

Enfo Oyj's financial statement report, 1 January – 31 December 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 financial statement report

- Turnover in October–December increased by 28.2% and stood at EUR 35.7 million (27.9). Turnover in January–December increased by 37.4% to EUR 143.4 million (104.4).
- Operating profit (EBIT) in October–December amounted to EUR 1.4 million (0.8). Operating profit in January–December stood at EUR 7.5 million (3.4).
- Profit before taxes in October–December amounted to EUR 0.7 million (1.0). Profit before taxes in January–December stood at EUR 5.5 million (5.8).
- Earnings per share in October–December were EUR 0.84 (1.30). Earnings per share in January–December were EUR 7.05 (7.48).
- Twelve-month return on investment was 14.4% (18.9).
- In January–December, the Group employed an average of 703 people (476). At the end of 2008, the Group employed a total of 713 people (465).

Market

General financial uncertainty increased significantly during the last quarter of 2008 and, as a result, the customers' IT investments are estimated to decrease significantly in the future. IT demand will be directed at services that serve to achieve cost savings in the short term.

Total growth on the Finnish and Swedish IT service market will be modest and, according to the company's estimate, will be less than 1% at best in 2009.

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. During 2008, the reporting segments were 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 (previously Semcon Innovation 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. Because of the repurchase right and commitment included in the sales contract, the key personnel ownership is not handled as a minority share but represented as a liability in the balance sheet.

A new subsidiary, Zuite by Enfo Oy, was established in the Group on 30 December 2008 and did not have any business operations on the financial statement date.

Business development

From the point of view of Enfo IT System and Application Services, 2008 was a good year, regardless of the quick recession in global economy. Companies had a clear need to improve the efficiency of their operations through IT services and, thus, acquire more internal savings. Price criticism increased on the market through the recession and companies sought strong responses to their IT investments.

The demand of Enfo's services on the IT outsourcing market developed well and the agreement base increased strongly. During 2008, the IT System and Application Services signed new customer agreements with Biolan, Tekes, Efore, SITA Finland and the Finnish Fair Corporation. Enfo and Destia closed a comprehensive outsourcing agreement with which Destia's entire ICT service process is to be delivered by Enfo. Through the agreement, 22 Destia employees were transferred to Enfo's service. Otava Books and Magazines Group outsourced their Service Desk and workstation services to Enfo. The agreement concerns a service package covering about 1,000 workstations of all of the Otava Books and Magazine Group's companies operating in Finland. Through the outsourcing process, three employees were transferred to Enfo.

In Enfo IT Infrastructure Services, hardware trading decreased slightly. In 2008, demand was, instead of hardware trading, directed more clearly at technology update projects aimed at improved cost-efficiency and enhanced IT management. The customers of IT Infrastructure Services have extended the life cycle of their infrastructure and are aiming at achieving savings in the operations of their system environments through new technology, such as virtualisation and consolidation.

In Enfo Information Logistics Services, 2008 was a strong year and electronic data transmission developed very positively. The number of Enfo's electronic invoice customers increased clearly and the sales of electronic invoicing succeeded as planned. In addition, the volume of paper printing increased, even though the total market volume remained unchanged. The complete transition from paper invoices to electronic invoicing advances slowly in consumer invoicing, but the position of electronic invoices is strong between companies. General interest towards electronic consumer invoices has increased slightly and Enfo has been able to convert the invoice flows of printing customers into electronic format. The automatic measurement data collection service (AMM) developed positively during the end of the year and new customer agreements were signed with a number of energy companies. The Decree entering into force in March 2009 forces network companies to introduce remotely-readable electricity meters.

For Enfo Sweden AB, the previous year was positive, even though the development on the IT market became slower in Sweden, particularly in the final quarter of the year. Companies reacted quickly to the decline in the global economy and postponed their future IT projects and acquisitions, which had an impact on the development and profitability of Enfo Sweden AB's business areas during the end of the year. All in all, the Swedish operations proceeded well and new agreements were signed with the public sector and energy companies.

Turnover

Enfo Group's turnover increased by 28.2% in October–December and stood at EUR 35.7 million (27.9). The full year turnover increased by 37.4% to EUR 143.4 million (104.4). The merger of Enfo Sweden AB into the Group as of 8 February 2008 had a central impact on the increase in the turnover of the Group and the IT System and Application Services unit. The general market situation had a negative impact on the turnover of the Enfo IT Infrastructure Services. Instead, the Information Logistics Services increased their turnover significantly and even better than expected.

Development of turnover by reporting segment

EUR million	10–12/2008	10–12/2007	1–12/2008	1–12/2007
IT System and Application Services	16.6	9.0	69.8	34.5
IT Infrastructure Services	11.3	13.3	45.3	46.6
Information Logistics Services	8.3	6.8	31.0	25.9

Turnover of the IT System and Application Services increased by 85.2% to EUR 16.6 million (9.0) in October–December and by 102.6% to EUR 69.8 million (34.5) in January–December. In addition to the Swedish operations, the growth in the business area was influenced by the good demand on the Finnish IT outsourcing market.

Turnover of the IT Infrastructure Services decreased by 15.1% in October–December, amounting to EUR 11.3 million (13.3). Turnover in January–December increased by 2.9% to a total of EUR 45.3 million (46.6). The decrease in the turnover of the IT Infrastructure Services was particularly affected by slower demand for equipment transactions on the market.

Turnover of the Information Logistics Services increased by 21.7% to EUR 8.3 million (6.8) in October–December and by 19.7% to EUR 31.0 million (25.9) in January–December. The strong growth was sped up by high demand for electronic invoicing on the market and the good development of printing operations.

Profitability

Enfo Group's profitability improved in October–December with operating profit totalling EUR 1.4 million, comprising 4.0% of turnover (EUR 0.8 million and 2.8%). The Group's operating profit in January–December stood at EUR 7.5 million (3.4). 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 2.2 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 October–December amounted to EUR 0.8 million (1.0). Profit before taxes in January–December stood at EUR 5.5 million comprising 3.8% of turnover (EUR 5.8 million and 5.5%). The Group's net financing costs stood at EUR 0.7 million (-0.3) in October–December and EUR 2.0 million (-2.6) in January–December. The result in October–December was EUR 0.6 million, comprising 1.7% of turnover (EUR 0.7 million and 2.6%). The result in January–December was EUR 4.0 million, comprising 2.8% of turnover (EUR 4.2 million and 4.0%). Earnings per share in October–December were EUR 0.84 (1.30). Earnings per share in January–December were EUR 7.05 (7.48).

Development of operating profit by reporting segment

EUR million	10–12/2008	10–12/2007	1–12/2008	1–12/2007
IT System and Application Services	0.5	0.6	4.6	2.9
IT Infrastructure Services	0.4	0.6	0.6	0.7
Information Logistics Services	0.9	0.1	3.2	1.3

Operating profit for the IT System and Application Services increased well throughout the year, even though the final quarter was slightly poorer than the previous year. At the end of the year, demand on the IT market slowed down in Sweden as major customers postponed the launch of their IT projects due to the quickly deteriorating situation in the global economy. This was also visible in the development of the IT System and Application Services' operating profit at the end of the year.

In IT Infrastructure Services, the October–December and full-year results decreased slightly from the previous year. Lower demand for equipment transactions and a general slowing down of the market had a significant impact on the decline in the IT Infrastructure Services' operating profit.

The profitability of Information Logistics Services developed very well in October–December and throughout the financial period. The January–December result in 2008 was significantly better than the previous year for Information Logistics Services, and the result developed in a very positive direction.

Financing and investments

Enfo's net financing costs stood at EUR 1.6 million (0.9) in October–December and EUR 55.6 million (2.9) in January–December. Full-year 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 27.3% (71.4) at the end of September. Interest-bearing net liabilities at the end of December amounted to EUR 34.0 million (-11.8) and net gearing was 114.5% (-34.3).

Personnel

In January–December, Enfo Group employed an average of 703 people (476). At the end of December, the Group employed a total of 713 people (465).

Enfo's IT System and Application Services unit employed an average of 517 people in October–December (301), the IT Infrastructure Services unit employed 78 people (73) and the Information Logistics Services unit employed an average of 92 people (62). Of Enfo's personnel, 435 (460) were employed in Finland and 268 (0) in Sweden. In Russia, the Group employed an average of 7 people (1).

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. Other Board members are Hannu Isotalo, Helena Piispa, Ossi Saksman and Jorma Tammenaho.

In 2008, the members of the Group's Management Team was 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 31 December 2008, the total number of Enfo Oyj shares was 561,256 shares. At the end of December, the company had a total of 98 shareholders. The company has one series of shares. Through an acquisition completed on 31 July 2008, Enfo Oyj acquired 150 and, through an acquisition completed on 4 December 2008, 450 of the company's shares as part of the key personnel incentive scheme.

At the end of December, 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, Keski-suomalainen 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%.

Events after the termination of the financial period

In January 2009, the Group introduced a new organisational model. Enfo has transferred to country organisations in Finland and Sweden. In the new management and reporting model, the IT System and Application Services and IT Infrastructure Services that were previously reported separately are combined into a single IT Services and Solutions segment.

At the same time, the company has renewed its Group Management Team. In 2009, the Management Team of Enfo Group will include Managing Director Arto Herranen, Finance Director Kati Kokkonen, HR Director Maria Lundell, Development Director Pertti Silén, Director of Finnish Operations Osmo Wilska and the Director of Swedish Operations Johan de Verdier.

After the financial statement date, Enfo has released a decision to terminate the St. Petersburg office which employed seven people in sales and administration tasks. The operations were terminated in January 2009. However, Enfo will continue its operations in Russia so that Finnish customers operating in Russia will be provided with specialist/data centre/help desk services by Enfo's Finnish organisation, and local on-site support services will be acquired from contractors operating in the St. Petersburg and Moscow regions. Juha Nurmi, Director of Enfo's Russian operations, will transfer to the service of another employer as of 2 March 2009.

After the financial statement date, the Group has reorganised its financing. In February 2009, the Group has paid a banking loan of EUR 48 million which was taken out for financing the business transaction in Sweden. The new loan arrangement of EUR 40.3 million consists of bank and insurance company loans and a TyEL repayment loan. The loans are denominated in euro. In 2009 EUR 3.8 million of the loans will fall due and the remaining EUR 36.5 million in 2010–2015.

Forecast of likely future development

The general financial uncertainty will be clearly reflected in the IT industry and, as a result, the customers' IT investments are estimated to reduce noticeably in the future. The company's central short-term objective is

to secure sufficient cash flow regardless of the decreasing demand. This requires improved efficiency in operations and thorough cost management.

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 continuing decline in the general financial situation. 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.

Distribution of profit

On 31 December 2008, the parent company's distributable funds were EUR 12,362,668.61. The company's Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.00 per share be paid, or a total of EUR 560,656.00.

Timetable for financial reporting in 2009

The 2008 financial statement and annual report will be released on Enfo Oyj's website in week 11. Enfo Oyj's Annual General Meeting will be held on 25 March 2009.

The interim report for January–March 2009 will be released on 30 April 2009, for January–June on 30 July 2009 and for January–September on 29 October 2009.

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 (1–12/2007) 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	10–12/08	10–12/07	1–12/08	1–12/07
Turnover	35.7	27.9	143.4	104.4
Other operating income	1.7	0.1	1.7	1.4
Production for own use	0.0	0.2	0.0	0.3
Materials and services	-19.5	-16.8	-71.3	-63.2
Employee benefit expenses	-11.3	-7.0	-45.7	-25.7
Depreciation, amortisation and impairment	-1.3	-0.5	-4.9	-2.3
Other operating expenses	-3.9	-3.0	-15.8	-11.5
Operating profit	1.4	0.8	7.5	3.4
Financial income	0.3	0.3	0.8	2.6
Finance costs	-1.0	0.0	-2.8	-0.3
Profit before taxes	0.7	1.0	5.5	5.8
Income tax	-0.2	-0.3	-1.5	-1.6
Profit for the period	0.6	0.7	4.0	4.2
Distribution to				
Equity-holders of the parent company	0.6	0.7	4.0	4.2
Minority interests	0.0	0.0	0.0	0.0
Earnings per share, basic and diluted, EUR	0.84	1.30	7.05	7.48

Consolidated balance sheet		
EUR million	31 Dec. 08	31 Dec. 07
Assets		
Non-current assets		
Tangible assets	4.2	3.7
Goodwill	49.7	12.3
Other intangible assets	8.3	2.1
Available-for-sale investments	0.1	0.1
Receivables	0.1	0.1
Deferred tax assets	0.9	0.4
Non-current assets, total	63.3	18.7

Current assets		
Inventories	1.2	0.5
Trade receivables	22.9	12.9
Other receivables	3.8	2.7
Available-for-sale investments	0.2	0.3
Cash and cash equivalents	17.4	11.8
Total current assets	45.5	28.2
Total assets	108.8	46.9
Equity and liabilities		
Share capital	0.3	0.3
Share premium account	13.3	13.3
Retained earnings	16.1	19.6
Equity attributable to equity-holders of the parent company, total	29.7	33.2
Minority interest	0.0	0.0
Total equity	29.7	33.2
Non-current liabilities		
Loans to financial institutions	0.2	0.2
Other payables	5.4	0.4
Non-current liabilities, total	5.6	0.6
Current liabilities		
Loans to financial institutions	48.4	0.2
Trade payable	9.2	6.6
Other payables	16.0	6.4
Current liabilities, total	73.6	13.1
Total liabilities	79.2	13.7
Total equity and liabilities	108.8	46.9

Abridged cash flow statement	1–12/08	1–12/07
EUR million		
Cash flow from operations		
Profit for the period	4.0	4.2
Adjustments to the profit for the period	8.4	1.1
Change in working capital	-0.2	-1.7
Interest paid and received	-1.4	2.3
Taxes paid	-1.7	-0.7
Cash flow from operations	9.0	5.2

Cash flow from investments		
Investments in tangible and intangible assets	-3.6	-3.1
Subsidiary investments deducted by liquid assets	-46.0	
Changes in other investments	0.0	0.2
Cash flow from investments	-49.6	-2.9
Cash flow from financing		
Changes in loans	48.1	-2.1
Changes in equity	-2.0	1.7
Cash flow from financing	46.1	-0.4
Changes in cash and cash equivalents	5.5	2.0
Cash and cash equivalents at the beginning of the period	11.8	9.9
Cash and cash equivalents at the end of the period	17.4	11.8

Key ratios	1–12/08	1–12/07
Turnover (EUR million)	143.4	104.4
Operating profit (EUR million)	7.5	3.4
% of turnover	5.2	3.3
Profit before taxes (EUR million)	5.5	5.8
% of turnover	3.8	5.5
Profit for the period (EUR million)	4.0	4.2
% of turnover	2.8	4.0
Earnings per share, EUR	7.05	7.48
Return on investment, 12 months, %	14.4	18.9
Return on equity, 12 months, %	12.6	13.8
Equity ratio, %	27.3	71.4
Net gearing, %	114.5	-34.3
Interest-bearing net debt (EUR million)	34.0	-11.8
Equity/share, EUR	52.8	59.2
Employees on average	703	476
Number of shares	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 1–12/2007			4.2	4.2	0.0	4.2
Acquisition of minority interests			-0.5	-0.5	-0.2	-0.7
Carve-out balancing			1.7	1.7	0.0	1.7
Equity on 30 Dec. 07	0.3	13.3	19.6	33.2	0.0	33.2
Equity on 1 Jan. 08	0.3	13.3	19.6	33.2	0.0	33.2
Profit for the period 1–12/2008			4.0	4.0		4.0
Translation difference			-5.5	-5.5		-5.5
Distributed dividends			-2.0	-2.0		-2.0
Equity on 30 Sep. 09	0.3	13.3	16.0	29.7	0.0	29.7

Turnover by business segments	10–12/08	10–12/07	1–12/08	1–12/07
EUR million				
IT System and Application Services	16.6	9.0	69.8	34.5
IT Infrastructure Services	11.3	13.3	45.5	46.6
Information Logistics Services	8.3	6.8	31.0	25.9
Eliminations	-0.5	-1.2	-2.9	-5.2
Sold companies	0.0	0.0	0.0	2.6
Group total	35.7	27.9	143.4	104.4

Operating profit by business segments	10–12/08	10–12/08	1–12/08	1–12/07
EUR million				
IT System and Application Services	0.5	0.6	4.6	2.9
IT Infrastructure Services	0.8	0.6	0.6	0.7
Information Logistics Services	0.9	0.1	3.2	1.3
Other units and unallocated expenses	-0.8	-0.5	-1.0	-1.5
Group total	1.4	0.8	7.5	3.4

Changes in tangible fixed assets	1–12/08	1–12/07
EUR million		
Book value at the beginning of the period	3.7	2.9
Increases	2.4	2.6
Increases from the corporate acquisition	0.1	0.0
Decreases	-0.1	-0.1
Depreciation and amortisation	-1.7	-1.6
Exchange differences	-0.1	
Book value at the end of the period	4.2	3.7

Commitments and contingencies	30 Dec. 08	31 Dec. 07
EUR million		
Debt with a business mortgage as collateral		
Loans from financial institutions	48.0	0.0
<i>Other liabilities</i>		
Leasing liabilities	1.8	1.1
Other rental liabilities	11.6	13.3
Other commitments	0.1	0.1
Other liabilities, total	13.5	14.5

Business combinations		
Acquired company: Semcon Innovation AB, 100%		
Acquisition date: 8 February 2008		
EUR million		
<i>Acquisition cost</i>		
Acquisition cost (paid in cash)	48.5	
Direct expenses	0.7	
Contingent transaction price entered	1.9	
Total acquisition cost	51.0	
Acquired company's assets and liabilities in current value	6.5	
Goodwill*	44.5	
Acquired company's assets and liabilities	Fair 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
Deferred tax liabilities	2.5	0.0
Share redemption liability	1.9	
Other non-current liabilities	1.5	1.5
Trade payables and other current liabilities	9.1	9.1
Total liabilities	15.0	10.6
Acquired company's assets – liabilities	6.5	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 and Sweden. In its services, Enfo utilises its more than 45 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 and www.enfo.se.

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