

Enfo Oyj's interim report 1 January – 30 September 2008

The reference figures from 2007 are based on comparable figures extracted from the financial statements of Enfo Oyj (Business ID: 1437714-0) which was demerged on 1 July 2007. The operations are examined in accordance with the structure of the Group following the demerger.

Key points of the interim report

- Turnover in July–September increased by 49.9% and stood at EUR 32.7 million (21.8). Turnover in January–September increased by 40.7% to EUR 107.7 million (76.5).
- Operating profit (EBIT) in July–September amounted to EUR 1.3 million (0.5). Operating profit in January–September stood at EUR 6.1 million (2.7).
- Profit before taxes in July–September amounted to EUR 1.0 million (0.6). Profit before taxes in January–September stood at EUR 4.8 million (4.8).
- Earnings per share in July–September were EUR 1.08 (1.38). Earnings per share in January–September were EUR 5.99 (6.33).
- 12-month return on investment was 14.9% (21.4).
- In January–September, the Group employed an average of 696 people (476). At the end of September, the Group employed a total of 704 people (456).
- Short-term uncertainties and risks are related to the deteriorated general financial situation and its expansion in the Nordic countries.

Market

Financial insecurity increased on the financial market during the review period, which, according to estimates, will change the emphasis of IT service acquisitions within companies. IT demand will be directed at services that serve to achieve cost savings in the short term. Generally, downward trends have not had a radical impact on the development of the total IT service market.

The IT service market will continue to grow in Finland and Sweden over the next few years, even though the growth will be slower due to the financial development. According to Enfo's estimate, the Nordic IT service market will continue to grow by an average of 3–4% a year over the next few years but zero growth is also possible.

Group structure

Enfo Oyj is the parent company of Enfo Group. Enfo's business operations are divided into two lines of business – IT Services and Information Logistics Services. The reporting segments are the IT System and Application Services and IT Infrastructure Services units, which make up the IT Services business area, and the Information Logistics Services business area.

Enfo Sweden AB was merged into the Enfo Group through a corporate acquisition on 8 February 2008. Enfo's entire Swedish business operations are reported as part of the IT System and Application Services unit. Through transactions completed on 3 June 2008, Enfo sold a minority share of 9.38% of the Swedish sub-group's parent company to 26 key individuals as part of the key personnel commitment programme. The possibility of repurchasing the shares in 2008–2013 was agreed upon with the buyers.

Business development

The IT outsourcing market was positive for Enfo IT System and Application Services in the third quarter of the year and the outsourcing operations grew as planned. The current outsourcing and service agreement customers of IT System and Application Services expanded their acquisitions of Enfo's IT services through their development measures and acquired new additional services. New agreements were signed with Efore Oyj, a company specialised in power supply solutions, SITA Finland, a company specialised in environmental management, and the Finnish Fair Corporation, which provides exhibition services. In addition, Enfo's IT System and Application Services have continued to advance the outsourcing projects of Destia and Otava Kuvalehdet Group.

The sales of infrastructure services have succeeded reasonably well even though the market situation has been exceptionally challenging for a long time. Price competition in the area of Infrastructure Services has become even tighter. Customers are centralising their IT acquisitions in projects that serve to significantly improve the efficiency of current operations, such as virtualisation of system environments. Demand in hardware trade has become poorer.

In Information Logistics Services, electronic invoicing between companies is advancing stably and Enfo's total volume in electronic invoicing has increased significantly. Invoicing parties' interest towards electronic invoices for consumers is increasing and Enfo's supply of electronic invoicing for consumers has started to raise strong demand. The future communications campaign of the Federation of Finnish Financial Services regarding electronic invoicing for consumers will increase the progress of electronic invoicing within the consumer segment. The volume of paper printing has experienced strong growth in Information Logistics Services even though the total printing volume on the market has remained close to the previous level.

Enfo's emphasis on the Russian market area comprises services related to IT infrastructure, in particular. Furthermore, the Russian IT service market which is developing at a rate of a two-digit percentage figure, creates conditions for growth. Currently, demand for IT in the St Petersburg and Moscow areas constitute the majority of the total IT demand in Russia. Enfo has increased the number of customer agreements and new customers include Pöyry Giprobum, Luja, Lemminkäinen and Pekkaniska which are each specialised in different areas of construction.

The market development and growth in Enfo's Swedish operations has been at a good level in July–September even though a slight downswing has been observed on the market, particularly during September. For Enfo Sweden AB, growth and profitability have improved as planned. Enfo Sweden AB has signed a number of new development agreements and new projects have been launched with Vattenfall AB, Electrolux AB, Skanska AB and several organisations in the public sector. In addition, cooperation has been agreed upon with Volvo IT concerning the delivery of the company's world-wide IT integration centres.

Turnover

Enfo Group's turnover increased by 49.9% in July–September and stood at EUR 32.7 million (21.8). Turnover in the first nine months of the year increased by 40.7% to EUR 107.7 million (76.5).

The merger of Enfo Sweden AB into the Group as of 8 February 2008 increased the turnover of the Group and the IT System and Application Services unit. In addition, Enfo's Information Logistics Services increased their turnover.

Development of turnover by reporting segment

EUR million	7–9/2008	7–9/2007	1–9/2008	1–9/2007	1–12/2007
IT System and Application Services	17.2	7.7	53.2	25.5	34.5
IT Infrastructure Services	8.6	9.1	33.9	33.2	46.6
Information Logistics Services	7.6	6.4	22.7	19.1	25.9

Turnover of the IT System and Application Services increased by 123.9% to EUR 17.2 million (7.7) in July–September and by 108.7% to EUR 53.2 million (25.5) in January–September. In addition to the operations in Sweden, the business area's growth was influenced by success in signing new agreements and service expansions of current customers.

Turnover of the IT Infrastructure Services unit decreased by 5.7% in July–September, amounting to EUR 8.6 million (9.1). However, turnover in January–September increased by 2.1% to EUR 33.9 million (33.2) regardless of the deteriorated financial market.

Turnover of the Information Logistics Services increased by 19.0% to EUR 7.6 million (6.4) in July–September and by 19.0% to EUR 22.7 million (19.1) in January–September. The growth was influenced by significant increase in electronic invoicing and printing volumes.

Profitability

Enfo Group's profitability improved in July–September with operating profit totalling EUR 1.3 million, comprising 3.8 % of turnover (EUR 0.5 million and 2.3%). The Group's operating profit in January–September stood at EUR 6.1 million (2.7). Positive development in the profitability of Swedish operations and Finnish System and Application Services and Information Logistics Services was visible in the Group's result. Write-off of intangible rights worth EUR 1.8 million related to the acquisition of Enfo Sweden AB had a reducing impact on the Group's operating profit (IFRS 3).

The Group's profit before taxes in July–September amounted to EUR 1.0 million (0.6). Profit before taxes in January–September stood at EUR 4.8 million comprising 4.4% of turnover (EUR 4.8 million and 6.2%). The Group's net financing costs stood at EUR 0.3 million (-0.1) in July–September and EUR 1.3 million (-2.1) in January–September. The result in July–September was EUR 0.7 million, comprising 2.2% of turnover (EUR 0.4 million and 2.1%). The result in January–September was EUR 3.5 million, comprising 3.2% of turnover (EUR 3.5 million and 4.6 %). Earnings per share in July–September were EUR 1.08 (1.38). Earnings per share in January–September were EUR 5.99 (6.33).

Development of operating profit by reporting segment

EUR million	7–9/2008	7–9/2007	1–9/2008	1–9/2007	1–12/2007
IT System and Application Services	1.0	0.8	4.1	2.3	2.9
IT Infrastructure Services	-0.3	-0.5	-0.1	0.1	0.7
Information Logistics Services	0.7	0.6	2.3	1.2	1.3

The operating profit of IT System and Application Services improved favourably in July–September and over the entire review period. The positive development of operating profit was affected by the Swedish operations and successful sales in IT System and Application Services in Finland.

The operating profit of Infrastructure Services was negative in the third quarter and the nine-month operating profit decreased compared with the reference period. Reduced profitability was mainly affected by tight price competition on the market and poorer demand. The business area's result is reduced by expenses related to the launch of Russian operations, which are allocated to the IT Infrastructure Services unit.

The profitability of Information Logistics Services developed well in July–September. The result in January–September is very positive and profitability has increased clearly compared with the corresponding period in the previous year.

Financing and investments

Enfo's net investments were EUR 0.3 million (-0.4) in July–September and EUR 46.4 million (1.2) in January–September. The investments were mainly allocated to the acquisition of Enfo Sweden AB's shares.

Enfo's financing position changed significantly through the acquisition of Enfo Sweden AB. The company's equity ratio was 31.6% (67.6) at the end of September. Interest-bearing net liabilities at the end of June amounted to EUR 34.5 million (-11.6) and net gearing was 99.9% (-36.2).

Personnel

In January–September, Enfo Group employed an average of 696 people (476). At the end of September, the Group employed a total of 704 people (456).

Enfo's IT System and Application Services unit employed an average of 512 people in January–September (308), the IT Infrastructure Services unit employed 71 people (65) and the Information Logistics Services unit employed an average of 92 people (62). Of Enfo's personnel, 435 (458) were employed in Finland and 261 (0) in Sweden. In Russia, the Group employed an average of 6 people (0).

Enfo outsourced some of its on-site support and maintenance services provided in client premises to Relacom Finland Oy. The outsourcing agreement was signed on 30 January 2008 and, as a result, 39 of Enfo's on-site support employees were transferred to Relacom as transferring employees, as of 1 February 2008.

Board of Directors and management

Enfo Oyj's Chairman of the Board of Directors is Tapio Hakakari, Managing Director of Webstor Oy. The other members of the Board of Directors are Hannu Isotalo, Chairman of the Board of Directors of Lujatalo Oy, Helena Piispa, Ossi Saksman, Chairman of the Board of Directors of Osuuskunta KPY, and Jorma Tammenaho, Portfolio Manager of Ilmarinen Mutual Pension Insurance Company.

The members of the Group's management team are Managing Director Arto Herranen, Finance Director Kati Kokkonen, Director Timo Lipiäinen (Director of the IT Infrastructure Services unit), Deputy Managing Director Juha Nurmi (Russian operations), Development Director Pertti Silén, Director Ari Voutilainen (Director of the Information Logistics Services business area), and Director Osmo Wilska (Director of the IT Services business area). Systems Expert Riija-Liisa Korpikallio acts as the personnel representative on the Management Team. Johan de Verdier, Managing Director of Enfo Sweden AB, is responsible for the Swedish operations.

Shares

On 30 September 2008, the total number of Enfo Oyj shares was 561,256 shares. At the end of September, the company had a total of 95 shareholders. The company has one series of shares. Through an acquisition completed on 31 July 2008, Enfo Oyj acquired 150 of the company's shares as part of the key personnel incentive scheme.

At the end of September, the company's ten largest owners were Osuuskunta KPY, Pohjola Vakuutus Oy, Ilmarinen Mutual Pension Insurance Company, Suomi Mutual Life Assurance Company, Einari Vidgren Oy, Keskisuomalainen Oyj, Enfo Oyj's Personnel Fund HR, Kuopio Cooperative Bank, Hannu Isotalo Oy and Savon Voima Oyj. Osuuskunta KPY's share of ownership is 86%.

Annual General Meeting 2008

Enfo Oyj's Annual General Meeting, which was held on 27 March 2008, decided, in accordance with the Board of Directors' proposal, that a dividend of EUR 3.57 per each issued share be paid on the basis of the confirmed balance sheet for the financial period ending on 31 December 2007, i.e., a total of EUR 2,003,683.92. The dividend was paid on 8 April 2008.

According to the proposal of the Nomination Committee, the current members of the Board of Directors, Tapio Hakakari, Hannu Isotalo, Helena Piispa, Ossi Saksman and Jorma Tammenaho, were elected as members of Enfo Oyj's Board of Directors. At the organisation meeting held after the Annual General Meeting, the Board of Directors elected Tapio Hakakari as the Chairman and Hannu Isotalo as the Deputy Chairman.

Events after the Balance Sheet Date

Enfo has launched a development project for its IT service organisation aimed at a new business model. The planned model will be introduced at the beginning of 2009. The objective is that the new business model will improve the customer orientation of IT services and the efficiency of service production.

Forecast of likely future development

Because of Enfo Oyj's business operations in Sweden, the Group's turnover will increase significantly this year and the company's profitability will improve as planned. The development of business operations in Finland is aimed at advancing operational methods related to increasing profitability. The changes related to the business acquisition can be seen in the equity ratio compared with the level in 2007. However, the equity ratio is at a sufficient level this year.

Risks and uncertainties

Market development is strongly linked to the general financial situation and companies' ability to make investments in their data administration. Short-term uncertainties and risks are related to the deteriorated general financial situation and its expansion in the Nordic countries. Any cost-saving programmes of the Group's internationally-operating key customers may have an impact on the company's market position, particularly in Sweden. In addition, Enfo Group is exposed to currency and interest rate risks through its growth and internationalisation.

Timetable for financial reporting in 2008

Enfo Oyj will publish a financial statement release concerning the period of 1 January – 31 December 2008 on 27 February 2009. The timetable for financial reporting in 2009 will be published in full in connection with the financial statement release.

Tables

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 Financial Statements in 2007. The figures for the earlier financial periods (1-9/07 and 1-12/07) presented as comparative information have been amended to correspond to the structure of the present Enfo Group created as a result of the demerger on 1 July 2007. The figures in the tables have been rounded off to the nearest million euros and may not sum to totals. The figures presented in the tables are unaudited.

Consolidated income statement					
EUR million	7-9/08	7-9/07	1-9/08	1-9/07	1-12/07
Turnover	32.7	21.8	107.7	76.5	104.4
Other operating income	0.0	0.0	0.0	1.4	1.4
Production for own use	0.2	0.0	0.5	0.1	0.3
Materials and services	-15.4	-13.3	-52.4	-46.4	-63.2
Employee benefit expenses	-10.8	-5.1	-34.4	-18.7	-25.7
Depreciation, amortisation and impairment	-1.4	-0.5	-3.6	-1.7	-2.3
Other operating expenses	-4.1	-2.4	-11.8	-8.5	-11.5
Operating profit	1.3	0.5	6.1	2.7	3.4
Financial income	0.1	0.1	0.5	2.4	2.6
Finance costs	-0.4	0.0	-1.8	-0.3	-0.3
Profit before taxes	1.0	0.6	4.8	4.8	5.8
Income tax	-0.2	-0.2	-1.3	-1.3	-1.6
Profit for the period	0.7	0.4	3.5	3.5	4.2
Distribution to					
Equity-holders of the parent company	0.6	0.4	3.4	3.5	4.2
Minority interests	0.1	0.0	0.1	0.0	0.0
Earnings per share, basic and diluted, EUR	1.08	1.38	5.99	6.33	7.48

Consolidated balance sheet			
EUR million	30 Sep. 08	30 Sep. 07	31 Dec. 07
Assets			
Non-current assets			
Tangible assets	4.1	3.4	3.7
Goodwill	51.5	12.3	12.3
Other intangible assets	9.3	1.8	2.1
Available-for-sale investments	0.1	0.1	0.1
Receivables	0.1	0.1	0.1
Deferred tax assets	0.5	0.2	0.4
Non-current assets, total	65.5	17.9	18.7

Current assets			
Inventories	0.6	0.7	0.5
Trade receivables	23.3	13.7	12.9
Other receivables	7.9	3.2	2.7
Available-for-sale investments	0.3	0.3	0.3
Cash and cash equivalents	13.8	11.5	11.8
Total current assets	45.8	29.4	28.2
Total assets	111.4	47.3	46.9
Equity and liabilities			
Share capital	0.3	0.3	0.3
Share premium account	13.3	13.3	13.3
Retained earnings	19.4	18.4	19.6
Equity attributable to equity-holders of the parent company, total	33.0	32.0	33.2
Minority interest	1.6	0.0	0.0
Total equity	34.6	32.0	33.2
Non-current liabilities			
Interest-bearing debt	0.2	0.2	0.2
Other payables	2.2	0.4	0.4
Non-current liabilities, total	2.4	0.6	0.6
Current liabilities			
Interest-bearing debt	48.4	0.1	0.2
Trade payable	8.0	6.1	6.6
Other payables	18.0	8.6	6.4
Current liabilities, total	74.3	14.8	13.1
Total liabilities	76.8	15.4	13.7
Total equity and liabilities	111.4	47.3	46.9

Abridged cash flow statement	1–9/08	1–9/07	1–12/07
EUR million			
Cash flow from operations			
Profit for the period	2.5	3.5	4.2
Adjustments to the profit for the period	7.2	0.5	1.1
Change in working capital	-6.4	-1.5	-1.7
Interest paid and received	-1.2	2.1	2.3
Taxes paid	0.1	-0.1	-0.7
Cash flow from operations	2.2	4.4	5.2

Cash flow from investments			
Investments in tangible and intangible assets	-2.0	-2.0	-3.1
Subsidiary investments deducted by liquid assets	-44.4		
Changes in other investments	0.0	0.8	0.2
Cash flow from investments	-46.4	-1.2	-2.9
Cash flow from financing			
Changes in loans	48.1	-2.3	-2.1
Changes in equity	-1.9	0.7	1.7
Cash flow from financing	46.2	-1.6	-0.4
Changes in cash and cash equivalents	1.9	1.7	2.0
Cash and cash equivalents at the beginning of the period	11.8	9.9	9.9
Cash and cash equivalents at the end of the period	13.8	11.5	11.8

Key ratios	1–9/08	1–9/07	1–12/07
Turnover (EUR million)	107.7	76.5	104.4
Operating profit (EUR million)	6.1	2.7	3.4
% of turnover	5.6	3.5	3.3
Profit before taxes (EUR million)	4.8	4.8	5.8
% of turnover	4.4	6.2	5.5
Profit for the period (EUR million)	3.5	3.5	4.2
% of turnover	3.2	4.6	4.0
Earnings per share, EUR	5.99	6.33	7.48
Return on investment, 12 months, %	14.9	21.4	18.9
Return on equity, 12 months, %	13.7	15.6	13.8
Equity ratio, %	31.6	67.6	71.4
Net gearing, %	99.9	-36.2	-34.3
Interest-bearing net debt (EUR million)	34.5	-11.6	-11.8
Equity/share, EUR	58.8	57.0	59.2
Employees on average	696	476	476
Number of shares	561,256	561,256	561,256

Consolidated statement of changes in equity	Share capital	Share premium account	Retained earnings	Total	Minority interest	Total equity
Equity on 1 Jan. 07	0.3	13.3	14.2	27.8	0.2	28.0
Profit for the period 1–9/2007			3.5	3.5	0.0	3.5
Acquisition of minority interests			-0.5	-0.5	-0.2	-0.7
Carve-out balancing			1.1	1.1	0.0	1.1
Equity on 30 Sep. 07	0.3	13.3	18.4	32.0	0.0	32.0

Equity on 1 Jan. 08	0.3	13.3	19.6	33.2	0.0	33.2
Profit for the period 1–9/2008			3.4	3.4	0.1	3.5
Translation difference			-1.7	-1.7		-1.7
Sale of minority interest			0.1	0.1	1.5	1.6
Distributed dividends			-2.0	-2.0		-2.0
Equity on 30 Sep. 07	0.3	13.3	19.4	33.0	1.6	34.6

Turnover by business segments	7–9/08	7–9/07	1–9/08	1–9/07	1–12/07
EUR million					
IT System and Application Services	17.2	7.7	53.2	25.5	34.5
IT Infrastructure Services	8.6	9.1	33.9	33.2	46.6
Information Logistics Services	7.6	6.4	22.7	19.1	25.9
Eliminations	-0.7	-1.4	-2.1	-3.9	-5.2
Sold companies	0.0	0.0	0.0	2.6	2.6
Group total	32.7	21.8	107.7	76.5	104.4

Operating profit by business segments	7–9/08	7–9/07	1–9/08	1–9/07	1–12/07
EUR million					
IT System and Application Services	1.0	0.8	4.1	2.3	2.9
IT Infrastructure Services	-0.3	-0.5	-0.1	0.1	0.7
Information Logistics Services	0.7	0.6	2.3	1.2	1.3
Consolidated items	-0.1	-0.4	-0.2	-0.7	-1.3
Sold companies	0.0	0.0	0.0	-0.2	-0.2
Group total	1.3	0.5	6.1	2.7	3.4

Changes in tangible fixed assets	1–9/08	1–9/07	1–12/07
EUR million			
Book value at the beginning of the period	3.7	2.9	2.9
Increases	1.5	1.8	2.6
Increases from the corporate acquisition	0.1	0.0	0.0
Decreases	0.0	0.0	-0.1
Depreciation and amortisation	-1.2	-1.3	-1.6
Book value at the end of the period	4.1	3.4	3.7

Commitments and contingencies	30 Sep. 08	30 Sep. 07	31 Dec. 07
EUR million			
Debt with a business mortgage as collateral			
Loans from financial institutions	48.0	0.0	0.0
Leasing liabilities	2.3	1.6	1.1
Other rental liabilities	12.4	14.0	13.3
Other commitments	0.1	0.1	0.1
Total commitments and contingencies	62.8	15.7	14.5

Business combinations		
Acquired company: Semcon Innovation AB, 100%		
Acquisition date: 8 February 2008		
Acquisition registered as preliminary following the time limit of a year of IFRS 3		
EUR million		
<i>Acquisition cost</i>		
Acquisition cost (paid in cash)	48.6	
Direct expenses	0.7	
Total acquisition cost	49.2	
Acquired company's assets and liabilities in current value	8.4	
Goodwill*	40.8	
Acquired company's assets and liabilities	Current value	Book value
<i>Assets</i>		
Intangible assets		
Customer relationships	8.6	0.0
Trademarks	0.4	0.0
Tangible assets	0.1	0.1
Sales and other receivables	7.2	7.2
Cash and cash equivalents	5.2	5.2
Total assets	21.5	12.5
Non-current liabilities	1.5	1.5
Deferred tax liabilities	2.5	0.0
Trade payables and other current liabilities	9.1	9.1
Total liabilities	13.1	10.6
Acquired company's assets – liabilities	8.4	1.9

* Goodwill components include the acquired company's personnel, geographical market position, cross-sales potential with other Enfo country organisations and future business expectations.

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Enfo provides companies and communities with easy-to-use IT services in Finland, Sweden and Russia. In its services, Enfo utilises its more than 40 years of experience in the development of IT services and uses the best hardware and software available. Approximately 700 IT experts ensure that Enfo's customers get the best out of their IT. Enfo's annual turnover is approximately EUR 140 million. For further information about Enfo, please visit www.enfo.fi, www.enfo.se and www.enfo.ru.

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