

Enfo Oyj's interim report 2/2011 (1 January–30 June 2011)

Key points of the interim report

- Turnover in April–June increased by 2.9% and stood at EUR 36.3 million (35.3). In January–June, turnover rose by 0.6% to EUR 71.3 million (70.9).
- Operating profit (EBIT) in April–June decreased by 62.8% and stood at EUR 0.9 million (2.4). In January–June, operating profit decreased by 48.5% and amounted to EUR 2.5 million (4.8). Non-recurring restructuring costs for Outsourcing Services in Finland amounting to EUR 0.8 million are recognised in the operating profit.
- Profit before taxes in April–June stood at EUR 1.1 million (2.7). In January–June, profit before taxes decreased by 46.0% and stood at EUR 2.5 million (4.6).
- Earnings per share in April–June were EUR 1.33 (3.48). In January–June, earnings per share were EUR 3.11 (5.96).
- The twelve-month return on investment was 8.1% (14.3).
- In January–June, the Group employed an average of 705 people (669). At the end of June, the Group employed a total of 697 people (690).
- In January–June, cash flow from operating activities totalled EUR 3.0 million (1.5).
- If demand remains favourable, the company estimates that the Group's turnover in 2011 will increase compared to the previous year. Due to efficiency measures carried out during the second quarter, operating profit is estimated to stand at same level as 2010.

Market

The overall economic development has remained positive thus far in the company's main market area in Finland and Sweden. In 2011, the company estimates that the IT service market will grow by slightly more than 3% in Finland and more than 4% in Sweden. Price competition has continued to be tough despite increasing demand. Threat of inflation and the problems in debt-ridden countries within the Eurozone are causing uncertainties, which may affect the behaviour of customer companies in the latter half of the year.

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

The IT service market has demand but price competition continues to be extremely tough. Companies are looking for high quality yet very cost-effective IT services.

During the second quarter of the year, efficiency and restructuring measures related to the Outsourcing Services in Finland were implemented at Enfo's IT Services, the purpose of which was to develop the operational model of the outsourcing services in order to ensure the steady business growth and development in the long run regardless of tough price competition.

During the period under review, the IT Services entered into new service agreements, for example with PACCOR Finland Oy, specialised in packaging solutions, as well as VVO Group, Finland's largest housing service provider. The IT service agreement signed between VVO and Enfo includes Service Desk, workstation management, IT, infrastructure and data communications services, as well as server monitoring and management services. In industry-specific services, the Helsinki Regional Transport Authority (HSL) ordered the renewal of ticket inspecting devices from Enfo.

During the period under review, the demand for Enfo's Information Logistics Services was stable and business developed according to expectations. The growth in electronic services has continued at a good level. In Information Logistics Services, new agreements were signed with, for example, companies specialised in debt collection and credit data services.

In Sweden, IT operations have developed at a good rate. The demand for services has remained at a good level and is expected to grow positively. The infrastructure project boosted the advance of consultation services on the market and the demand for integration services has been at an extremely good level. During the period under review, Enfo signed several service agreements, for example with Volvo Cars Corporation and Scania AB. In June, Enfo Zipper, specialised in consultation services, was selected as the Microsoft Solution Partner 2011 in Sweden.

Turnover

The Enfo Group's turnover in April–June increased by 2.9% and stood at EUR 36.3 million (35.3). Consolidated turnover increased by 0.6% in January–June, totalling EUR 71.3 million (70.9). The Group's turnover was positively affected by the positive development seen in the IT market in Sweden and the success of Information Logistics Services in the market.

Development of turnover by reporting segment

EUR million	4-6/2011	4-6/2010	1-6/2011	1-6/2010	1-12/2010
IT Services	28.0	27.7	54.9	55.7	105.8
Information Logistics Services	9.0	8.1	17.7	16.2	33.2

The turnover of Enfo's IT Services increased by 0.8% in April–June and stood at EUR 28.0 million (27.7). In January–June, turnover of IT Services decreased by 1.3% and stood at EUR 54.9 million (55.7). The good demand in the Swedish IT market and especially for consultation services contributed positively to the increase of turnover during the period under review. The lacklustre progress of in hardware and software sales in Finland affected the turnover negatively during the first six months of the year.

Turnover of Information Logistics Services in April–June increased by 11.6% and stood at EUR 9.0 million (8.1). In January–June, turnover of Information Logistics Services increased to EUR 17.7 million (16.2). This signalled a growth of 9.1%. Good market demand for electronic and printing services contributed to the positive development.

Profitability

Enfo Group's operating profit fell by 62.8% in April–June and stood at EUR 0.9 million, representing 2.5% of turnover (EUR 2.4 million and 6.9%). The Group's operating profit in January–June amounted to EUR 2.5 million, comprising 3.5% of turnover (EUR 4.8 million and 6.8%).

The Group's profit before taxes in April–June stood at EUR 1.1 million, comprising 2.9% of turnover (2.7 and 7.6%). In January–June, profit before taxes amounted to EUR 2.5 million (4.6), comprising 3.5% of turnover (6.5%). The Group's net finance costs in April–June stood at EUR -0.1 million (-0.2) and EUR 0.0 million (0.2) in January–June. The result in April–June was EUR 0.8 million, comprising 2.2% of turnover (2.0 and

5.6%). In January–June, the result was EUR 1.8 million, comprising 2.6% of turnover (EUR 3.4 million and 4.7%). Earnings per share in April–June were EUR 1.33 (3.48), in January–June EUR 3.11 (5.96).

Development of operating profit by reporting segment

EUR million	4-6/2011	4-6/2010	1-6/2011	1-6/2010	1-12/2010
IT Services	0.3	1.3	0.7	2.5	3.6
Information Logistics Services	0.9	1.2	2.1	2.4	5.1

The decrease of the Group's and IT Services profitability was affected by the EUR 0.8 million non-recurring restructuring costs in Outsourcing Services in Finland. Profitability was further decreased by costs related to the start-up of outsourcing services in Sweden.

The operating profit of Information Logistics Services decreased compared with the same period last year. Operating profit was strained by increased human resources costs and business development investments.

Financing and investments

Enfo's net investments stood at EUR 0.7 million (0.5) in April–June and EUR 2.7 million (2.0) in January–June. Net investments comprised the acquisition of data centre hardware. The hardware was financed through financial leasing agreements. In addition to data centre hardware, investments in January–June included the acquisition of a new subsidiary.

The company's equity ratio was 43.1% (39.9%) at the end of June. At the end of June, interest-bearing net liabilities amounted to EUR 25.5 million (31.6) and net gearing was 59.3% (81.2%).

Personnel

In January–June, the Group employed an average of 705 people (669). At the end of June, the Group employed a total of 697 people (690).

Enfo's IT Services unit employed an average of 613 people (582) in January–June, while the Information Logistics Services unit employed an average of 74 people (72). Of Enfo's personnel, 356 (357) were employed in Finland and 348 (312) in Sweden during the review period.

In the cooperative negotiations related to Enfo Oyj's Outsourcing Services in Finland in May 2011, a reduction of 16 person-years realised primarily through voluntary personnel arrangements was agreed upon.

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; Marja Liisa Kaario, partner in Unicus Oy; and Timo Kärkkäinen, Senior Portfolio Manager of Ilmarinen Mutual Pension Insurance Company.

Enfo Group's Executive Management Team members are Managing Director Arto Herranen, Finance Director Kati Kokkonen (Finance and Communication), HR Director Maria Lundell (HR), Director Osmo Wilska (Outsourcing Services), Director Nina Annila (Industry Verticals), Director Johan de Verdier (Consultation Services), and Director Tero Saksman (Information Logistics Services). In May 2011, Johan de Verdier, M.Sc., Director of Enfo's Consultation Services, was appointed the deputy managing director of Enfo Group. In the future, Mr de Verdier, will also have overall responsibility for Enfo's marketing activities in addition to being the head of the Consultation Services. Kati Kokkonen, M.Sc. (Economics and Business

Administration), Enfo's Finance Director since 2007, will leave her position in September 2011 to work for another employer. M.Sc. Tero Kosunen has been appointed as Enfo Oyj's new finance director. He is currently employed by Oy Danfoss Ab. Tero Kosunen will take over as finance director in the beginning of October.

Shares

On 30 June 2011, Enfo Oyj had a total of 589,120 shares. At the end of June, the company had a total of 108 shareholders. The company has one series of shares, and owned 78 of its treasury shares at the end of June 2011.

Enfo Oyj has offered a share issue to Enfo Oyj's Personnel Fund HR as part of the company's incentive scheme. Enfo Oyj's Personnel Fund HR subscribed for 2,400 of Enfo Oyj's shares at a price of EUR 183,840 on 17 May 2011.

At the end of June, the company's ten largest owners were Osuuskunta KPY, Enfo Oyj's Personnel Fund HR, Pohjola Insurance Ltd, Ilmarinen Mutual Pension Insurance Company, Suomi Mutual Life Assurance Company, Einari Vidgrén Oy, Keski-suomalainen Oyj, Pohjois-Savo Cooperative Bank, Hannu Isotalo Oy and Savon Voima Oyj. Osuuskunta KPY's share of ownership is 81.9%.

Forecast for likely future development

If demand remains favourable, the company estimates that the Group's turnover in 2011 will increase compared to the previous year. Due to efficiency measures carried out during the second quarter, operating profit is estimated to stand at same level as 2010.

Risks and uncertainties

Short-term risks and uncertainties are related to the maintenance of competitive prices in the highly competitive IT service market and faltering demand for IT services due to a possible turn in the economic situation. In the long-term, the termination of the commitment arrangements for key individuals may expose the company to a key personnel risk, which is typical in the industry.

Timetable for financial reporting in 2011

The 2011 Q3 interim report will be published on 27 October 2011.

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 2010. 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.

Consolidated income statement					
EUR million	4-6/11	4-6/10	1-6/11	1-6/10	1-12/10
Turnover	36.3	35.3	71,3	70.9	137.6
Other operating income	0.3	0.1	0.7	0.1	0.0
Materials and services	-14.5	-14.9	-28.5	-31.2	-59.1
Employee benefit expenses	-15.5	-13.2	-29.9	-25.6	-50.8
Depreciation, amortisation and impairment	-1.1	-1.1	-2.2	-2.2	-4.7
Other operating expenses	-4.4	-3.7	-8.3	-7.1	-14.4
Operating profit	0.9	2.4	2.5	4.8	8.6
Financial income	0.4	0.5	0.6	0.6	1.0
Finance costs	-0.3	-0.3	-0.6	-0.8	-1.6
Profit before taxes	1.1	2.7	2.5	4.6	7.9
Income tax	-0.3	-0.7	-0.7	-1.2	-2.1
Profit for the period	0.8	2.0	1.8	3.4	5.8
Attributable to					
Equity-holders of the parent company	0.8	2.0	1.8	3.4	5.8
Earnings per share, basic and diluted, EUR					
	1.33	3.48	3.11	5.96	10.23

Statement of comprehensive income			
EUR million	1-6/11	1-6/10	1-12/10
Profit for the period	1.8	3.4	5.8
Change in the fair value of available-for-sale investments	0.0	0.0	0.0
Exchange rate differences caused by net investments in foreign subsidiaries	-1.0	2.9	5.4
Other comprehensive income for the period	0.8	6.2	11.2
Attributable to			
Equity-holders of the parent company	0.8	6.2	11.2
Minority interests			

Consolidated statement of financial position			
EUR million	30 June 2011	30 June 2010	31 Dec. 2010
Assets			
Non-current assets			
Tangible assets	4.5	4.2	4.1
Goodwill	57.3	54.7	57.2
Other intangible assets	3.1	5.0	4.1
Available-for-sale investments	0.1	0.1	0.1
Receivables	0.1	0.1	0.3
Deferred tax assets	0.4	0.4	0.4
Non-current assets, total	65.6	64.6	66.3

Current assets			
Inventories	0.4	0.3	0.5
Trade receivables	24.9	24.1	25.2
Other receivables	4.4	6.4	4.0
Available-for-sale investments	0.3	0.3	0.3
Cash and cash equivalents	5.8	3.4	8.1
Total current assets	35.5	34.4	38.2
Total assets	101.1	99.0	104.5
Equity and liabilities			
Share capital	0.3	0.3	0.3
Share premium account	13.3	13.3	13.3
Other reserves	1.8	0.5	1.6
Retained earnings	27.6	24.8	29.7
Equity attributable to equity-holders of the parent company, total	43.1	38.9	44.9
Minority interest	0.0	0.0	0.0
Total equity	43.1	38.9	44.9
Non-current liabilities			
Interest-bearing liabilities	24.4	30.1	27.6
Other liabilities	2.1	1.5	2.1
Non-current liabilities, total	26.6	31.6	29.8
Current liabilities			
Interest-bearing liabilities	6.9	5.2	4.8
Trade payables	6.5	5.9	6.3
Other liabilities	18.0	17.2	18.7
Current liabilities, total	31.4	28.4	29.8
Total liabilities	58.0	60.0	59.6
Total equity and liabilities	101.1	99.0	104.5

Condensed statement of cash flows	1-6/11	1-6/10	1-12/10
EUR million			
Cash flow from operating activities			
Profit for the period	1.8	3.4	5.8
Adjustments to the profit for the period	2.8	3.7	7.4
Change in working capital:	0.7	-3.6	3.2
Interest paid and received	-0.5	-0.5	-1.2
Taxes paid	-1.8	-1.4	-5.6
Cash flow from operating activities	3.0	1.5	9.6

Cash flow from investment activities			
Investments in tangible and intangible assets	-1.6	-2.0	-3.3
Investments in subsidiaries	-0.8	0.0	0.0
Changes in other investments	0.3	0.0	0.0
Cash flow from investment activities	-2.1	-2.0	-3.3
Cash flow from financing			
Changes in loans	-0.5	-6.8	-9.9
Changes in equity	-2.7	-2.2	-1.2
Cash flow from financing	-3.3	-9.1	-11.0
Changes in cash and cash equivalents	-2.4	-9.5	-4.8
Cash and cash equivalents at the beginning of the period	8.1	12.9	12.9
Cash and cash equivalents at the end of the period	5.8	3.4	8.1

Key figures	1-6/11	1-6/10	1-12/10
Turnover (EUR million)	71.3	70.9	137.6
Operating profit (EUR million)	2.5	4.8	8.6
% of turnover	3.5	6.8	6.3
Profit before taxes (EUR million)	2.5	4.6	7.9
% of turnover	3.5	6.5	5.8
Profit for the period (EUR million)	1.8	3.4	5.8
% of turnover	2.6	4.7	4.2
Earnings per share, EUR	3.11	5.96	10.23
Return on investment, %	8.1	14.3	12.4
Return on equity, %	8.3	18.2	14.5
Equity ratio, %	43.1	39.9	43.6
Net gearing, %	59.3	81.2	53.4
Interest-bearing net debt (EUR million)	25.5	31.6	24.0
Equity/share, EUR	73.1	69.0	76.6
Average number of employees	705	669	681
Number of shares	589,120	564,256	586,720

Consolidated statement of changes in equity	Share capital	Share premium reserve	Reserve for invested non-restricted equity	Retained earnings	Total equity
Equity on 1 Jan. 2011	0.3	13.3	0.2	21.1	34.9
Items related to owners			0.3	-2.5	-2.2
Comprehensive income				6.2	6.2
Equity on 30 June 2010	0.3	13.3	0.5	24.8	38.9
Equity on 1 Jan. 2011	0.3	13.3	1.6	29.7	44.9
Items related to owners			0.2	-2.9	-2.7
Comprehensive income				0.8	0.8
Equity on 30 June 2011	0.3	13.3	1.8	27.6	43.1

Turnover by business segment	4-6/11	4-6/10	1-6/11	1-6/10	1-12/10
EUR million					
IT Services	28.0	27.7	54.9	55.7	105.8
Information Logistics Services	9.0	8.1	17.7	16.2	33.2
Eliminations and others	-0.7	-0.5	-1.3	-1.0	-1.4
Group total	36.3	35.3	71.3	70.9	137.6

Operating profit by business segment	4-6/11	4-6/10	1-6/11	1-6/10	1-12/10
EUR million					
IT Services	0.3	1.3	0.7	2.5	3.6
Information Logistics Services	0.9	1.2	2.1	2.4	5.1
Eliminations and others	-0.3	0.0	-0.3	-0.1	-0.1
Group total	0.9	2.4	2.5	4.8	8.6

Changes in tangible fixed assets	1-6/11	1-6/10	1-12/10
EUR million			
Carrying amount at the beginning of the period	4.1	3.4	3.4
Increases	1.5	1.7	2.7
Decreases	0.0	0.0	-0.2
Depreciation and amortisation	-1.1	-0.9	-1.8
Exchange rate differences	0.0	0.0	0.0
Carrying amount at the end of the period	4.5	4.2	4.1

Commitments and contingencies	30 June 2011	30 June 2010	31 Dec. 2010
EUR million			
Liabilities with business mortgage or pledge as security			
Loans from financial institutions	28.0	31.5	29.7
Mortgage amount	11.4	11.4	11.4
Subsidiary shares	14.8	14.8	14.8
<i>Other liabilities</i>			
Leasing liabilities	3.7	2.8	2.9
Other rental liabilities	12.1	7.0	13.0
Other contingent liabilities	0.1	0.1	0.1
Total other liabilities	16.0	9.9	16.0

For additional information, please contact: Arto Herranen, Managing Director, tel. +358 44 7193 000 and Kati Kokkonen, Finance Director, tel. +358 44 7193 015 (e-mail format: firstname.lastname@enfo.fi).

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 best out of their IT. Enfo's turnover is nearly EUR 140 million. For further information about Enfo, please visit www.enfo.fi and www.enfo.se.

Distribution: main media and www.enfo.fi

Enfo Oyj

Business ID: 2081212-9

Visiting address: Kiveläntie 4, Kuopio, Finland

Postal address: P.O. Box 1582, FI-70461 Kuopio, Finland

Billing address: P.O. Box 5005, FI-70701 Kuopio, Finland

Switchboard: +358 20 54321

Fax: +358 20 543 2355

E-mail: firstname.lastname@enfo.fi