

Enfo Oyj's interim report 3/2011 (1 January – 30 September 2011)

Key points of the interim report

- Turnover in July–September increased by 2.5% and stood at EUR 30.8 million (30.0). In January–September, turnover rose by 1.2% to EUR 102.2 million (101.0).
- Operating profit (EBIT) in July–September increased by 12.7% and stood at EUR 1.6 million (1.5). In January–September, operating profit decreased by 34.3% and stood at EUR 4.1 million (6.3).
- Profit before taxes in July–September amounted to EUR 1.5 million (1.2). In January–September, profit before taxes stood at EUR 3.9 million (5.8).
- Earnings per share in July–September were EUR 1.78 (1.62). Earnings per share in January–September were EUR 4.89 (7.57).
- The twelve-month return on investment was 8.3% (12.6).
- In January–September, Enfo Group employed an average of 710 people (676). At the end of September, the Group employed a total of 761 people (691).
- In January–September, cash flow from operating activities totalled 4.3 million (4.7).
- The company estimates the Group's 2011 operating profit to be lower than the year before. Turnover is estimated to stay at the same level as last year.

Market

Market conditions became challenging during the third quarter. The general uncertainty over future economic development arising from problems in debt-laden countries within the euro area has affected the behaviour of customer companies within the company's main market areas of 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.

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.

On 5 September 2011, Enfo acquired all shares in Pointer Sweden AB, a Swedish consultation company which specialises in Business Intelligence (BI). Through the transaction, 50 new IT professionals were transferred to Enfo.

Business development

Demand for Enfo's IT Services in the domestic IT outsourcing market was positive during the reporting period. The measures aimed at improving the business efficiency of Finnish outsourcing services have had a clear impact on business development within the highly competitive domestic IT market.

In IT Services, new IT service agreements were signed with the Finnish Parliament, among others. This particular agreement covers workstation management for 1,200 workstations, life cycle services and consultation. In addition, the University of Jyväskylä signed a five-year service agreement with Enfo on identity management services, covering the environment of more than 20,000 users. Enfo's Help Desk

service obtained national recognition when it was named Best Finnish Help Desk Customer Service in 2011 in a competition organised by NDI Nordic Oy on 7 September.

Information Logistics Services are making good progress, with demand for electronic invoicing products being particularly active. On 19 September 2011, Information Logistics Services published a consumer survey on electronic invoices, which supports the development of e-invoice services. New customer agreements were signed with accounting service companies. Furthermore, automatic meter reading (AMM) customers have expanded their agreements.

Uncertainty in the global economy was reflected in the Swedish IT market during the reporting period, and demand for new projects has experienced a slight decrease. However, there is demand for consultation services that reduce costs quickly and improve the efficiency of business operations, such as integration projects. In addition, demand for infrastructure consultation projects remained positive. New agreements were signed, notably within the banking sector, as well as with Tetra Pak Sverige AB and Ericsson AB. The launch of IT outsourcing services has proceeded as planned in Sweden.

Turnover

Enfo Group's turnover in July–September increased by 2.5% and stood at EUR 30.8 million (30.0). The Group's turnover increased by 1.2% in January–September and stood at EUR 102.1 million (101.0). The increase in the Group's turnover reflects the progress of Information Logistics Services within the market.

Development of turnover by reporting segment

EUR million	7–9/2011	7–9/2010	1–9/2011	1–9/2010	1–12/2010
IT Services	22.5	22.3	77.4	77.8	105.8
Information Logistics Services	8.9	8.1	26.5	24.3	33.2

Turnover of Enfo's IT Services increased by 0.7% in July–September and stood at EUR 22.5 million (22.3). In January–September, IT Services' turnover decreased by 0.5% and stood at EUR 77.4 million (77.8). The decrease in turnover reflects the deceleration in hardware sales.

Information Logistics Services' turnover in July–September increased by 2.5% and stood at EUR 8.9 million (8.1). This signalled a growth of 9.2%. The increase in turnover has been affected by the willingness of companies to invest in electronic services and expand their service selections. In January–September, turnover increased by 9.1% and stood at EUR 26.5 million (24.3). The positive development in turnover was also influenced by the adoption of the automatic measurement data collection service (AMM) as a product of Information Logistics Services.

Profitability

Enfo Group's operating profit increased by 12.7% in July–September and stood at EUR 1.6 million, representing 5.3% of turnover (EUR 1.5 million and 4.9%). The growth in operating profit in July–September was affected by the recovery of domestic IT outsourcing operations, thanks to efficiency measures, and the positive result of Information Logistics Services.

The Group's operating profit decreased by 34.3% in January–September due to a poor performance in the first half of the year and stood at EUR 4.1 million (6.3), comprising 4.0% of turnover (EUR 6.3 million and 6.2%). The result of the first nine months was hindered by expenses arising from the launch of outsourcing operations in Sweden and non-recurring reorganisation costs within outsourcing services in Finland during the second quarter. In addition, the Group result reflects the reorganisation costs arising from the new commitment and incentive scheme for Enfo Zuite AB's personnel and costs associated with the acquisition of Pointer Sweden AB.

The Group's profit before taxes in July–September stood at EUR 1.5 million (1.2), comprising 4.7% of turnover (4.0%). In January–September, profit before taxes amounted to EUR 3.9 million (5.8), comprising 3.9% of turnover (5.7%). The Group's net financing costs stood at EUR 0.1 million (0.2) in July–September and EUR 0.2 million (0.5) in January–September. The result in July–September was EUR 1.0 million (0.9). In January–September, the result was EUR 2.9 million (4.3), comprising 2.8% of turnover (4.2%). Earnings per share in July–September were EUR 1.78 (1.62). Earnings per share in January–September were EUR 4.89 (7.57).

Development of operating profit by reporting segment

EUR million	7–9/2011	7–9/2010	1–9/2011	1–9/2010	1–12/2010
IT Services	0.2	0.2	0.7	2.7	3.6
Information Logistics Services	1.5	1.3	3.6	3.7	5.1

The operating profit of Enfo's IT Services remained at the same level compared with the same period last year. The operating profit of IT Services is limited by non-recurring reorganisation costs within outsourcing services in Finland during the second quarter and expenses arising from the launch of outsourcing operations in Sweden.

The Information Logistics Services segment's operating profit in July–September improved compared with the same period last year. The favourable development of operating profit was affected by positive demand for electronic services and the expansion of customers' services.

Financing and investments

Enfo's net financing costs stood at EUR 5.5 million (0.7) in July–September and EUR 8.2 million (2.7) in January–September. The investments were mainly allocated to the acquisition of Pointer Sweden AB. The company's equity ratio was 42.4% (43.1%) at the end of September. Interest-bearing net liabilities at the end of September amounted to EUR 30.0 million (29.3) and net gearing was 68.7% (69.8%).

Personnel

In January–September, Enfo Group employed an average of 710 people (676). At the end of September, the Group employed a total of 761 people (691).

Enfo's IT Services unit employed an average of 618 people in January–September (588), and the Information Logistics Services unit employed an average of 75 people (73). Of Enfo's personnel, 351 (359) were employed in Finland and 359 (317) in Sweden during the review period.

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 of 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 Tero Kosunen (Finance and Communications), 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).

Shares

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

At the end of September, 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

The company estimates the Group's 2011 operating profit to be lower than the year before. Turnover is estimated to stay at the same level as last year.

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 change in the economic situation.

Events after review period

Relacom, a company offering network services in Northern Europe, outsourced its Swedish IT operations and service centre to Enfo Oyj through an agreement signed on 7 October 2011. As a result, 24 Relacom employees were transferred to Enfo.

The company has adopted a new commitment and incentive scheme for the personnel of Enfo Zuite AB, a Swedish company engaged in SAP consultation operations. Through the new scheme, the corporate structure was reorganised, with key employees becoming part owners within new business units. The change entered into force on 1 October 2011.

Timetable for financial reporting in 2011

Enfo Oyj will publish a financial statement release on 28 February 12 concerning the period 1 January – 31 December 2011. The timetable for financial reporting in 2012 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 2010. The figures in the tables have been rounded 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	7–9/11	7–9/10	1–9/11	1–9/10	1–12/10
Turnover	30.8	30.0	102.2	101.0	137.6
Other operating income	0.0	0.0	0.0	0.1	0.0
Materials and services	-11.9	-13.1	-40.4	-44.4	-59.1
Employee benefit expenses	-12.3	-11.0	-42.2	-36.6	-50.8
Depreciation, amortisation and impairment	-1.1	-1.2	-3.3	-3.4	-4.7
Other operating expenses	-3.9	-3.3	-12.2	-10.4	-14.4
Operating profit	1.6	1.5	4.1	6.3	8.6
Financial income	0.2	0.4	0.7	0.9	1.0
Finance costs	-0.3	-0.6	-0.9	-1.4	-1.6
Profit before taxes	1.5	1.2	3.9	5.8	7.9
Income tax	-0.4	-0.3	-1.1	-1.5	-2.1
Profit for the period	1.0	0.9	2.9	4.3	5.8
Attributable to					
Equity-holders of the parent company	1.0	0.9	2.9	4.3	5.8
Minority interests					
Earnings per share, basic and diluted, EUR	1.78	1.62	4.89	7.57	10.23

Statement of comprehensive income			
EUR million	1–9/11	1–9/10	1–12/10
Profit for the period	2.9	4.3	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	-1.3	5.0	5.4
Other comprehensive income for the period	1.6	9.3	11.2
Attributable to			
Equity-holders of the parent company	1.6	9.3	11.2
Minority interests			

Consolidated statement of financial position			
EUR million	30 Sept 2011	30 Sept 2010	31 Dec 2010
Assets			
Non-current assets			
Tangible assets	4.4	4.4	4.1
Goodwill	61.8	56.4	57.2
Other intangible assets	2.7	4.5	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	69.6	65.9	66.3

Current assets			
Inventories	0.3	0.4	0.5
Trade receivables	22.6	24.3	25.2
Other receivables	5.5	3.5	4.0
Available-for-sale investments	0.0	0.3	0.3
Cash and cash equivalents	6.5	4.3	8.1
Total current assets	34.9	32.8	38.2
Total assets	104.5	98.8	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	28.3	27.9	29.7
Equity attributable to equity-holders of the parent company, total	43.7	42.0	44.9
Minority interest	0.0	0.0	0.0
Total equity	43.7	42.0	44.9
Non-current liabilities			
Interest-bearing liabilities	29.5	28.4	27.6
Other liabilities	2.2	1.5	2.1
Non-current liabilities, total	31.7	29.8	29.8
Current liabilities			
Interest-bearing liabilities	7.0	5.5	4.8
Trade payables	5.7	5.2	6.3
Other liabilities	16.4	16.2	18.7
Current liabilities, total	29.0	26.9	29.8
Total liabilities	60.8	56.8	59.6
Total equity and liabilities	104.5	98.8	104.5

Condensed statement of cash flows	1–9/11	1–9/10	1–12/10
EUR million			
Cash flow from operating activities			
Profit for the period	2.9	4.3	5.8
Adjustments to the profit for the period	4.5	5.4	7.4
Change in working capital:	0.6	-0.7	3.2
Interest paid and received	-0.9	-0.9	-1.2
Taxes paid	-2.7	-3.4	-5.6
Cash flow from operating activities	4.3	4.7	9.6

Cash flow from investment activities			
Investments in tangible and intangible assets	-2.2	-2.7	-3.3
Investments in subsidiaries	-6.2	0.0	0.0
Changes in other investments	0.3	0.0	0.0
Cash flow from investment activities	-8.2	-2.7	-3.3
Cash flow from financing			
Changes in loans	4.9	-8.4	-9.9
Changes in equity	-2.7	-2.2	-1.2
Cash flow from financing	2.1	-10.6	-11.0
Changes in cash and cash equivalents	-1.7	-8.6	-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	6.5	4.3	8.1

Key figures	1–9/11	1–9/10	1–12/10
Turnover (EUR million)	102.2	101.0	137.6
Operating profit (EUR million)	4.1	6.3	8.6
% of turnover	4.0	6.2	6.3
Profit before taxes (EUR million)	3.9	5.8	7.9
% of turnover	3.9	5.7	5.8
Profit for the period (EUR million)	2.9	4.3	5.8
% of turnover	2.8	4.2	4.2
Earnings per share, EUR	4.89	7.57	10.23
Return on investment, %	8.3	12.6	12.4
Return on equity, %	8.7	14.8	14.5
Equity ratio, %	42.4	43.1	43.6
Net gearing, %	68.7	69.8	53.4
Interest-bearing net debt (EUR million)	30.0	29.3	24.0
Equity/share, EUR	74.2	73.8	76.6
Average number of employees	710	676	681
Number of shares	589,120	568,556	586,720

Consolidated statement of changes in equity	Share capital	Share premium reserve	Reserve for invested non-restricted equity	Retained earnings	Total
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	9.3
Equity on 30 Sept 2010	0.3	13.3	0.5	27.9	42.0
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				1.6	1.6
Equity on 30 Sept 2011	0.3	13.3	1.8	28.4	43.8

Turnover by business segment	7–9/11	7–9/10	1–9/11	1–9/10	1–12/10
EUR million					
IT Services	22.5	22.3	77.4	77.8	105.8
Information Logistics Services	8.9	8.1	26.5	24.3	33.2
Eliminations and others	-0.6	-0.4	-1.7	-1.1	-1.4
Group total	30.8	30.0	102.2	101.0	137.6

Operating profit by business segment	7–9/11	7–9/10	1–9/11	1–9/10	1–12/10
EUR million					
IT Services	0.2	0.2	0.7	2.7	3.6
Information Logistics Services	1.5	1.3	3.6	3.7	5.1
Eliminations and others	-0.2	0.0	-0.2	-0.1	-0.1
Group total	1.6	1.5	4.1	6.3	8.6

Changes in tangible fixed assets	1–9/11	1–9/10	1–12/10
EUR million			
Carrying amount at the beginning of the period	4.1	3.4	3.4
Increases	2.1	2.5	2.7
Decreases	-0.2	-0.1	-0.2
Depreciation and amortisation	-1.6	-1.4	-1.8
Exchange rate differences	0.0	0.0	0.0
Carrying amount at the end of the period	4.4	4.4	4.1

Commitments and contingencies	30 Sept 2011	30 Sept 2010	31 Dec 2010
EUR million			
Liabilities with business mortgage as security			
Loans from financial institutions	33.1	29.7	29.7
Mortgage amount	11.4	11.4	11.4
Subsidiary shares	14.8	14.8	14.8
<i>Other liabilities</i>			
Leasing liabilities	4.5	2.5	2.9
Other rental liabilities	11.6	9.4	13.0
Other contingent liabilities	0.1	0.1	0.1
Total other liabilities	16.2	12.0	16.0

For additional information, please contact: Managing Director Arto Herranen, tel. +358 44 7193 000, or Finance Director Tero Kosunen, tel. +358 50 4441 200, (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 800 top experts ensure that Enfo's customers get the best out of their IT. Enfo's annual turnover is more than EUR 140 million. For further information about Enfo, please visit www.enfo.fi and www.enfo.se.

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