2019

PricewaterhouseCoopers Oy  
Audit firm

Pekka Loikkanen  
Authorized Public Accountant

# AUDITOR’S REPORT TO THE ANNUAL GENERAL MEETING OF ENFO OYJ

TRANSLATION OF THE FINNISH ORIGINAL

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

In our opinion

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

### WHAT WE HAVE AUDITED

We have audited the financial statements of Enfo Oyj (business identity code 2081212-9) for the year ended 31 December, 2018. The financial statements comprise:

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

### Basis for opinion

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

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

### INDEPENDENCE

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

### Responsibilities of the Board of Directors and the Managing Director for the financial statements

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

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

### Auditor’s responsibilities for the audit of the financial statements

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

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

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



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

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

## OTHER REPORTING REQUIREMENTS

### Other information

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

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

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

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

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

Kuopio, March 6, 2019

**PricewaterhouseCoopers Oy**  
Authorised Public Accountants

Pekka Loikkanen  
Authorised Public Accountant (KHT)

Enfo Oyj

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