

## Enfo Oyj's interim report 3/2010 (1 January – 30 September 2010)

### Key points of the interim report

- Turnover in July–September increased by 5.6% and stood at EUR 30.0 million (28.5). In January–September, turnover rose by 2.2% to EUR 101.0 million (98.8).
- Operating profit (EBIT) in July–September decreased by 14.3% and stood at EUR 1.5 million (1.7). In January–September, operating profit rose by 36.0% to EUR 6.3 million (4.6).
- Profit before taxes in July–September amounted to EUR 1.2 million (1.3). In January–September, profit before taxes stood at EUR 5.8 million (2.9).
- Earnings per share in July–September were EUR 1.62 (1.74). Earnings per share in January–September were EUR 7.57 (3.88).
- The twelve-month return on investment was 12.6% (8.5).
- In January–September, Enfo Group employed an average of 676 people (674). At the end of September, the Group employed a total of 691 people (686).
- In January–September, cash flow from operating activities totalled 4.7 million (4.7).
- As the company's emphasis has shifted more strongly to continuous IT services, the turnover of hardware and software sales will clearly fall in Finland. The company estimates the Group's turnover in 2010 to decrease slightly from last year, but operating profit will increase compared with 2009.

### Market

A clear turn in the economic situation was seen in the company's main market areas in Finland and Sweden during the second quarter. More and more IT projects that were postponed because of the economic slump are now being launched. The company estimates the Finnish IT service market to grow by more than 2% in 2010 compared with the previous year. Market growth in Sweden is expected to be faster than in Finland especially due to growth in the outsourcing market.

### Group structure

Enfo Oyj is the parent company of Enfo Group. Enfo's business operations are divided into two separately reported lines of business: IT Services and Information Logistics Services. Enfo's Swedish business operations are reported as part of the IT Services unit.

### Business development

Demand for Enfo's IT Services in the Finnish IT outsourcing market was strong during the reporting period, despite the tight price competition. Martela Oyj, a leading supplier of working environment and public area solutions in Finland, centralised its IT services to Enfo during the period. The companies signed an agreement according to which Martela's new IT environment will be built in the Enfo data centre. Furthermore, Lassila & Tikanoja Oyj (L&T), a company specialising in support services for buildings and institutions, signed a three-year outsourcing agreement covering its basic IT services with Enfo. Through the agreement, five employees who have previously been responsible for L&T's IT services were transferred to Enfo. Cooperation agreements were also signed with Jot Automation Ltd. IT expert services are in strong demand for Windows 7 and identity management projects.

Information Logistics Services continued their steady progress on the market. Customers expanded their service acquisitions with active demand for electronic services. Companies are launching new projects and developing their business operations, which can be seen particularly in electronic invoicing. Information Logistics Services signed new agreements with, e.g., Pohjois-Suomen Energiateito Oy.

In Sweden, demand for IT services has developed positively. Competition over agreements remains to be fierce but demand for IT services that improve the efficiency of business operations and lower related costs continues to grow. During the reporting period, Enfo Sweden AB released its first large, five-year outsourcing business agreement with Poolia, an international recruitment corporation: Enfo Sweden will be fully responsible for Poolia Group's central IT infrastructure. The City of Stockholm's major Windows 7 transition project is being completed.

### Turnover

Enfo Group's turnover in July–September increased by 5.6% and stood at EUR 30.0 million (28.5). The Group's turnover increased by 2.2% in January–September and stood at EUR 101.0 million (98.8). The increase in consolidated turnover was affected by the strong development of Information Logistics Services on the market and the clear revival on the Swedish IT market. The growth of the Group's business operations was decelerated by the emphasis of Finnish operations shifting from hardware and software sales towards continuous IT services.

#### *Development of turnover by reporting segment*

EUR million	7–9/2010	7–9/2009	1–9/2010	1–9/2009	1–12/2009
IT Services	22.3	21.8	77.8	78.2	112.8
Information Logistics Services	8.1	7.2	24.3	22.3	29.9

The turnover of Enfo's IT Services increased by 2.4% in July–September and stood at EUR 22.3 million (21.8). In January–September, the turnover of IT Services decreased by 0.5% to EUR 77.8 million (78.2) as a result of the company's emphasis in Finland shifting from hardware and software sales to continuous IT services.

Turnover of Enfo's Information Logistics Services in July–September increased well and amounted to EUR 8.1 million (7.2). This signalled a growth of 12.3%. In January–September, turnover rose by 9.1% to EUR 24.3 million (22.3). This positive development was affected by companies' will to invest in electronic services and expand their services.

### Profitability

Enfo Group's operating profit decreased by 14.3% in July–September and stood at EUR 1.5 million, representing 4.9% of turnover (EUR 1.7 million and 6.0%). The decrease in turnover in July–September was influenced by investments in the personnel incentive scheme and training. The Group's profitability improved by 36.0% in January–September compared with the same period last year. The Group's operating profit in January–September amounted to EUR 6.3 million (4.6), comprising 6.2% of turnover (4.7%). The positive development in profitability was sped up by the good result in Information Logistics Services and the revived demand for IT services in Sweden.

The Group's profit before taxes in July–September stood at EUR 1.3 million (1.3), comprising 4.0% of turnover (4.6%). In January–September, profit before taxes amounted to EUR 5.8 million (2.9), comprising 5.7% of turnover (3.0%). The Group's net financing costs stood at EUR 0.3 million (0.4) in July–September, and EUR 0.5 million (1.7) in January–September. Finance income in January–September included a non-recurring item of EUR 0.5 million related to a financial liability measurement. Result in January–September was EUR 0.9 million (1.0). In January–September, the result was EUR 4.3 million (2.2), comprising 4.2% of

turnover (2.2%). Earnings per share in July–September were EUR 1.62 (1.74). Earnings per share in January–September were EUR 7.57 (3.88).

#### *Development of operating profit by reporting segment*

EUR million	7–9/2010	7–9/2009	1–9/2010	1–9/2009	1–12/2009
IT Services	0.2	0.6	2.7	1.7	2.9
Information Logistics Services	1.3	1.1	3.7	3.1	4.1

Enfo IT Services' operating profit decreased in July–September from the same period last year. The decrease in operating profit was affected by strong investments in personnel training and costs related to the incentive scheme. Profit in January–September was better than last year because of the revived demand on the IT market. In Finland, the increase was affected by the emphasis shifting from hardware and software sales towards continuous IT services.

In Information Logistics Services, operating profit increased in July–September compared with the previous year. In addition, operating profit in the first nine months has developed favourably. The positive development of operating profit has been influenced by good demand for electronic services on the market, and service expansions.

#### **Financing and investments**

Enfo's net financing costs stood at EUR 0.7 million (0.2) in July–September and EUR 2.7 million (1.0) in January–September. The company's equity ratio was 43.1% (34.5%) at the end of September. Interest-bearing net liabilities at the end of September amounted to EUR 29.3 million (31.0) and net gearing was 69.8% (92.3%).

#### **Personnel**

In January–September, Enfo Group employed an average of 676 people (674). At the end of September, the Group employed a total of 691 people (686).

Enfo's IT Services and Solutions unit employed an average of 588 people in January–September (578), and the Information Logistics Services unit employed an average of 73 people (82). Of Enfo's personnel, 359 (409) were employed in Finland and 317 (265) in Sweden.

#### **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; Ossi Saksman, Chairman of the Board of Directors of Osuuskunta KPY; Jorma Tammenaho, Senior Portfolio Manager of Ilmarinen Mutual Pension Insurance Company; and Marja Liisa Kaario, partner in Unicus Oy.

The Enfo Group Management Team includes Arto Herranen, Managing Director; Kati Kokkonen, Finance Director; Maria Lundell, HR Director; Pertti Silén, Development Director; Osmo Wilska, Director of Finnish Operations; and Johan de Verdier, Director of Swedish Operations.

#### **Shares**

On 30 September 2010, Enfo Oyj had a total of 568,556 shares. At the end of September, the company had a total of 95 shareholders. The company has one series of shares. The company owned 78 of its treasury shares at the end of September 2010.



As of the end of September, the company's ten largest owners were Osuuskunta KPY, Pohjola Insurance Ltd, Ilmarinen Mutual Pension Insurance Company, Suomi Mutual Life Assurance Company, Enfo Oyj's Personnel Fund HR, Einari Vidgrén Oy, Keski-suomalainen Oyj, Kuopio Cooperative Bank, Hannu Isotalo Oy and Savon Voima Oyj. Osuuskunta KPY's share of ownership is 84.9%.

### **Forecast for likely future development**

As the company's emphasis has shifted more strongly to continuous IT services, the turnover of hardware and software sales will clearly fall in Finland. The company estimates the Group's turnover in 2010 to decrease slightly from last year, but operating profit will increase compared with 2009.

### **Risks and uncertainties**

Short-term risks and uncertainties are related to the preservation of a good invoicing rate in Sweden after large consultation projects are wrapped up at the end of the year and to the maintenance of price competitiveness in the highly competitive Finnish outsourcing market. In the long-term, the termination of the commitment arrangements for key personnel in the Swedish operations may expose the company to a key personnel risk, which is typical in the industry.

### **Timetable for financial reporting in 2010**

Enfo Oyj will publish a financial statement release on 24 February 2011 concerning the period of 1 January – 31 December 2010. The timetable for financial reporting in 2011 will be published in full, in connection with the financial statement release.

**Tables**

This financial statements 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 Financial Statements. At the beginning of 2010, the company adopted new standards and interpretations related to financial statements, but their adoption does not have any significant impact on the company's financial statements. The figures in the tables have been rounded off to the nearest million euros and may not add up to exact totals. The figures presented in the tables are unaudited.

<b>Consolidated income statement</b>					
EUR million	7–9/10	7–9/09	1–9/10	1–9/09	1–12/09
<b>Turnover</b>	30.0	28.5	101.0	98.8	140.8
Other operating income	0.0	0.0	0.1	0.0	0.1
Materials and services	-13.1	-13.3	-44.4	-49.1	-70.4
Employee benefit expenses	-11.0	-9.3	-36.6	-32.5	-45.9
Depreciation, amortisation and impairment	-1.2	-1.3	-3.4	-3.9	-5.2
Other operating expenses	-3.3	-2.8	-10.4	-8.9	-12.3
<b>Operating profit</b>	1.5	1.7	6.3	4.6	7.0
Finance income	0.4	0.2	0.9	0.3	0.3
Finance costs	-0.6	-0.6	-1.4	-2.0	-2.2
<b>Profit before taxes</b>	1.2	1.3	5.8	2.9	5.0
Income tax	-0.3	-0.3	-1.5	-0.8	-1.5
<b>Profit for the period</b>	0.9	1.0	4.3	2.2	3.5
Attributable to					
Equity-holders of the parent company	0.9	1.0	4.3	2.2	3.5
Minority interests	0.0	0.0	0.0	0.0	0.0
Earnings per share, basic and diluted, EUR	1.62	1.74	7.57	3.88	6.29

<b>Statement of comprehensive income</b>			
EUR million	1–9/10	1–9/09	1–12/09
<b>Profit for the period</b>	4.3	2.2	3.5
Translation difference	5.0	2.1	2.1
<b>Other comprehensive income for the period</b>	9.3	4.3	5.6
Attributable to			
Equity-holders of the parent company	9.3	4.3	5.6
Minority interests	0.0	0.0	0.0

<b>Consolidated statement of financial position</b>			
EUR million	30 Sep. 10	30 Sep. 09	31 Dec. 09
<b>Assets</b>			
<b>Non-current assets</b>			
Tangible assets	4.4	3.5	3.4
Goodwill	56.4	51.9	51.8
Other intangible assets	4.5	6.5	5.7
Available-for-sale investments	0.1	0.1	0.1
Receivables	0.1	0.1	0.1
Deferred tax assets	0.4	1.0	0.4
Non-current assets, total	65.9	63.1	61.5

<b>Current assets</b>			
Inventories	0.4	0.4	0.4
Trade receivables	24.3	20.7	25.3
Other receivables	3.5	3.7	4.5
Available-for-sale investments	0.3	0.3	0.3
Cash and cash equivalents	4.3	10.8	12.9
Total current assets	32.8	35.8	43.5
<b>Total assets</b>	98.8	98.9	105.0
<b>Equity and liabilities</b>			
Share capital	0.3	0.3	0.3
Share premium account	13.3	13.3	13.3
Other reserves	0.5	0.2	0.2
Retained earnings	27.9	19.8	21.1
<b>Equity attributable to equity-holders of the parent company, total</b>	42.0	33.6	34.9
<b>Minority interest</b>	0.0	0.0	0.0
<b>Total equity</b>	42.0	33.6	34.9
<b>Non-current liabilities</b>			
Interest-bearing liabilities	28.4	38.0	35.8
Other liabilities	1.5	1.9	1.7
Non-current liabilities, total	29.8	39.9	37.6
<b>Current liabilities</b>			
Interest-bearing liabilities	5.5	4.1	6.4
Trade payables	5.2	5.8	10.2
Other liabilities	16.2	15.5	15.9
Current liabilities, total	26.9	25.4	32.5
<b>Total liabilities</b>	56.8	65.3	70.1
<b>Total equity and liabilities</b>	98.8	98.9	105.0

<b>Condensed statement of cash flows</b>	1–9/10	1–9/09	1–12/09
EUR million			
<b>Cash flow from operating activities</b>			
Profit for the period	4.3	2.2	3.5
Adjustments to the profit for the period	5.4	6.3	8.6
Change in working capital	-0.7	-0.5	-1.4
Interest paid and received	-0.9	-1.3	-1.6
Taxes paid	-3.4	-1.9	-2.4
<b>Cash flow from operating activities</b>	<b>4.7</b>	<b>4.7</b>	<b>6.8</b>

<b>Cash flow from investing activities</b>			
Investments in tangible and intangible assets	-2.7	-1.0	-1.4
Changes in other investments	0.0	0.0	0.0
<b>Cash flow from investing activities</b>	<b>-2.7</b>	<b>-1.0</b>	<b>-1.4</b>
<b>Cash flow from financing activities</b>			
Changes in loans	-8.4	-9.8	-9.3
Changes in equity	-2.2	-0.5	-0.5
<b>Cash flow from financing activities</b>	<b>-10.6</b>	<b>-10.3</b>	<b>-9.8</b>
<b>Changes in cash and cash equivalents</b>	<b>-8.6</b>	<b>-6.6</b>	<b>-4.4</b>
Cash and cash equivalents at the beginning of the period	12.9	17.4	17.4
Cash and cash equivalents at the end of the period	4.3	10.8	12.9

<b>Key ratios</b>	1–9/10	1–9/09	1–12/09
Turnover (EUR million)	101.0	98.8	140.8
Operating profit (EUR million)	6.3	4.6	7.0
% of turnover	6.2	4.7	5.0
Profit before taxes (EUR million)	5.8	2.9	5.0
% of turnover	5.7	3.0	3.6
Profit for the period (EUR million)	4.3	2.2	3.5
% of turnover	4.2	2.2	2.5
Earnings per share, EUR	7.57	3.88	6.29
Return on investment, %	12.6	8.5	9.3
Return on equity, %	14.8	9.2	11.0
Equity ratio, %	43.1	34.5	33.7
Net gearing, %	69.8	92.3	83.3
Interest-bearing net debt (EUR million)	29.3	31.0	29.1
Equity/share, EUR	73.8	59.5	61.8
Average number of employees	676	674	685
Number of shares	568,556	564,256	564,256

<b>Consolidated statement of changes in equity</b>	Share capital	Share premium reserve	Reserve for invested non-restricted equity	Retained earnings	Total
Equity on 1 Jan. 2009	0.3	13.3	0.0	16.0	29.7
Items related to owners			0.2	-0.6	-0.4
Comprehensive income				4.3	4.3
Equity on 30 Sep. 2009	0.3	13.3	0.2	19.8	33.6
Equity on 1 Jan. 2010	0.3	13.3	0.2	21.1	34.9
Items related to owners			0.3	-2.5	-2.2
Comprehensive income				9.3	9.4
Equity on 30 Sep. 2010	0.3	13.3	0.5	27.9	42.0

<b>Turnover by business segment</b>	7–9/10	7–9/09	1–9/10	1–9/09	1–12/09
EUR million					
IT Services	22.3	21.8	77.8	78.2	112.8
Information Logistics Services	8.1	7.2	24.3	22.3	29.9
Eliminations and others	-0.4	-0.6	-1.1	-1.6	-2.0
Group total	30.0	28.5	101.0	98.8	140.8

<b>Operating profit by business segment</b>	7–9/10	7–9/09	1–9/10	1–9/09	1–12/09
EUR million					
IT Services	0.2	0.6	2.7	1.7	2.9
Information Logistics Services	1.3	1.1	3.7	3.1	4.1
Group items and others	0.0	0.0	-0.1	-0.2	0.0
Group total	1.5	1.7	6.3	4.6	7.0

<b>Changes in tangible fixed assets</b>	1–9/10	1–9/09	1–12/09
EUR million			
Carrying amount at the beginning of the period	3.4	4.2	4.2
Increases	2.5	0.7	0.9
Decreases	-0.1	0.0	0.0
Depreciation and amortisation	-1.4	-1.4	-1.8
Carrying amount at the end of the period	4.4	3.5	3.4



<b>Commitments and contingencies</b>	30 Sep. 10	30 Sep. 09	31 Dec. 09
EUR million			
Liabilities with business mortgage as security			
Loans from financial institutions	29.7	38.4	38.4
Mortgage amount	11.4	11.4	11.4
<i>Other liabilities</i>			
Leasing liabilities	2.5	2.0	3.2
Other rental liabilities	9.4	9.4	8.7
Other contingent liabilities	0.1	0.1	0.1
Total other liabilities	12.0	11.5	12.0

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Enfo is a Nordic IT service company which provides companies and organisations with easy-to-use IT services. In its services, Enfo utilises more than 45 years of experience in IT and the competence of its expert IT professionals. Approximately 700 top experts ensure that Enfo's customers get the most out of their IT. Enfo's annual turnover is more than EUR 140 million. For further information about Enfo, please visit [www.enfo.fi](http://www.enfo.fi) and [www.enfo.se](http://www.enfo.se).

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