



enfo

2015

INTERIM REPORT

January-September  
28/10/2015

Q3

## Key points of the interim report

- Turnover fell by 3.4% in July–September to EUR 31.3 (32.4) million. In January–September, turnover decreased by 3.6% and stood at EUR 101.5 (105.3) million. The divestments carried out during the year in Financial Process Services and the intense competition in invoice operator services contributed to the decrease in turnover.
- Operating profit (EBIT) increased by 66.5% in July–September to EUR 3.1 (1.8) million. The operating profit of the reference period includes non-recurring costs from a loss-producing customer project totalling EUR 2.4 million. In January–September, operating profit decreased by 16.2% and stood at EUR 6.4 (7.6) million.
- Profit before taxes in July–September stood at EUR 2.6 (1.8) million. In January–September, profit before taxes was EUR 5.7 (6.6) million.
- Earnings per share in July–September were EUR 3.08 (1.87). In January–September, earnings per share were EUR 6.19 (6.73).
- The twelve-month return on investment was 10.0% (11.8%).
- In January–September, Enfo Group employed an average of 805 people (765). At the end of September, the Group had a total of 801 employees (807).
- In January–September, cash flow from operating activities totalled EUR 9.1 (8.1) million.
- The company estimates that consolidated turnover will decrease in 2015 from the previous year. Operating profit is expected to decrease slightly in 2015 from the year before.
- Short-term risks are associated with maintaining competitive prices in the highly competitive IT services market.

### Arto Herranen, CEO:

Enfo's third quarter progressed in line with expectations. Turnover decreased slightly compared with the same period last year. Without the effect of divested businesses, the turnover would have remained at the previous year's level. Operating profit without non-recurring items increased, but the reference period includes non-recurring costs totalling EUR 2.4 million. The comparable operating profit decreased clearly. Intense price competition and investments in new businesses, including the outsourcing services of financial processes, significantly weakened the Group's profitability.

The weak economic situation and predictions of continued uncertainty were evidenced by the generally weak development of IT and invoice operator services and by the intensifying price competition in Finland. On the other hand, Enfo has engaged in several active negotiations on outsourcing of financial processes, and important new agreements will be signed during the last quarter. In Sweden, the economic indicators were markedly better and the outlook positive. This strengthened the demand for consultancy services.

A wind of change is clearly blowing in the Finnish IT services market. The customers' IT solutions are becoming more diverse, and building efficient packages requires diverse expertise. Enfo both aims to be a competent advisor for its customers and to be able to provide the required solutions as a service. In order to achieve this, extensive modification work was completed in the operating methods and the organisation.

Investing in the outsourcing services of financial processes has proven to be the correct decision. The interest in these services among the potential customer base is growing well, and the benefits and experience gained from outsourcing by existing customers support our view of increasing demand.

During the third quarter, the consultancy services developed very favourably in Sweden. There was a marked increase in demand, and the situation also allowed the price level to be slightly revised, which was reflected by the improved profitability.

The good demand for consultancy services in Sweden makes it possible to also expand this service offering to Finland. Growth will also be supported by developing solutions-based business in all service sectors.

## Business development

Enfo Oyj is the parent company of Enfo Group. Enfo's business operations are divided into two separately reported segments – IT Services, and Financial Process Services.

### IT Services

The turnover of IT Services increased by 1.3% during the third quarter. In Finland, the sales of services remained at the previous level; therefore, the growth was particularly brought about by the positive development of consultancy business in Sweden. Profitability also developed moderately, and profit was clearly better than during the weak comparison period in the previous year. We succeeded in slightly revising our prices for consultancy services, but in cloud services, for example, the intense price competition continued.

In the IT Services and Outsourcing Business Area included in IT Services, the extensive modification work regarding the organisation and methods of operation was completed. The planning for that work started already in spring. The changed model of operations did not affect the number of employees, only the job descriptions and organisational structure. Work in the new organisation started from the beginning of October. The aim of the change was to provide better support for sales and the development of demand and to create a more uniform way of working with customers. This will also ensure efficient production and the high quality of services.

While the customers' decision-making regarding IT-related procurement is increasingly being left to persons responsible for businesses, the IT environment is also becoming more complex. The customers want to utilise different solutions, such as proprietary and bought-in systems, as well as public cloud services. Combining these into efficient entities requires increasingly diverse expertise. Enfo is developing its competencies and methods of operation in order to be able to act as an advisor and to provide the information technology its customers need as a continuous service.

During the quarter, several new accounts were acquired, among them the agreement signed in late September regarding the IT infrastructure services and working hours for the Helsinki Region Environmental Services HSY. The services cover the server and management services for HSY and the associated support and maintenance services, troubleshooting and diagnostic services, as well as fault repair and other services required.

With the new organisation, growth is expected through more active sales and better management of customer accounts. The application outsourcing markets and consultancy services both offer a clear potential for growth.

## Financial Process Services

The turnover of Financial Process Services decreased by 16,7% from the reference period. The interest in outsourcing services continued to increase clearly, but the intense competitive situation in invoice operations weakened the overall development. As expected, the profitability of Financial Process Services dipped from the previous year's level due to price competition and the development costs of new services. In invoice operations, the development investments were targeted at the digitalisation of the service platform and, in financial process outsourcing services, at a cloud-based MS AX service platform.

The development of financial process outsourcing services and the recruitment of new experts during the previous quarter have proven to be the right solutions. The strengthening demand for outsourcing services that continued during the autumn gives positive indications of expanding the business to new customer accounts.

The continued increase of interest in outsourcing services was also evidenced by new customer agreements. Savon Voima, one of the largest providers of energy services in Finland, agreed in August that it would procure its financial management application services from Enfo. According to the agreement that will enter into force in the beginning of 2016, Savon Voima will start using Enfo's standardised financial management applications as a cloud service. The aim of the productised service solution is better cost efficiency, better management of procurement and improved competitiveness. In addition, three Letters of Intent were signed during the period. They will be published at a later stage.

## Turnover

Enfo Group's turnover fell by 3.4% in July–September to EUR 31.3 (32.4) million. In January–September, consolidated turnover fell by 3.6% and stood at EUR 101.5 (105.3) million.

### *Development of turnover by reporting segment*

EUR million	7-9/2015	7-9/2014	1-9/2015	1-9/2014	1-12/2014
IT Services	24.4	24.1	78.2	79.1	109.3
Financial Process Services	7.5	9.0	24.8	27.7	37.6

The turnover of IT Services increased by 1.3% in July–September to EUR 24.4 (24.1) million. The turnover accumulated from the beginning of the year was EUR 78.2 (79.1) million, a decrease of 1.1% from the reference period.

The turnover of Financial Process Services fell by 16.7% in July–September to EUR 7.5 (9.0) million. In January–September, turnover decreased by 10.3% and stood at EUR 24.8 (27.7) million.

## Profitability

Enfo Group's operating profit increased by 66.5% in July–September and stood at EUR 3.1 million, representing 9.9% of turnover (EUR 1.8 million and 5.7%, respectively). The reference period included non-recurring costs of EUR 2.4 million. In January–September, the Group's operating profit decreased by 16.2% to EUR 6.4 million, representing 6.3% of turnover (EUR 7.6 million and 7.2%, respectively).

*Development of operating profit by reporting segment*

EUR million	7-9/2015	7-9/2014	1-9/2015	1-9/2014	1-12/2014
IT Services	2.6	0.5	4.5	4.2	5.6
Financial Process Services	0.5	1.4	1.9	3.4	4.1

The decrease in the operating profit of IT Services was affected by increasingly fierce price competition.

The turnover of Financial Process Services fell from the previous year's level as expected. This was partly caused by the decrease in turnover and non-recurring reorganisation expenses, but also by investments made in the development of new services.

## Financing and investments

Enfo's net investments stood at EUR 1.0 (3.8) million in July–September and EUR 2.5 (7.7) million in January–September. The investments mainly consisted of data centre hardware acquired through financial leasing agreements and of investments in the provision of financial process services.

At the end of September, the company's equity ratio was 46.3% (43.1%). Interest-bearing net liabilities stood at EUR 26.7 (31.6) million and net gearing was 51.5% (61.3%) at the end of September.

The financial institutions released all guarantees of bank loans, totalling EUR 27.8 million and consisting of EUR 11.4 million in business mortgages and EUR 16.4 million in subsidiary company shares.

## Changes in the Management Team

Samuli Savo (b. 1975, M.Sc. Eng.) was appointed Executive Vice President of IT Services and Outsourcing and a member of the Group's Management Team on 1 June 2015. Savo started in his new position on 1 August 2015.

## Personnel

In January–September, Enfo Group employed an average of 805 people (765). At the end of September, the Group had a total of 801 employees (807).

Enfo's IT Services employed an average of 715 people (638) in January–September, while Financial Process Services employed an average of 90 people (103). Of Enfo's personnel, 345 (367) were stationed in Finland and 460 (397) in Sweden during the review period.

## Shares

On 30/09/2015, Enfo Oyj had a total of 592,785 shares. At the end of September, Enfo had a total of 112 shareholders. The company has one series of shares. Enfo held 1,011 treasury shares at the end of September 2015.

At the end of September 2015, the ten largest shareholders of the company were Osuuskunta KPY, Ilmarinen Mutual Pension Insurance Company, Enfo Oyj's Personnel Fund HR, Einari Vidgrén Oy, Keski-suomalainen Oyj, Pohjois-Savo Cooperative Bank, Hannu Isotalo Oy, Kallax Oy, Arto Herranen and the Saastamoinen Foundation. Osuuskunta KPY's share of ownership is 86.1%.

### Forecast for likely future development

The company expects that the turnover of the IT Services segment will, in 2015, remain at the previous year's level. Operating profit is expected to grow from the year before.

The turnover of the Financial Process Services segment is estimated to fall clearly from the previous year due to divested business operations. Operating profit is expected to be significantly lower than last year due to investments in new businesses and a decrease in turnover.

The company expects that consolidated turnover will decrease slightly in 2015 from the previous year. Operating profit is also expected to decrease slightly in 2015 from the year before.

### Risks and uncertainties

Short-term risks and uncertainties are associated with maintaining competitive prices in all of the Group's business areas. Over the long term, new delivery methods, such as global cloud services, may significantly change the business environment for IT outsourcing services.

### Timetable for financial reporting in 2015

Enfo Oyj will publish its financial statements bulletin for 1 January – 31/12/2015 on 02 March 2016. The timetable for financial reporting in 2016 will be published in full in connection with the financial statements bulletin.

## 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 2014 Financial Statements. 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	7-9/15	7-9/14	1-9/15	1-9/14	1-12/14
<b>Turnover</b>	<b>31.3</b>	32.4	101.5	105.3	145.3
Other operating income	<b>0.0</b>	0.2	0.8	0.3	0.1
Materials and services	<b>-10.1</b>	-10.3	-32.8	-33.7	-48.5
Employee benefit expenses	<b>-13.0</b>	-13.5	-47.1	-45.7	-62.6
Depreciation and amortisation	<b>-1.3</b>	-1.2	-3.8	-3.3	-4.6
Other operating expenses	<b>-3.9</b>	-5.8	-12.3	-15.2	-19.9
<b>Operating profit</b>	<b>3.1</b>	1.8	6.4	7.6	9.7
Financial income	<b>0.1</b>	0.2	0.5	0.3	0.4
Financial expenses	<b>-0.7</b>	-0.2	-1.2	-1.3	-2.0
<b>Profit before taxes</b>	<b>2.6</b>	1.8	5.7	6.6	8.1
Income tax	<b>-0.5</b>	-0.3	-1.1	-1.3	-1.6
<b>Profit for the period</b>	<b>2.0</b>	1.5	4.5	5.3	6.4
Attributable to					
Equity holders of the parent	<b>1.9</b>	1.1	3.7	4.0	5.0
Non-controlling interests	<b>0.2</b>	0.4	0.9	1.3	1.4
Earnings per share, EUR	<b>3.08</b>	1.87	6.19	6.73	8.50

### Statement of comprehensive income

EUR million	1-9/15	1-9/14	1-12/14
<b>Profit for the period</b>	<b>4.5</b>	5.3	6.4
Translation differences from net investments in a foreign subsidiary	<b>0.0</b>	-0.6	-1.0
Other translation differences	<b>0.0</b>	-0.3	-0.6
Cash flow hedging	<b>0.1</b>	0.0	0.0
Other comprehensive income items	<b>0.0</b>	0.0	0.0
Taxes associated with other comprehensive income items	<b>0.0</b>	0.0	-0.0
<b>Other comprehensive income for the period</b>	<b>4.5</b>	4.3	4.7
Attributable to			
Equity holders of the parent company	<b>3.7</b>	3.0	3.3
Non-controlling interests	<b>0.9</b>	1.3	1.4

## Consolidated statement of financial position

EUR million	30/09/2015	30/09/2014	31/12/2014
<b>Assets</b>			
<b>Non-current assets</b>			
Tangible assets	4.2	5.2	5.2
Goodwill	62.2	65.2	62.3
Other intangible assets	6.7	5.4	7.1
Available-for-sale investments	0.1	0.1	0.1
Receivables	0.1	0.1	0.2
Deferred tax assets	0.2	0.3	1.2
<b>Total non-current assets</b>	<b>73.6</b>	<b>76.5</b>	<b>76.0</b>
<b>Current assets</b>			
Inventories	0.2	0.3	0.3
Trade receivables	21.2	24.4	25.8
Other receivables	2.8	3.0	3.0
Tax assets based on the period's taxable income	4.4	5.4	3.4
Available-for-sale investments	0.0	0.0	0.0
Cash and cash equivalents	10.3	10.8	13.3
<b>Total current assets</b>	<b>39.1</b>	<b>44.0</b>	<b>45.9</b>
<b>Total assets</b>	<b>112.7</b>	<b>120.5</b>	<b>121.9</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	0.3	0.3	0.3
Share premium account	13.3	13.3	13.3
Other reserves	1.8	1.7	1.8
Retained earnings	35.7	35.0	35.3
<b>Equity attributable to equity holders of the parent company,</b>	<b>51.0</b>	<b>50.3</b>	<b>50.6</b>
<b>Non-controlling interests</b>	<b>0.9</b>	<b>1.3</b>	<b>1.4</b>
<b>Total equity</b>	<b>51.9</b>	<b>51.6</b>	<b>52.0</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	22.4	30.0	26.8
Other liabilities	0.2	0.4	0.3
Deferred tax liabilities	0.7	0.4	0.7
<b>Non-current liabilities, total</b>	<b>23.3</b>	<b>30.9</b>	<b>27.8</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	14.7	12.4	15.2
Trade payables	6.1	6.5	9.4
Other liabilities	16.7	19.1	17.4
<b>Current liabilities, total</b>	<b>37.5</b>	<b>38.0</b>	<b>42.0</b>
<b>Total liabilities</b>	<b>60.8</b>	<b>68.9</b>	<b>69.9</b>
<b>Total equity and liabilities</b>	<b>112.7</b>	<b>120.5</b>	<b>121.9</b>



**Condensed statement of cash flows**

EUR million	1-9/15	1-9/14	1-12/14
<b>Cash flow from operating activities</b>			
Profit for the period	4.5	5.3	6.4
Adjustments to the profit for the period	5.7	5.6	7.8
Change in working capital	1.1	1.9	2.8
Interest paid and received	-0.8	-0.9	-1.0
Taxes paid	-1.4	-3.9	-4.5
<b>Cash flow from operating activities</b>	<b>9.1</b>	<b>8.1</b>	<b>11.5</b>
<b>Cash flow from investment activities</b>			
Acquisition of subsidiaries less cash and cash equivalents on the		-2.9	-3.0
Investments in tangible and intangible assets	-1.3	-0.7	-1.0
<b>Cash flow from investment activities</b>	<b>-1.2</b>	<b>-3.7</b>	<b>-4.0</b>
<b>Cash flow from financing</b>			
Changes in loans	-3.6	8.9	9.1
Changes in equity	-4.9	-4.5	-4.5
Repayment of financial leasing liabilities	-2.5	-2.3	-3.1
<b>Cash flow from financing</b>	<b>-11.0</b>	<b>2.2</b>	<b>1.5</b>
<b>Changes in cash and cash equivalents</b>	<b>-3.0</b>	<b>6.6</b>	<b>9.0</b>
Impact of exchange rate changes on cash and cash equivalents	0.0	0.0	-0.1
Cash and cash equivalents at the beginning of the period	13.3	4.2	4.2
Cash and cash equivalents at the end of the period	10.3	10.8	13.3

### Key figures

	1-9/15	1-9/14	1-12/14
Turnover (EUR million)	101.5	105.3	145.3
Operating profit (EUR million)	6.4	7.6	9.7
% of turnover	6.3	7.2	6.7
Profit before taxes (EUR million)	5.7	6.6	8.1
% of turnover	5.6	6.3	5.5
Profit for the period (EUR million)	4.5	5.3	6.4
% of turnover	4.4	5.0	4.4
Earnings per share, EUR	6.19	6.73	8.50
Return on investment, %	10.0	11.8	11.3
Return on equity, %	11.6	13.6	12.4
Equity ratio, %	46.3	43.1	42.9
Net gearing, %	51.5	61.3	55.1
Interest-bearing net liabilities (EUR million)	26.7	31.6	28.7
Equity/share, EUR	86.4	85.2	85.8
Average number of employees	805	765	775
Number of shares	592,785	590,833	590,833

	Share capital	Share premium account	Treasury shares	Translation differences	Value change and other funds	Retained earnings	Total	Non-controlling interests	Total equity
<b>Equity on 1 Jan. 2014</b>	0.3	13.3	-0.1	2.8	1.8	32.3	50.5	1.3	51.7
Profit/loss for the period						4.0	4.0	1.3	5.3
<b>Comprehensive income</b>									
Other comprehensive									
Translation differences from net investments in a foreign subsidiary				-0.6			-0.6		-0.6
Net investment hedging				0.0			0.0		0.0
Other translation				-0.3			-0.3	-0.1	-0.3
Other comprehensive income items for the period	0.0	0.0	0.0	-0.9	0.0	4.0	3.1	1.2	4.3
Other comprehensive				-0.9	0.0	4.0	3.1	1.2	4.3
<b>Business operations with owners</b>									
Distributed dividends						-3.2	-3.2	-1.3	-4.5
Total	0.0	0.0	0.0	0.0	0.0	-3.2	-3.2	-1.3	-4.5
<b>Equity on 30 September</b>	0.3	13.3	-0.1	1.9	1.8	33.1	50.3	1.3	51.6

	Share capital	Share premium account	Treasury shares	Translation differences	Value change and other funds	Retained earnings	Total	Non-controlling interests	Total equity
<b>Equity on 1 January 2015</b>	0.3	13.3	-0.1	1.2	1.8	34.2	50.6	1.4	52.0
Profit/loss for the period						3.7	3.7	0.9	4.5
<b>Comprehensive income</b>									
Other comprehensive									
Translation differences from net investments in a foreign subsidiary									
Net investment hedging									
Other translation									
Cash flow hedging					0.1		0.1		0.1
Other comprehensive income items for the period				-0.1	0.1	0.0	0.0	0.0	0.0
Other comprehensive				-0.1	0.1	3.7	3.7	0.9	4.5
<b>Business operations with owners</b>									
Distributed dividends						-3.5	-3.5	-1.4	-4.9
Acquisition of treasury			-0.1				-0.1		-0.1
Sale of treasury shares			0.1				0.1		0.1
Management incentive						0.2	0.2		0.2
Total			0.0			-3.3	-3.3	-1.4	-4.7
<b>Equity on 30 September</b>	0.3	13.3	-0.1	1.1	1.9	34.6	51.0	0.9	51.9

**Turnover by business segment**

EUR million	7-9/15	7-9/14	1-9/15	1-9/14	1-12/14
IT Services	24.4	24.1	78.2	79.1	109.3
Financial Process	7.5	9.0	24.8	27.7	37.6
Eliminations and others	-0.3	-0.7	-1.4	-1.5	-1.5
Group total	31.3	32.4	101.5	105.3	145.3

**Operating profit by**

EUR million	7-9/15	7-9/14	1-9/15	1-9/14	1-12/14
IT Services	2.6	0.5	4.5	4.2	5.6
Financial Process	0.5	1.4	1.9	3.4	4.1
Group items and others	0.0	0.0	0.0	0.0	0.0
Group total	3.1	1.8	6.4	7.6	9.7

**Changes in tangible fixed assets**

EUR million	1-9/15	1-9/14	1-12/14
Carrying amount at the beginning of the period	5.2	5.3	5.3
Increases	1.0	2.4	3.2
Decreases	-0.1	-1.7	-0.8
Depreciation and	-1.8	-0.7	-2.6
Carrying amount at the end of the period	4.2	5.2	5.2

**Commitments and contingencies**

EUR million	30 September	30 September	31 December
Liabilities with business mortgage or pledge as security			
Loans from financial institutions	0.0	25.5	25.4
Business mortgage	0.0	11.4	11.4
Subsidiary shares	0.0	16.4	16.4
Derivative contracts			
Interest swaps			
Fair value	-0.2	-0.3	-0.2
Rated value SEK (SEK 26,148,640)	2.8	5.7	4.2
Rated value EUR	6.3	7.2	6.8
Other liabilities			
Leasing liabilities	6.4	7.3	7.0
Other rental liabilities	5.7	8.3	6.7
Other contingent liabilities	0.1	0.0	0.1
Bank guarantees	0.3	0.3	0.3
Total other liabilities	12.5	15.9	14.1

**For additional information, please contact:** CEO Arto Herranen (+358 44 7193 000) or CFO Christian Homén (+358 40 750 6902) (email format: [firstname.lastname@enfo.fi](mailto:firstname.lastname@enfo.fi)).

**Enfo** is a Nordic IT service company that offers IT outsourcing, business process outsourcing and IT consulting services for our customers in Finland, Sweden, Norway and Denmark so that our customers can focus on their core business operations. With 50 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 EUR 145 million (in 2014). For more information, please visit [www.enfo.fi](http://www.enfo.fi) and [www.enfo.se](http://www.enfo.se).

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