

FINANCIAL STATEMENTS

1 January–31 December 2016

enfo



ENFO OYJ FINANCIAL STATEMENTS

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On 1 February 2017, Enfo Oyj sold the entire share capital of its information logistics services from Enfo Zender Oy to Ropo Capital.

The Information Logistics business that was sold is reported as discontinued operations. The figures below reflect continuing operations with comparison data unless otherwise stated.

Main items of the financial statements

- In line with the growth strategy, the turnover increased in October–December by 7.6% to €34.5 million (32.0). The January–December turnover increased 15.1% to €127.6 million (110.8). Organic turnover growth was 6.6% at the annual level.
- The operating margin of continuing operations excluding non-recurring items was €1.3 million (2.4) in October–December. The operating margin of continuing operations excluding non-recurring items was €7.4 million (9.8) for the whole year.
- The operating profit from continuing operations (EBIT) excluding non-recurring items decreased by 104.7% in October–December and amounted to €-0.1 million (1.3). The twelve-month operating profit excluding non-recurring items totalled €1.7 million (5.1).
- Owing to the strategy change and growth-related investments, the operating profit from continuing operations (EBIT) fell in October–December by 167.9% and amounted to €-0.8 million (1.2). Since the beginning of the year, the operating profit from continuing operations amounted to €0.1 million (4.8), marking a decrease of 97.8% from the previous year.
- Earnings before taxes from continuing operations in October–December was €-0.8 million (1.1). Correspondingly, the profit since the beginning of the year fell by 120.3% and stood at €-0.8 million (4.1).
- Profit for the period from continuing operations decreased by 177.5% in October–December to €-0.7 million (0.8). The profit for January–December fell by 120.7% to €-0.7 million (3.2).
- The earnings per share from continuing operations in October–December were €-1.88 (1.06). The earnings per share for January–December earnings from continuing operations were €-4.64 (3.72). The earnings per share including discontinued operations for January–December were -1.60 (7.39).
- The cash flow from operations in October–December was €5.8 million (3.0) and, for January–December, €5.5 million (12.1).
- In continuing operations, Enfo Group employed an average of 876 employees (780) during the financial year. At the end of December, the Group's continuing operations employed a total of 978 employees (842).
- In January, Enfo Oyj's subsidiary Enfo Sweden AB acquired the entire share capital of Next Improvement AB, specialising in Service & Asset Management business. In November 2016, Enfo Sweden AB acquired the entire share capital of the Swedish company e-man AB, specializing in integration services. The impact of the acquisitions on the turnover remained low but, with the e-man AB acquisition, Enfo became one of the leading Nordic suppliers of integration services.
- At the beginning of February 2017, Enfo Oyj sold the entire share capital of its subsidiary Enfo Zender Oy, which provides information logistic services, to a Kuopio-based invoicing and payment monitoring services company, Ropo Capital. In line with its strategy, Enfo Oyj will now focus even more strongly on IT and financial process services that support digitalization. As a result of the change, the business area Financial Process Services will focus on financial management outsourcing services. Information logistic services are reported as a discontinued operation in the financial statements.

Outlook for 2017

The Group's 2017 turnover from continuing operations is expected to grow. In addition, the Group's operating margin excluding non-recurring items from continuing operations in 2017 is expected to grow.

Risks and uncertainties

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

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

CEO's review

The expectations for Finland's economic growth strengthened in the second half. Yet, the difference to Sweden is clear with economic growth continuing strong in Sweden. However, the uncertainty related to global politics that started during autumn 2016 may undermine the favorable outlook for the economy.

Enfo Group's turnover from continuing operations rose by 15.1% to €127.6 million (110.8), while organic growth was 6.6%. The turnover was affected by the growing demand for services related to digitalization. In addition, Rongo Oy, which specializes in data and analytics, acquired in November 2015, increased its turnover in Finland. The operating margin excluding non-recurring items from continuing operations was €7.4 million, 5.8% of turnover. Price competition in traditional IT services, investments in new businesses, as well as non-recurring costs due to streamlining measures clearly reduced the operating profit compared to last year.

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

Enfo's aim is to enable digitalization for our customers through comprehensive, integrated business solutions and continuous IT services. We are true specialists in all of our areas of expertise, and work with the best partners to provide customers with business-oriented solutions.

The main theme in 2016 was deploying the renewed strategy. We carried out two major acquisitions in Sweden: in January, we purchased Next Improvement, which provides Service & Asset Management consulting, and, in November, we acquired e-man, which offers integration solutions. As a result of these transactions, we extended our competencies specifically in the fields with growing customer demand. The sale of Enfo Zender Oy in February 2017 to Ropo Capital gives us the opportunity to focus closer on the development of new business solutions.

In 2017, we will invest in services with great growth potential. Meanwhile, we will face profitability challenges in our traditional services. We will have to implement savings measures in order to achieve cost benefits. We will also take maximum advantage of automation in those functions where it is possible. The two-speed Enfo is the main theme of the current year: we are accelerating and braking at the same time.

Timetable for financial reporting in 2017

The financial statements for 2016 will be published on the Enfo Oyj website on 2 March 2017 9:00 a.m. and the annual report on 8 March 2017. Enfo Oyj's Annual General Meeting will be held on 30 March 2017

The interim report for Q1/2017 will be published on 27 April 2017, Q2 on 25 August 2017 and Q3 on 26 October 2017.

Enfo's business

Enfo Oyj is the parent company of Enfo Group. Enfo is a Nordic IT service company offering business solutions, financial processes and managed IT services. Our passion is helping customers in the digital dimension by creating innovative digital solutions that develop, innovate and improve our customers' business. Enfo group consists of 1.000 niched experts in Finland and Sweden.

Turnover and result

Enfo Group's turnover from continuing operations in October–December rose 7.6% to €34.5 million (32.0). Full-year turnover from the continuing services increased 15.1% €127.6 million (110.8). The turnover was affected by the growing demand for services related to digitalization. In addition, Rongo Oy, which specializes in data and analytics, acquired in November 2015, increased the turnover in Finland. The operating profit of continued operations was €0.8 million (1.2). Since the beginning of the year, operating profit from continuing operations amounted to €0.1 million, showing a decrease of 97.8%. In January–December, the operating profit relative to the turnover was 0.1%. The price competition in traditional IT services, investments in new businesses as well as non-recurring costs incurred from streamlining measures decreased the 2016 operating profit.

Profit before taxes for the financial year in the Group's continuing operations in October–December was €-0.8 million (1.1) and, respectively, in January–December €-0.8 million (4.1). The Group's net financial expenses were €0.0 million during Q4 (0.1) and €0.9 million (0.8) for the full year. Profit for the period including discontinued operations in October-December amounted to €-0.2 million (0.9) and, for January-December, to €1.2 million (5.4). Earnings per share for continuing operations in January–December was € -4.64 (3.72). Full year earnings per share including discontinued operations amounted to €-1.6 (7.39).

Financing, investments and acquisitions

Enfo's net investments amounted to €10.4 million (14.3) in January-December. Investments mainly comprised the acquisition of Next Improvement and e-man and data centre equipment acquired under finance leases. The company's equity ratio was 41,5% (44.4) at the end of the review period. Interest-bearing net liabilities at the end of September amounted to EUR 38.9 (27.8) million and net gearing was 68.1% (50.7).

In January 2016, Enfo Oyj's subsidiary Enfo Sweden AB acquired the Swedish company Next Improvement as part of the Group's objective of becoming a leading actor in the Service & Asset Management segment on the Nordic market. Next Improvement provides turnkey solutions for companies that want to improve business, reduce costs and ensure the quality of the business. Its customers are mainly Nordic, both small and large industrial companies. The effect on the turnover of the Group's continuing operations was 1% in 2016.

In November 2016, Enfo Sweden AB acquired e-man AB, specializing in integration solutions. The acquisition's effect on turnover remained low for now (less than 1%), but the deal strengthened Enfo's position as a consulting service provider on the IT integration market and, with the trade, Enfo became a leading Nordic player in the field. With the acquisition, Enfo was joined by 130 new professionals

Personnel

In January–December, Enfo Group employed an average of 876 employees (780). At the end of December, the Group employed a total of 978 (842) people. During the review period, Enfo's personnel in Finland amounted in average to 374 (319) and in Sweden to 502 (461).

Shares

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

On 31 December 2016, Enfo Oyj had a total of 660,761 shares. At the end of December the company had a total of 118 shareholders. The company has one series of shares. At the end of December 2016, Enfo owned 1,670 treasury shares. At the end of December 2016, the company's ten largest shareholders were: Osuuskunta KPY, Ilmarinen Mutual Pension Insurance Company, Enfo Oyj's Personnel Fund HR, Rongo Cap Oy, Keski-suomalainen Oyj, Einari Vidgrén Oy, Pohjois-Savon Osuuspankki, Hannu Isotalo Oy, Kallax Oy and Arto Herranen. Osuuskunta KPY holds 85.79% of Enfo's shares.

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

The Board of Directors proposes to the Annual General Meeting that the company shall return equity to the shareholders €7,8 million (11,91 per share) from the reserve for invested non-restricted equity.

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

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

Accounting principles

This interim report 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 2016 financial statements. The figures in the tables have been rounded to the nearest million euros and may not add up to precise totals. The figures presented in the tables are unaudited.

Consolidated income statement

EUR million	1.10- 31.12.2016	1.10- 31.12.2015	1.1- 31.12.2016	1.1- 31.12.2015
Turnover	34,5	32,0	127,6	110,8
Other operating income	0,0	0,1	0,1	0,7
Materials and services	-9,8	-8,4	-33,3	-26,0
Employee benefit expenses	-18,8	-16,9	-70,7	-61,6
Depreciation and amortisation	-1,4	-1,1	-5,7	-4,7
Other operating expenses	-5,4	-4,6	-17,8	-14,4
Operating profit	-0,8	1,2	0,1	4,8
Financial income	0,1	0,0	0,1	0,5
Financial expenses	-0,1	-0,1	-1,1	-1,3
Profit before taxes	-0,8	1,1	-0,8	4,1
Income tax	0,2	-0,2	0,2	-0,9
Profit for the period for continued operations	-0,7	0,8	-0,7	3,2
Profit for the period for discontinued operations	0,5	0,1	1,8	2,2
Profit for the period	-0,2	0,9	1,2	5,4
Attributable to				
Equity holders of the parent company	-4,7	0,8	-1,0	4,4
Non-controlling interests	1,2	0,1	2,1	1,0
Earnings per share, continued operations EUR	-1,88	1,06	-4,64	3,72
Earnings per share, EUR	-0,61	1,21	-1,60	7,39

Statement of comprehensive income including discontinued operations

EUR million	1.1-31.12.2016	1.1- 31.12.2015
Profit for the period	1,2	5,4
Exchange rate differences caused by net investments in foreign subsidiaries	-0,7	0,4
Other translation differences	-0,4	0,2
Net investment hedging	-0,1	0,1
Cash flow hedging	0,1	0,1
Other comprehensive income for the period	0,1	6,2
Attributable to		
Equity holders of the parent company	-2,0	5,2
Non-controlling interests	2,1	1,0

Consolidated statement of financial position

EUR million	31.12.2016	31.12.2015
Assets		
Non-current assets		
Tangible assets	4,4	4,4
Goodwill	77,8	71,5
Other intangible assets	6,3	9,2
Available-for-sale investments	0,1	0,1
Receivables	0,3	0,1
Deferred tax assets	1,5	1,4
Total non-current assets	90,4	86,7
Current assets		
Inventories	0,1	0,1
Trade receivables	26,5	26,4
Other receivables	3,3	3,3
Tax assets based on the period's taxable income	2,9	2,0
Available-for-sale investments	0,0	0,0
Cash and cash equivalents	5,0	5,7
Total current assets	37,8	37,4
Assets for discontinued operations	5,4	
Total assets	133,6	124,1
Equity and liabilities		
Equity		
Share capital	0,3	0,3
Share premium account	13,3	13,3
Other reserves	8,5	4,8
Retained earnings	30,9	35,1
Equity attributable to equity holders of the parent company, total	53,0	53,5
Non-controlling interests	1,9	1,4
Total equity	54,9	54,9
Non-current liabilities		
Interest-bearing liabilities	21,5	23,2
Other liabilities	1,1	5,0
Deferred tax liabilities	0,8	1,1
Non-current liabilities, total	23,3	29,3
Current liabilities		
Interest-bearing liabilities	22,4	10,2
Trade payables	7,1	9,7
Other liabilities	23,0	20,0
Current liabilities, total	52,5	39,9
Total liabilities	75,9	69,2
Liabilities for discontinued operations	2,9	
Total equity and liabilities	133,6	124,1

Condensed statement of cash flows including discontinued operations

EUR million	1.1-31.12.2016	1.1-31.12.2015
Cash flow from operating activities		
Profit for the period	1,2	5,4
Adjustments to the profit for the period	7,6	6,6
Change in working capital	-0,3	2,5
Interest paid and received	-0,8	-1,1
Taxes paid	-2,3	-1,3
Cash flow from operating activities	5,5	12,1
Cash flow from investment activities		
Acquisition of subsidiaries less cash and cash equivalents on the acquisition date	-11,8	-3,8
Investments in tangible and intangible assets	-0,4	-1,6
Sales gains from business transactions		1,0
Cash flow from investment activities	-12,3	-4,4
Cash flow from financing		
Changes in loans	10,5	-7,0
Changes in equity	0,3	-4,9
Repayment of financial leasing liabilities	-3,3	-3,3
Cash flow from financing	7,5	-15,2
Changes in cash and cash equivalents	0,8	-7,6
Impact of exchange rate changes on cash and cash equivalents	0,1	-0,1
Cash and cash equivalents at the beginning of the period	5,7	13,3
Cash of the discontinued operations	-1,5	
Cash and cash equivalents at the end of the period	5,0	5,7

Key figures, continued operations

EUR million

	1.1-31.12.2016	1.1-31.12.2015
Turnover (EUR million)	127,6	110,8
Operating profit (EUR million)	0,1	4,8
% of turnover	0,1	4,4
Profit before taxes (EUR million)	-0,8	4,1
% of turnover	-0,6	3,7
Profit for the period (EUR million)	-0,7	3,2
% of turnover	-0,5	2,9
Earnings per share, continued operations EUR	-4,6	3,7
Earnings per share, discontinued operations EUR	3,0	3,7
Earnings per share, EUR*	-1,6	7,4
Return on investment, %	0,3	8,8*
Return on equity, %	-2,9	10,1*
Equity ratio, %	41,5	44,4*
Net gearing, %	68,1	50,7*
Interest-bearing net liabilities (EUR million)	38,9	27,8*
Equity/share, EUR	87,6	89,0*
Average number of employees	876	780
Number of shares	660 761	600 883
* including discontinued operations		

EUR million

	Share Capital	Share premium account	Treasury shares	Translations differences	Value change and other funds	Retained earnings	Total	Non-controlling interests	Total equity
Equity on 1 Jan 2015	0,3	13,3	-0,1	1,2	1,8	34,2	50,6	1,4	52,0
Profit/loss for the period						4,4	4,4	1,0	5,4
Comprehensive income									
Other comprehensive income items									
Exchange rate differences caused by net investment in foreign subsidiaries				0,4			0,4		0,4
Net investment hedging				0,1			0,1		0,1
Other translation differences				0,4		-0,2	0,2	0,0	0,2
Cash flow hedging					0,1		0,1		0,1
Other comprehensive income items for the period after taxes				0,9	0,1	-0,2	0,8	0,0	0,8
Comprehensive income for the period				0,9	0,1	4,2	5,2	1,0	6,2
Business operations with owners									
Distributed dividends						-3,5	-3,5	-1,4	-4,9
Emission					1,0		1,0		1,0
Acquisition of treasury shares			-0,1				-0,1		-0,1
Sale of treasury shares			0,1		0,0		0,1		0,1
Share of non-controlling interests associated with the acquisition of subsidiaries							0,0	0,3	0,3
Management incentive scheme						0,2	0,2		0,2
Total	0,0	0,0	0,0	0,0	1,0	-3,3	-2,3	-1,0	-3,4
Equity on 31 dec 2015	0,3	13,3	-0,1	2,1	2,9	35,1	53,5	1,4	54,9

	Share Capital	Share premium account	Treasury shares	Translations differences	Value change and other funds	Retained earnings	Total	Non-controlling interests	Total equity
Equity on 1 Jan 2016	0,3	13,3	-0,1	2,1	2,9	35,1	53,5	1,4	54,9
Profit/loss for the period						-1,0	-1,0	2,1	1,2
Comprehensive income									
Other comprehensive income items									
Exchange rate differences caused by net investment in foreign subsidiaries				-0,7			-0,7		-0,7
Cash flow hedging					0,1		0,1		0,1
Business operations with owners									
Distributed dividends						-3,5	-3,5	-1,0	-4,6
Emission					5,0		5,0		5,0
Sale of treasury shares			-0,1				-0,1		-0,1
Management incentive scheme						0,2	0,2	-0,6	-0,3
Total	0,0	0,0	-0,1	0,0	5,0	-3,4	1,5	-1,6	-0,1
Equity on 31 dec 2016	0,3	13,3	-0,1	0,7	8,0	30,9	53,0	1,9	54,9

Changes in tangible fixed assets

EUR million	1.1-31.12.2016	1.1-31.12.2015
Carrying amount at the beginning of the period	4,4	5,2
Increases	3,3	1,8
Decreases	-0,7	-0,2
Depreciation and amortisation	-2,5	-2,5
Carrying amount at the end of the period	4,4	4,4

Commitments and contingencies

EUR million	31.12.2016	31.12.2015
Debts and their securities		
Loans from financial institutions	29,3	18,5
Derivative contracts		
Other liabilities		
Leasing liabilities	4,7	6,1
Other rental liabilities	9,2	7,3
Other contingent liabilities	0,1	0,0
Bank guarantees	0,3	0,2
Total other liabilities	14,3	13,7

Enfo

Simpler, smoother, smarter business in the Digital Dimension

Enfo creates innovative digital solutions that develop, innovate and improve operations for our customers. With business awareness, technical expertise and proven work methods, we refine information flows and develop IT solutions so that our clients take the initiative in a digitalized world and are able to deliver results and experiences to their clients.

The group employs approximately 1,000 specialized experts in Finland and Sweden.

For more information, visit enfogroup.com