



Enfo Oyj's interim report 3/2012 (1 January–30 September 2012)

Key points of the interim report

- Turnover in July–September increased by 3.0% and stood at EUR 31.7 million (30.8). In January–September, turnover rose by 3.9% to EUR 106.1 million (102.2).
- Operating profit (EBIT) in July–September increased by 64.4% and stood at EUR 2.7 million (1.6). In January–September, operating profit grew by 81.0% and stood at EUR 7.5 million (4.1).
- Profit before taxes in July–September amounted to EUR 2.6 million (1.5). In January–September, profit before taxes stood at EUR 6.7 million (3.9).
- Earnings per share in July–September were EUR 2.35 (1.78). Earnings per share in January–September were EUR 6.38 (4.89).
- The twelve-month return on investment was 12.8% (8.3).
- In January–September, Enfo Group employed an average of 775 people (710). At the end of September, the Group employed a total of 784 people (761).
- In January–September, cash flow from operating activities totalled 2.3 million (4.3).
- The company estimates its turnover to reach the previous year's level during the final quarter of 2012. However, operating profit during the final quarter may fall behind the previous year's level due to non-recurring costs arising from Consulting business area.

Market

Continuous uncertainty over the future economic development affects the behaviour of customer companies within the company's main market area in Finland and Sweden. The shift in demand for IT services towards projects that produce cost savings and improve productivity opens new opportunities for the company's Outsourcing Services but may weaken demand for the company's Consulting Services, particularly in Sweden.

In 2012, the company estimates the IT service market to grow by 1–2% in Finland and Sweden.

Group structure

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

Business development

In Finland, demand for Enfo's IT Services was strong regardless of the unpredictability of the economic situation. Uncertainty over the economic development increases companies' willingness to enter their services into competitive bidding, which can be seen as fierce price competition on the IT market. Examples of the competitiveness of Enfo's IT Services on the market include new service agreements signed. The IT service agreement between Enfo and Fingrid Oyj, a main electric grid company, was extended over another three years. The agreement covers workstation management for 300 workstations, server monitoring and management, local support, and Service Desk services. The total value of the agreement is approximately EUR 2 million. In Industry Verticals, operations are proceeding as planned, and demand for Unified Communications is on the increase. For Unified Communications, new agreements were signed, for example, with the gaming and entertainment company Rovio. The agreement provides Rovio with videoconferencing services.

On the Swedish IT market, the global uncertainty was seen in poorer demand for consulting services during the reporting period. Customers are more cautious and closely follow the development of the general economic situation. There is still demand for consulting services that quickly reduce costs and improve the efficiency of business operations, such as integration projects and SAP services. Price competition on the market continues to be fierce. During the reporting period, new consulting agreements were signed with the oil corporation Preem AB, the financial company VolvoFinans and the media company Dagens Industri. The development of IT outsourcing services is making good progress in Sweden, with MyEnfo, an IT service management system, being adopted also in Sweden. Through MyEnfo, Enfo can offer more efficient IT services of a higher quality to customers.

Information Logistics Services proceeded as planned, even though competition is getting more intense on the market. Demand for electronic services continues to be strong, with new intelligent data processing services raising interest among customers. The market is expecting new service concepts to analyse the increasing amount of information and to report the information for business needs. The termination of the national direct debiting system in a year raises questions among consumer invoicers, which has a positive impact on the demand for migration services within Information Logistics Services. The Hospital District of Helsinki and Uusimaa (HUS) selected Enfo as its information logistics operator in the transmission of its sales invoices and customer letters. The agreement covers nearly 1.3 million invoices, 800,000 pages of invoice attachments, and 100,000 customer letters, comprising some of all customer letters sent by HUS every year. The total value of the agreement is more than EUR 1.9 million over three years.

Turnover

Enfo Group's turnover in July–September increased by 3.0% and stood at EUR 31.7 million (30.8). In January–September, the Group's turnover grew by 3.9% to EUR 106.1 million (102.1). The growth in the Group's turnover particularly reflects the increase in IT Services which was accelerated by the positive development of Outsourcing Services in Sweden. The Group's turnover was decelerated by slow hardware sales and tighter competition on the Finnish information logistics market.

Development of turnover by reporting segment

EUR million	7–9/2012	7–9/2011	1–9/2012	1–9/2011	1–12/2011
IT Services	24.1	22.5	82.4	77.4	109.9
Information Logistics Services	8.3	8.9	25.5	26.5	35.2

The turnover of Enfo IT Services increased by 7.4% in July–September and stood at EUR 24.1 million (22.5). In January–September, turnover of IT Services grew by 6.4% to EUR 82.4 million (77.4).

The turnover of Information Logistics Services in July–September decreased by 6.1% and stood at EUR 8.3 million (8.9). In January–September, turnover decreased by 4.0% and stood at EUR 25.5 million (26.5).

Profitability

Enfo Group's operating profit increased by 64.4% in July–September and stood at EUR 2.7 million, representing 8.5% of turnover (EUR 1.6 million and 5.3%). The growth in profitability is based on the last year's successful improved efficiency measures within Finnish business operations. In July–September, the positive development in operating profit was increased by the improvement in the profitability of IT Services in Finland. The growth decelerated due to fierce price competition in the Swedish IT market.

The Group's operating profit increased by 81.0% in January–September and stood at EUR 7.5 million representing 7.1% of turnover (EUR 4.1 million and 4.0%). The Group's profit before taxes in July–September stood at EUR 2.6 million (1.5), comprising 8.3% of turnover (4.7%). In January–September, profit before taxes amounted to EUR 6.7 million (3.9), comprising 6.4% of turnover (3.9%). The Group's net financing costs stood

at EUR 0.1 million (0.2) in July–September and EUR 0.7 million (0.2) in January–September. The result in July–September was EUR 2.0 million, comprising 6.2% of turnover (EUR 1.0 million and 3.4%). In January–September, the result was EUR 5.0 million (2.9), comprising 4.7% of turnover (2.8%). Earnings per share in July–September were EUR 2.35 (1.78). Earnings per share in January–September were EUR 6.38 (4.89).

Development of operating profit by reporting segment

EUR million	7–9/2012	7–9/2011	1–9/2012	1–9/2011	1–12/2011
IT Services	1.4	0.2	4.1	0.7	2.3
Information Logistics Services	1.2	1.5	3.4	3.6	5.0

Compared with the previous year, the result of IT Services was weakened by non-recurring reorganisation costs within Finnish Outsourcing Services. In Finland, the positive development of the profitability of IT Services was affected by the efficiency measures and successful business operation in the IT market. The profitability of IT Services was decelerated by development costs arising from Outsourcing Services in Sweden and tighter price competition within Consulting Services.

The operating profit for Information Logistics Services decreased in July–September compared with the same period last year. This was caused by competition becoming tighter on the Finnish information logistics market.

Financing and investments

Enfo's net financing costs stood at EUR 0.9 million (5.5) in July–September and EUR 2.6 million (8.2) in January–September. Investments were mainly aimed at data centre hardware acquired through financial leasing agreements and data systems' development costs. The company's equity ratio was 43.9% (42.4%) at the end of September. Interest-bearing net liabilities at the end of September amounted to EUR 32.5 million (30.0) and net gearing was 65.4% (68.7%).

Personnel

In January–September, Enfo Group employed an average of 775 people (710). At the end of September, the Group employed a total of 784 people (761).

Enfo's IT Services unit employed an average of 678 people in January–September (618), and the Information Logistics Services unit employed an average of 73 people (75). Of Enfo's personnel, 331 (351) were employed in Finland and 444 (359) 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 Osuuskaunta KPY; Mammu Kaario, Investment Director at Korona Invest Oy; and Timo Kärkkäinen, Senior Portfolio Manager of Ilmarinen Mutual Pension Insurance Company.

Members of Enfo Group's Management Team were CEO Arto Herranen, CFO Tero Kosunen (Finance and Communications), Senior Vice President Maria Lundell (HR), Executive Vice President Nina Annila (Industry Verticals), Executive Vice President Johan de Verdier (Consulting Services), Executive Vice President Osmo Wilska (Outsourcing Services), Managing Director Lars Aabol (Enfo Systems), Managing Director Magnus Björk (Enfo Zipper), Managing Director Peter Lörincz (Enfo Zecurity), Managing Director Tero Saksman (Enfo Zender), Business Unit Director Johan Wilhelmsson (Outsourcing Sweden) and Marketing Director Adam Ritzén.



On 18 September, Johan de Verdier, Executive Vice President and Deputy CEO, from Sweden, announced his retirement from his current position at the end of October 2012. He will continue as a Senior Advisor at Enfo in various business development projects and as a member of Enfo Sweden AB's Board of Directors.

Shares

On 30 September 2012, Enfo Oyj had a total of 589,120 shares. At the end of September, the company had a total of 106 shareholders. The company has one series of shares. Enfo owned 3,738 of its treasury shares at the end of September 2012.

At 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, Enfo Oyj, Pohjois-Savon Osuuspankki and Hannu Isotalo Oy. Osuuskunta KPY's share of ownership is 81.9%.

Forecast for likely future development

The company estimates its turnover to reach the previous year's level during the final quarter of 2012. However, operating profit during the final quarter may fall below the previous year's level due to non-recurring costs arising from Consulting business area.

Risks and uncertainties

Short-term risks and uncertainties are associated with the maintenance of competitive prices in the highly competitive IT service market.

The new strategic choices of the largest Nordic companies within the industry may have an impact on the company's market position in the long-term.

Events after the review period

On 11 September, Enfo Oyj announced to corporatise the operations of Information Logistics Services under Enfo Zender Oy. The company was entered in the trade register on 5 September 2012 and started operating on 1 October 2012.

The Group's personnel working in Kuopio will be relocated to the office building located on Viestikatu in Kuopio from February 2013. The company signed a lease agreement on the building with Technopolis Plc in October. In addition, the subsidiary Enfo Zender Oy has production facilities in Kelloniemi, Kuopio.

Lars Aabol has been appointed as Executive Vice President for Enfo's Consulting Services business area and Managing Director of Enfo Sweden AB as of November 1, 2012. He is currently working as Managing Director of Enfo Zsystems AB.

Timetable for financial reporting in 2012

Enfo Oyj will publish a financial statements release on 26 February 2013 concerning the period of 1 January – 31 December 2012. The timetable for financial reporting in 2013 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 IFRS standards and the accounting principles published in the 2011 financial statements. However, starting from 1 April 2012, the company has started to apply cash flow hedging calculation to hedging against the interest rate risk and to apply the net investment hedging calculation aimed at a foreign unit to hedging against the exchange rate risk. In cash flow hedging, unrealised value changes in interest-derivatives are recognised in the hedging fund in comprehensive income insofar as the hedging is efficient and the terms of hedging calculation are met. In net investment hedging aimed at a foreign unit, translation differences arising from different operating currencies are recognised in other comprehensive income items.

Consolidated income statement					
EUR million	7–9/12	7–9/11	1–9/12	1–9/11	1–12/11
Turnover	31.7	30.8	106.1	102.2	143.2
Other operating income	0.0	0.0	0.1	0.0	0.6
Materials and services	-9.9	-11.9	-34.6	-40.4	-55.9
Employee benefit expenses	-14.4	-12.3	-48.0	-42.2	-58.7
Depreciation, amortisation and impairment	-1.2	-1.1	-3.4	-3.3	-4.5
Other operating expenses	-3.6	-3.9	-12.8	-12.2	-17.5
Operating profit	2.7	1.6	7.5	4.1	7.3
Financial income	0.4	0.2	0.6	0.7	0.4
Finance costs	-0.4	-0.3	-1.3	-0.9	-1.4
Profit before taxes	2.6	1.5	6.7	3.9	6.3
Income tax	-0.7	-0.4	-1.7	-1.1	-1.6
Profit for the period	2.0	1.0	5.0	2.9	4.7
Attributable to					
Equity-holders of the parent company	1.4	1.0	3.7	2.9	4.2
Non-controlling interests	0.6		1.3		0.4
Earnings per share, EUR	2.35	1.78	6.38	4.89	7.19

Statement of comprehensive income			
EUR million	1–9/12	1–9/11	1–12/11
Profit for the period	5.0	2.9	4.7
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	1.2	-0.8	0.2
Hedge accounting of a net investment in a foreign subsidiary	0.7		
Other translation differences	-0.3	-0.5	0.1
Cash flow hedging	-0.4		
Taxes associated with other comprehensive income items	0.1	0.0	0.0
Other comprehensive income for the period	6.3	1.6	4.9
Attributable to			
Equity-holders of the parent company	5.0	1.6	4.5
Non-controlling interests	1.3		0.4

Consolidated statement of financial position			
EUR million	30 Sep. 2012	30 Sep. 2011	31 Dec. 2011
Assets			
Non-current assets			
Tangible assets	5.5	4.4	5.3
Goodwill	66.0	61.8	63.3
Other intangible assets	3.3	2.7	4.2
Available-for-sale investments	0.1	0.1	0.1
Receivables	0.1	0.1	0.1
Deferred tax assets	0.5	0.4	0.4
Non-current assets, total	75.4	69.6	73.3

Current assets			
Inventories	0.5	0.3	0.3
Trade receivables	25.6	22.6	28.4
Other receivables	4.6	2.7	3.0
Tax assets based on the period's taxable income	4.2	2.9	2.3
Available-for-sale investments	0.0	0.0	0.0
Cash and cash equivalents	3.6	6.5	6.0
Total current assets	38.6	34.9	40.0
Total assets	114.0	104.5	113.3
Equity and liabilities			
Share capital	0.3	0.3	0.3
Share premium account	13.3	13.3	13.3
Other reserves	1.5	1.8	1.8
Retained earnings	33.3	28.3	30.3
Equity attributable to equity-holders of the parent company, total	48.3	43.7	45.7
Non-controlling interests	1.3		0.4
Total equity	49.7	43.7	46.2
Non-current liabilities			
Interest-bearing liabilities	26.4	29.5	27.5
Other liabilities	3.2	2.2	3.0
Non-current liabilities, total	29.6	31.7	30.5
Current liabilities			
Interest-bearing liabilities	9.7	7.0	8.2
Trade payables	5.6	5.7	6.7
Other liabilities	19.4	16.4	21.7
Current liabilities, total	34.7	29.0	36.6
Total liabilities	64.1	60.8	67.1
Total equity and liabilities	114.0	104.5	113.3

Condensed statement of cash flows	1–9/12	1–9/11	1–12/11
EUR million			
Cash flow from operating activities			
Profit for the period	5.0	2.9	4.7
Adjustments to the profit for the period	5.9	4.5	6.9
Change in working capital:			
Interest paid and received	-2.8	0.6	-0.6
Taxes paid	-1.5	-0.9	-1.1
Cash flow from operating activities	2.3	4.3	6.8

Cash flow from investment activities			
Acquisition of subsidiaries less financial assets on the acquisition date		-6.2	-4.8
Investments in tangible and intangible assets	-0.9	-2.2	-0.7
Acquired operations			-1.7
Changes in other investments	0.0	0.3	-0.2
Cash flow from investment activities	-0.9	-8.2	-7.4
Cash flow from financing			
Changes in loans	-0.7	5.9	2.5
Changes in equity	-1.2	-2.7	-2.8
Repayment of financial leasing liabilities	-1.9	-1.1	-1.2
Cash flow from financing	-3.8	2.1	-1.5
Changes in cash and cash equivalents	-2.5	-1.7	-2.2
Impact of changes in exchange rates on cash and cash equivalents	0.1	0.0	0.0
Cash and cash equivalents at the beginning of the period	6.0	8.1	8.1
Cash and cash equivalents at the end of the period	3.6	6.5	6.0

Key figures	1–9/12	1–9/11	1–12/11
Turnover (EUR million)	106.1	102.2	143.2
Operating profit (EUR million)	7.5	4.1	7.3
% of turnover	7.1	4.0	5.1
Profit before taxes (EUR million)	6.7	3.9	6.3
% of turnover	6.4	3.9	4.4
Profit for the period (EUR million)	5.0	2.9	4.7
% of turnover	4.7	2.8	3.3
Earnings per share, EUR	6.38	4.89	7.19
Return on investment, %	12.8	8.3	9.7
Return on equity, %	14.0	8.7	10.2
Equity ratio, %	43.9	42.4	41.1
Net gearing, %	65.4	68.7	64.4
Interest-bearing net debt (EUR million)	32.2	30.0	29.7
Equity/share, EUR	82.1	74.2	77.6
Average number of employees	775	710	727
Number of shares	589,120	589,120	589,120

Consolidated statement of changes in equity	Share capital	Share premium account	Treasury shares	Translation differences	Fair value reserve	Retained earnings	Total equity	Non-controlling interest	Total equity
Equity on 1 Jan. 2011	0.3	13.3	0.0	1.9	1.6	27.8	44.9		44.9
Comprehensive income									
Other comprehensive income items									
Profit/loss for the period						2.9	2.9		2.9
Exchange rate differences caused by net investments in foreign subsidiaries				-0.8			-0.6		-0.6
Other translation differences				-0.5			-0.5		-0.5
Other comprehensive income items for the period after taxes				-1.3		2.9	1.6		1.6
Business operations with owners									
Distributed dividends						-2.9	-2.9		-2.9
Share issue					0.2		0.2		0.2
Total					0.2	-2.9	-2.7		-2.7
Other currency translations differences				-0.1		0.1			0.0
Equity on 31 Sep. 2011	0.3	13.3	0.0	0.5	1.8	27.8	43.8		43.8

Consolidated statement of changes in equity	Share capital	Share premium account	Treasury shares	Translation differences	Fair value reserve	Retained earnings	Total equity	Non-controlling interest	Total equity
Equity on 1 Jan. 2012	0.3	13.3	-0.1	2.1	1.8	28.2	45.7	0.4	46.2
Comprehensive income									
Other comprehensive income items									
Profit/loss for the period						3.7	3.7	1.3	5.0
Exchange rate differences caused by net investments in foreign subsidiaries				1.2			1.2		1.2
Cash flow hedging				0.7			0.7		0.7
Other translation differences				-0.3			-0.3		-0.3
Tax related to other comprehensive income					-0.4		-0.4		-0.4
Other comprehensive income items for the period after taxes					0.1		0.1		0.1
Business operations with owners	0.0	0.0	0.0	1.6	-0.3	3.7	5.0	1.3	6.3
Distributed dividends									
Purchase of own shares						-2.1	-2.1	-0.4	-2.6
Total			-0.2				-0.2		-0.2
Other currency translations differences	0.0	0.0	-0.2	0.0	0.0	-2.1	-2.3	-0.4	-2.8
Equity on 30 Sep. 2012	0.3	13.3	-0.3	3.8	1.5	29.8	48.3	1.3	49.7

Turnover by business segment	7–9/12	7–9/11	1–9/12	1–9/11	1–12/11
EUR million					
IT Services	24.1	22.5	82.4	77.4	109.9
Information Logistics Services	8.3	8.9	25.5	26.5	35.2
Eliminations and others	-0.7	-0.6	-1.7	-1.7	-1.9
Group total	31.7	30.8	106.1	102.2	143.2

Operating profit by business segment	7–9/12	7–9/11	1–9/12	1–9/11	1–12/11
EUR million					
IT Services	1.4	0.2	4.1	0.7	2.3
Information Logistics Services	1.2	1.5	3.4	3.6	5.0
Eliminations and others	-0.1	-0.2	0.0	-0.2	0.0
Group total	2.7	1.6	7.5	4.1	7.3

Changes in tangible fixed assets	1–9/12	1–9/11	1–12/11
EUR million			
Carrying amount at the beginning of the period	5.2	4.1	4.1
Increases	2.0	2.1	3.5
Decreases	0.0	-0.2	-0.2
Depreciation and amortisation	-1.8	-1.6	-2.1
Exchange rate differences	0.0	0.0	0.0
Carrying amount at the end of the period	5.4	4.4	5.2

Commitments and contingencies	30 Sep. 2012	30 Sep. 2011	31 Dec. 2011
EUR million			
Liabilities with business mortgage or pledge as security			
Loans from financial institutions	32.2	23.5	22.4
Pension loans		9.7	9.7
Total loans	32.2	33.1	32.1
Business mortgage	11.4	11.4	11.4
Subsidiary shares	14.8	14.8	14.8
<i>Other liabilities</i>			
Leasing liabilities	5.4	4.5	4.5
Other rental liabilities	10.3	11.6	11.5
Other contingent liabilities	0.2	0.1	0.1
Total other liabilities	15.9	16.2	16.0



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Enfo is a prominent Nordic IT company, offering packaged and efficient IT outsourcing, business process outsourcing, and niche IT consulting designed to help our customers in Sweden, Norway, Denmark, Finland, and around the world focus on their core business. With over 45 years of experience developing proven IT solutions and concepts, along with the deep expertise of our nearly 800 top IT consultants, we make business processes simpler, smoother and smarter. Enfo's annual turnover is more than EUR 140 million. For further information about Enfo, please visit enfo.fi and enfo.se.

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