



Enfo Oyj

Financial statement bulletin

January 1 – December 31, 2018



ENFO OYJ'S FINANCIAL STATEMENT BULLETIN

January 1 – December 31, 2018

Enfo 2018: Enfo focused on profitability and a sustainable business foundation. EBITDA excluding non-recurring items was moderate. The profit was affected by non-recurring items. Enfo developed its culture and offering, clarified its structure, carried out legal mergers in Sweden and enhanced tools for maneuverability.

Key points of the financial statement bulletin

- Turnover decreased by 7.0% in October–December to EUR 33.2 (35.7) million. Turnover for January–December decreased by 4.6% to EUR 125.6 (131.7) million. (2017 figures for continuing operations if not otherwise mentioned).
- The operating margin (EBITDA) excluding non-recurring items was EUR 2.1 (2.6) million in the fourth quarter and EUR 5.1 (6.4) million for January–December.
- The operating profit (EBIT) was EUR -2.4 (-2.6) million in the fourth quarter. The operating profit for January–December was EUR -2.5 (-5.1) million.
- The profit before taxes was EUR -2.3 (-2.6) million in the fourth quarter. Profit before taxes since the start of the year amounted to EUR -3.6 (-6.1) million.
- The profit was EUR -2.7 (-3.6) million in October–December and EUR -4.5 (-7.2) million since the start of the year.
- The earnings per share in the fourth quarter were EUR -4.9 (-8.7) and the earnings per share for the full year were EUR -9.2 (-13.5).
- Operating cash flow was EUR 0.8 (5.2) million in the fourth quarter, and EUR 2.3 (3.8) million for January–December.
- Enfo employed an average of 884 employees (911) during the year and a total of 881 employees (888) at the end of the year.

Enfo's business

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

Outlook for 2019

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.

CEO's review

Seppo Kuula, Enfo's CEO, comments as follows:

"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."

Turnover and profit

Enfo Group's turnover in October–December decreased 7.0% to EUR 33.2 (35.7) million (figures for 2017 continuing operations if not otherwise mentioned). Full-year turnover decreased by 4.6% to EUR 125.6 (131.7) million. EUR 52.0 million of the turnover was earned in Finland and EUR 73.6 million was earned in Sweden.

The EBITDA excluding non-recurring items was EUR 2.1 (2.6) million in the fourth quarter and EUR 5.1 (6.4) million for January–December. The operating profit (EBIT) for the fourth quarter was EUR -2.4 million, or

-7.2% of turnover (EUR -2.6 million or -7.3%). Full-year operating profit was EUR -2.5 million or -2.0% of turnover (EUR -5.1 million or -3.9%).

The profit before taxes was EUR -2.3 (-2.6) million in the fourth quarter. Full-year profit before taxes was EUR -3.6 (-6.1) million. Profit in the review period amounted to EUR -2.7 (-3.6) million in the fourth quarter, and EUR -4.5 (-7.2) million since the start of the year. The earnings per share in the fourth quarter were EUR -4.9 (-8.7) and the earnings per share for the full year were EUR -9.2 (-13.5). The Group's net financing expenses were EUR 0.1 (0.0) million in the fourth quarter and EUR -1.2 (-0.9) million for the full year.

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 the target. The profit was affected by non-recurring items related to closing down the 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 the development of profitability and the direction was right over the year, even if monthly volatility was a challenge.

Financing and investments

Enfo's net investments in the financial year amounted to EUR 1.7 (1.8) million. 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). During the year Enfo made an investment into a private cloud platform to enable the use of native public cloud services. This was financed from cash flow, not burdening the balance sheet. At the end of the financial year, the Group was in breach of one of the covenants of its financiers' agreement requiring the Group's interest-bearing net liabilities/operating margin EBITDA to be less than 3.5, and thus the Group has classified the loans covered by the covenant as current liabilities on the balance sheet date. The Group has received an approval from its financiers for the covenant breach.

Changes in the Management Team

From February 2019, the Group's Management Team comprises: Seppo Kuula (CEO), 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).

Personnel

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) in Sweden.

Events since the review period

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

Shares

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.

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, Keski-suomalainen Oyj, Einari Vidgrén Oy, Lululemon Oy, Hannu Isotalo Oy and Kallax Oy. Osuuskunta KPY holds 83.56% of Enfo's shares.

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.

Timetable for financial reporting in 2019

The financial statement bulletin for 2018, including tables, is published on Enfo's website at 10 a.m. (EET) on February 27, 2019. The annual report will be published on March 6, 2019. Enfo Oyj's Annual General Meeting will be held on March 27, 2019.

The interim report for Q1/2019 will be published on April 24, Q2 on August 27, and Q3 on October 24, 2019.

Accounting Principles

This financial statement bulletin has been prepared in accordance with the recognition and measurement principles of the International Financial Reporting Standards (IFRS) and the accounting principles published in the 2018 financial statements. The figures in the tables have been rounded to the nearest million euros so they may not add up to precise totals. The figures presented in the tables are unaudited.

Consolidated income statement

EUR million

1.10-31.12.2018 1.10-31.12.2017 1.1-31.12.2018 1.1-31.12.2017

Turnover	33,2	35,7	125,6	131,7
Other operating income	0,5	-0,2	0,7	0,0
Materials and services	-8,0	-8,6	-30,3	-31,7
Employee benefit expenses	-19,8	-19,3	-73,4	-78,2
Depreciation, amortization and impairment	-3,2	-5,1	-6,2	-9,1
Other operating expenses	-5,1	-5,2	-18,8	-17,9
Operating profit	-2,4	-2,6	-2,5	-5,1
Financial income	0,4	0,9	2,0	1,2
Financial expenses	-0,3	-0,9	-3,2	-2,1
Profit before taxes	-2,3	-2,6	-3,6	-6,1
Income taxes	-0,4	-1,0	-0,8	-1,1
Profit for the period for continued operations	-2,7	-3,6	-4,5	-7,2
Profit for the period for discontinued operations	0,0	0,0	0,0	15,5
Profit for the period	-2,7	-3,6	-4,5	8,4
Attributable to				
Ow ners of the parent company	-3,2	-4,8	-6,1	6,6
Non-controlling interests	0,5	1,2	1,6	1,8
Earnings per share, continuing operations EUR	-4,9	-8,7	-9,2	-13,5
Earnings per share, EUR	-4,9	-8,7	-9,2	9,9

Consolidated comprehensive income statement including discontinued operations

EUR million

1.1-31.12.2018 1.1-31.12.2017

Profit for the period	-4,5	8,4
Exchange rate differences caused by net investments in foreign subsidiaries	-0,6	-0,5
Other translation differences	-0,1	-0,1
Comprehensive income for the period	-5,2	7,8
Attributable to		
Ow ners of the parent company	-6,8	6,1
Non-controlling interests	1,6	1,7

Consolidated balance sheet

EUR million

	31.12.2018	31.12.2017
Assets		
Non-current assets		
Tangible assets	2,8	3,5
Goodwill	66,1	69,5
Other intangible assets	4,2	5,3
Available-for-sale investments	0,1	0,1
Receivables	0,9	0,8
Deferred tax assets	1,5	1,6
Total non-current assets	75,5	80,8
Current assets		
Inventories	0,0	0,0
Trade receivables	24,4	25,3
Other receivables	3,6	3,2
Tax assets based on the period's taxable income	1,8	1,7
Available-for-sale investments	0,0	0,0
Cash and cash equivalents	0,2	1,9
Total current assets	30,0	32,1
Assets for discontinued operations		
Total assets	105,5	112,9
Equity and liabilities		
Equity		
Share capital	0,3	0,3
Share premium account	0,0	0,0
Other reserves	25,6	25,4
Retained earnings	18,6	25,1
Total equity attributable to owners of the parent company	44,5	50,8
Non-controlling interests	1,6	1,7
Total equity	46,1	52,5
Non-current liabilities		
Interest-bearing liabilities	1,2	11,5
Other liabilities	0,4	0,9
Deferred tax liabilities	0,7	0,9
Total non-current liabilities	2,3	13,3
Current liabilities		
Interest-bearing liabilities	31,0	20,6
Trade payables	4,9	6,0
Other liabilities	21,2	20,5
Total current liabilities	57,1	47,1
Total liabilities	59,4	60,4
Liabilities for discontinued operations		
Total equity and liabilities	105,5	112,9

Condensed statement of cash flows including discontinued operations

EUR million	1.1-31.12.2018	1.1-31.12.2017
Cash flow from operations		
Profit for the period	-4,5	8,4
Adjustments to the profit for the period	7,9	-6,7
Change in working capital	1,4	4,5
Interest paid and received	-0,7	-0,8
Taxes paid	-1,9	-1,5
Net cash flow from operations	2,3	3,8
Cash flow from investments		
Acquisition of subsidiaries less cash and cash equivalents on the acquisition day	0,0	-0,7
Investments in tangible and intangible fixed assets	-1,1	-0,8
Sales of tangible and intangible fixed assets	0,1	0,1
Investments: Investments accounted for using the equity method	0,0	-2,4
Sale of subsidiary less cash and cash equivalents on the sale date	0,0	19,0
Loans issued	0,0	-0,5
Net cash flow from investment activities	-1,0	14,8
Cash flow from financing activities		
Changes in loans	1,0	-9,9
Changes in equity	-1,6	-10,3
Repayment of financial leasing liabilities	-2,3	-2,7
Net cash flow from financing activities	-2,9	-23,0
Changes in cash and cash equivalents	-1,6	-4,4
Effect of exchange rate changes on cash and cash equivalents	-0,1	-0,2
Cash and cash equivalents at the beginning of the period	1,9	5,0
Cash of the discontinued operations at the beginning of the period	0,0	1,5
Cash of the discontinued operations at the end of the period	0,0	0,0
Cash and cash equivalents at the end of the period	0,2	1,9

Key figures, continued operations

	1.1-31.12.2018	1.1-31.12.2017
Turnover, EUR million	125,6	131,7
Operating profit, EUR million	-2,5	-5,1
% of turnover	-2,0	-3,9
Profit before taxes, EUR million	-3,6	-6,1
% of turnover	-2,9	-4,6
Profit for the period, EUR million	-4,5	-7,2
% of turnover	-3,6	-5,4
Earnings per share, continuing operations, EUR	-9,2	-13,5
Earnings per share, discontinuing operations, EUR	0,0	23,4
Earnings per share, EUR	-9,2	9,9
Return on investment, %	-0,5	-4,2
Return on equity, %	-5,6	-9,2
Equity ratio, %	43,8	46,6
Net gearing, %	69,5	57,4
Interest-bearing net debt, EUR million	32,0	30,1
Equity per share, EUR	66,8	76,2
Average number of employees	884	911
Number of shares	679 251	670 349

Profit from discontinued operations

EUR million	1.1-31.12.2018	1.1-31.12.2017
Turnover	0,0	6,6
Expenses	0,0	-8,8
Profit before tax	0,0	-2,2
Taxes	0,0	0,0
Profit after taxes	0,0	-2,3
Capital gain from subsidiaries after taxes	0,0	17,8
Profit from discontinued operations	0,0	15,5

Changes in shareholders' equity

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

	Share capital	Share premium account	Treasury shares	Translation differences	Value change and other funds	Retained earnings	Total	Non-controlling interests	Total equity
Equity on 1 Jan, 2018	0,3	0,0	-0,4	-0,3	26,1	25,1	50,8	1,7	52,5
Profit/loss for the period						-6,1	-6,1	1,6	-4,5
Comprehensive income									
Other comprehensive income items									
Exchange rate differences caused by net investment in foreign subsidiaries				-0,7			-0,7		-0,7
Other translation differences				-0,6		0,6	0,0	-0,1	0,0
Other comprehensive income items for the period after taxes		0,0	0,0	-1,3	0,0	0,6	-0,6	-0,1	-0,7
Comprehensive income for the period	0,0	0,0	0,0	-1,3	0,0	-5,4	-6,7	1,6	-5,2
Transactions with owners									
Distributed dividends								-1,7	-1,7
Share issue					0,7		0,7		0,7
Purchase of treasury shares			-0,7				-0,7		-0,7
Redemption obligation						0,0	0,0		0,0
Total transactions with owners	0,0	0,0	-0,7	0,0	0,7	0,0	-0,1	-1,7	-1,7
Other adjustments		0,0	0,0	0,0	0,0	0,5	0,5		0,5
Equity on 31 Dec, 2018	0,3	0,0	-1,1	-1,6	26,7	20,1	44,5	1,6	46,1

Changes in tangible fixed assets

EUR million	1.1-31.12.2018	1.1-31.12.2017
Carrying amount at the beginning of the period	3,5	4,4
Increases	1,7	1,7
Decreases	-0,2	-0,3
Depreciation and amortisation	-2,2	-2,3
Carrying amount at the end of the period	2,8	3,5

Commitments and contingencies

EUR million	31.12.2018	31.12.2017
Leasing liabilities	3,7	4,1
Other rental liabilities	5,8	9,3
Other contract liabilities	0,2	0,3
Bank guarantees	0,3	0,3
Total other liabilities	9,9	14,0

Enfo

Data-driven business transformation

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 900 experts working for a more intelligent world, with technology empowering people, businesses and societies.

For more information, visit enfogroup.com

Enfo Oyj

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